



Q2

REPORT 2017

Highlights of the Q2 report

- Total revenue in the second quarter of 2017 was MNOK 62, compared to MNOK 52 in the second quarter of 2016. The increase is primarily due to the properties acquired during the second half of last year.
- Operating profit (EBIT) in the quarter was MNOK 55 and pre-tax profit was MNOK 15, compared to MNOK 48 and MNOK 25 in the second quarter of 2016, respectively. The results for Q2 are negatively impacted by non-cash currency effects.
- At the end of the quarter PPG executed the quarterly dividend to holders of preference shares – in total NOK 1.875 per preference share. The next dividend to preference shareholders is scheduled for the end of the third quarter 2017. See the company's website for updated financial calendar information.
- At the end of the quarter PPG had total assets of MNOK 4,372, where Investment Properties were valued at MNOK 4,093, and with a cash balance of MNOK 274. Cash is reduced from the first quarter due to the previously announced dividend to ordinary shareholders of NOK 5 per share. Total debt was MNOK 2,594 with total equity of MNOK 1,778.
- In the quarter PPG consolidated the three pre-school properties which were acquired towards the end of the first quarter from operator Norlandia.
- After the end of the second quarter the Board of Directors approved the purchase of fourteen new properties in Finland. These properties will be included in the next financial report (Q3). See the stock exchange notice for more information.

Background and strategy

Pioneer Property Group ASA (PPG) is a real estate company focusing on providing high-quality properties for government-backed care-services. The company's current portfolio consists of approx. 150 properties centrally located in the large cities in Norway, Sweden and Finland. The total portfolio houses a total of over thirteen thousand children. The properties are leased out on long-term triple-net contracts to large kindergarten operators, including Norlandia Care Group, Espira and Touhula.

The company's property portfolio is a result of the acquisition from several independent preschool operators, again driven by these companies' wish to free-up resources and capital to be able to provide the highest quality possible in their primary focus area – preschool operations. Pioneer Property's kindergartens have during the later years played an important role in the improvement of the Norwegian preschool market, through improved capacity, quality and cost-efficiency.

Going forward the company's strategy is to expand its reach into care-services property with similar characteristics as the Norwegian kindergarten market – i.e. long term contracts with solid operators, again backed by government financing, or lease properties directly to municipalities looking for a solid private real estate partner. PPG's kindergartens are well located in central areas, including Stavanger, Bergen, Kristiansand, Göteborg, Helsinki, and the greater Oslo area.

Key material events during the quarter

The second quarter of 2017 was a stable operating quarter for the Company with no events of material significance above expected normal operating events. Three pre-schools acquired at the end of the first quarter were consolidated. At the end of the quarter, PPG executed the second quarter dividend payment to its preference shareholders.

Subsequent events since the end of the quarter

The Board of Directors approved the acquisition of additional fourteen properties in Finland for a total acquisition price of MEUR 34.5. These properties are leased out to the leading finish preschool operator Touhula with annual rental income of MEUR 2.3. The properties will be consolidated in PPG's next financial report.

Overview of the financial accounts for the second quarter of 2017

Total revenue in the second quarter of 2017 was MNOK 62, compared to MNOK 52 in the second quarter of 2016, primarily as a result of properties acquired during the second half of last year.

Operating profit (EBIT) in the quarter was MNOK 55 and pre-tax profit was MNOK 15, compared to MNOK 48 and MNOK 25 in the second quarter of 2016, respectively. The results for Q2 are negatively impacted by non-cash currency effects.

At the end of the quarter PPG had total assets of MNOK 4,372, where Investment Properties were valued at MNOK 4,093, and with a cash balance of MNOK 274. Total debt was MNOK 2,594 with total equity of MNOK 1,778. During the second quarter, no events have occurred that should have materially impacted the valuation of the investment properties.

In the preparation of the 2017 quarterly reports, PPG has also identified certain corrections to the 2016 figures. The corrections are not significant and 2016 will not be restated, but are included in the 2016 columns here on a pro-forma basis for information purposes, and adjustments will be made for the full year 2017. The corrections are: Fair value adjustment of investment properties has increased by MNOK 5 from MNOK 242 to MNOK 247, and profit before tax has increased correspondingly from MNOK 285 to MNOK 291. Deferred tax has increased from MNOK 52 to MNOK 70. Total difference in pro-forma and reported 2016 profit after tax is MNOK 13, and equity is MNOK 27.

Accounting policies:

The financial statements have been drawn up in accordance with International Standards for Financial Reporting (IFRS). The consolidated accounts for the quarter were compiled in accordance with IAS 34 - Interim Financial Reporting. This financial report is an update since the last published report, which is the annual report of 2016, and is therefore intended to be read in conjunction with the annual report of 2016.

Responsibility Statement of the Board of Directors

We confirm, to the best of our knowledge, that the set of financial statements for the period ending 30 June 2017 have been prepared in accordance with IFRS, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

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

24 August 2017

Roger Adolfsen
Chairman

Sandra Henriette Riise
Board Member

Even Carlsen
Board Member

Geir Hjort
Board Member

Nina Hjørdis Torp Høisæter
Board Member

Consolidated Income Statement - Pioneer Property Group ASA

NOK thousand	Note	Q1 17	Q2 17	YTD 2017	2016	Q1 16	Q2 16
Income from rent	2 18	60,333	61,593	121,926	217,548	52,302	52,302
Other income	2	1,097	14	1,112	193	151	14
Total Income		61,431	61,607	123,037	217,741	52,452	52,316
Payroll expenses	15	90	113	203	450		
Other operating expenses	8	7,446	6,601	14,048	27,302	5,962	4,768
Total Expenses		7,537	6,714	14,250	27,752	5,962	4,768
Fair value adjustment on investment properties	12	-	-	-	247,795	-	-
Operating profit (EBIT)		53,894	54,893	108,787	437,784	46,490	47,547
Finance income	13	1,424	741	2,165	2,707	631	688
Finance expenses	13	29,354	29,320	58,674	123,891	24,284	22,793
Other financial expenses	13	-	-	-	24,672	-	-
Currency expenses	13	1,615	11,662	13,277	812	-	-
Net Finance		-29,545	-40,242	-69,787	-146,668	-23,653	-22,105
Profit/(loss) before tax		24,348	14,652	39,000	291,115	22,838	25,443
Income taxes	10	5,844	3,516	9,360	70,281	5,709	6,361
Profit/(loss) for the period		18,505	11,135	29,640	220,834	17,128	19,082

Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

NOK thousand	Note	Q1 17	Q2 17	YTD 2017	2016	Q1 16	Q2 16
Profit/(loss) for the period		18,505	11,135	29,640	220,834	17,128	19,082
Total other comprehensive income, net of tax		-	-	-	-	-	-
Comprehensive income for the period		18,505	11,135	29,640	220,834	17,128	19,082
Profit or loss for the period attributable to							
All shareholders of Pioneer Property Group ASA		18,505	11,135	29,640	220,834	17,128	19,082
Comprehensive income for the period attributable to							
Ordinary shareholders of Pioneer Property Group ASA		6,317	-1,052	17,453	172,084	4,941	6,894
Earnings per share (NOK)							
Basic earnings per preference share	6	1.88	1.88	1.88	1.88	1.88	1.88
Basic earnings per ordinary share	6	0.644	-0.107	1.778	17.534	0.503	0.702
Dividend per preference share	6	1.88	1.88	1.88	1.88	1.88	1.88
Dividend per ordinary share	6	-	5.000	-	-	-	-

Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	30-06-17	31-12-16	30-06-16
Assets				
Investment property	12	4,092,574	4,042,640	3,411,937
Other non-current assets		1,000	6,492	-
Total non-current assets		4,093,574	4,049,132	3,411,937
Trade and other receivables	16	4,314	9,574	17,084
Cash and cash equivalents	7	274,375	349,733	125,472
Total current assets		278,689	359,307	142,556
Total assets		4,372,263	4,408,439	3,554,494
Equity and liabilities				
Share capital	17	16,314	16,314	16,314
Share premium	17	1,475,138	1,548,585	1,572,960
Retained earnings		286,585	256,944	72,373
Total equity		1,778,038	1,821,844	1,661,648
Borrowings	9	2,414,545	2,416,177	1,497,250
Deferred tax	10	78,287	78,287	27,914
Other non-current liabilities		758	9,339	109,432
Total non-current liabilities		2,493,590	2,503,804	1,634,595
Borrowings	9	52,394	38,391	223,097
Current tax payable	10	9,549	7,891	7,279
Other current liabilities		38,693	36,508	27,875
Total current liabilities		100,636	82,790	258,250
Total liabilities		2,594,226	2,586,594	1,892,846
Total equity and liabilities		4,372,263	4,408,438	3,554,494

Consolidated Statement of Changes in Equity - Pioneer Property Group ASA

NOK thousands	Attributable to owners of the parent			Total Equity
	Share capital	Share premium	Retained earnings	
Balance at 1 January 2016	16,314	1,585,201	36,110	1,637,625
Profit/(loss) for the period			220,834	220,834
Total comprehensive income for the period	0	0	220,834	220,834
Reduction of share capital				0
Divided		(36,616)		(36,616)
Transactions with owners	0	(36,616)	0	(36,616)
Balance at 31 December 2016	16,314	1,548,585	256,944	1,821,844
Profit/(loss) for the period			29,640	29,640
Divided		(73,447)		(73,447)
Other changes				0
Total comprehensive income for the period	0	(73,447)	29,640	(43,807)
Balance at 30 June 2017	16,314	1,475,138	286,585	1,778,037

Consolidated Statement of Cash Flows - Pioneer Property Group ASA

NOK thousands	Note	Q1-Q2 2017	2016	Q1-Q2 2016
Cash flows from operating activities:				
Profit before income tax		39,000	291,115	48,280
<i>Adjustments for:</i>				
Fair value adjustments on investment property			-247,795	-
Finance expense net		58,674	145,857	0
Taxes paid		-7,760		
Profit/loss on sale of fixed assets			70	70
Changes in working capital:				
Trade receivables	16	-123	225	587
Trade payables		2,185	2,722	-
Other accruals		10,934	-68,892	-13,060
Cash generated from operations		102,909	123,301	35,877
Interest received			2,707	-
Interest paid		-58,674	-123,891	-
Income tax paid		-	-7,279	-
Net cash generated from operating activities		44,235	-5,162	35,877
Cash flows from investing activities:				
Proceeds from sale of properties			1,237	1,237
Purchase of property	12	-49,934	-368,185	-
Proceeds from sale of shares and bonds			-70	-70
Net cash used in investing activities		-49,934	-367,018	1,167
Cash flows from financing activities:				
Proceeds from debt to financial institutions	9		1,676,110	-
Repayments of debt to financial institutions	9	3,788	-1,112,963	-94,714
Dividends paid to owners of the parent	6	-73,447	-36,563	-12,188
Net cash from financing activities		-69,659	526,584	-106,902
Net change in cash and cash equivalents		-75,358	154,404	-69,858
Cash and cash equivalents at beginning of period	7	349,733	195,329	195,330
Exchange gains/(losses) on cash and cash equivalents				
Cash and cash equivalents at period end	7	274,375	349,733	125,472

Notes to the Financial Statements - Pioneer Property Group ASA

Note 1: Accounting Principles

1.1 General information

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

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

The Company was incorporated 5 January 2015. The Group was formed 12 May 2015 after the acquisitions of Pioneer Public Properties I AS, Pioneer Public Properties II AS, Pioneer Public Properties III AS and Pioneer Public Properties IV AS. See note 11. In 2016 an additional subsidiary, Pioneer Public Properties V AS, was established.

The consolidated interim financial statements covers the period from 1 April 2017 to 30 June 2017 (Q2 column).

1.2 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated quarterly reports quarter are prepared in accordance with IAS 34 Interim Financial Reporting.

The quarter report represents an update on new circumstances arising after the annual report of 2016, and is therefore intended to be read in connection with this report.

The second quarter report has not been audited.

Note 2: Financial Risk

2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by management under guidance by the Board of Directors. Management identifies, evaluates and act upon financial risks.

a) Market risk

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

(i) Fair value interest rate risk

The Group holds interest bearing assets in terms for cash deposits. Fluctuations in interest would yield a higher or lower interest income. At the current level of cash deposits a change in interest rate of +/- 1 % would not be material for the financial statements.

The Group's interest rate risk arises from long-term borrowings. The Group holds several types of borrowings. Borrowings at fixed rates expose the Group to fair value interest rate risk.

(ii) Cash flow interest rate risk

Exposure to cash flow interest rate risk is assessed continuously. The need for a fixed rate is under constant review in relation to the Group to withstand adverse fluctuations in profit due to higher interest rates. Management's assessment is that the Group's current financial position does not indicate a further need for fixed interest rates.

If the interest rate had been +/- 1 % in Q2 2017 the result after tax would be +/- MNOK 6.1 million, all

other conditions unchanged and assuming a floating interest rate on 100% of the Company's borrowings.

b) Credit risk

Credit risk is the risk of loss when a party is unable to redeem their obligations to the Group, and credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, and credit exposures customers, including outstanding receivables and committed transactions. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on ratings. The utilization of credit limits is monitored regularly.

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

Exposure to credit risk at the end of the period:	30-06-17	31-12-16	30-06-16
Accounts receivable	705	582	220
Other Short term receivable	3,609	8,992	16,864
Cash balance	274,375	349,733	125,472
Total exposure	278,689	359,307	142,556

The credit risk related to outstanding to related parties and banks is considered to be low.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations at maturity without incurring a significant increase in finance cost or not being able to meet its obligations at all. The risk also includes that the Group must forfeit investment opportunities. Cash flow forecasting is performed at Group level. Group management monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom to avoid breaches in covenants on relevant borrowing facilities as well as capability to pay out quarterly dividends to holders of preference shares. The monitoring takes into account the Group's debt financing plans and covenant compliance.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Maturity of financial liabilities at the end of the period:	30-06-17				
	< 3mths	3m-1y	1y-2y	2y-5y	>5y
Borrowings (bank)	9,759	42,635	66,080	672,351	687,075
Interest on borrowings (bank)	12,242	35,976	46,134	1,171,090	193,027
Bond loans	-	-	-	1,000,000	-
Interest on bond loans	16,000	48,000	64,000	120,000	-
Other liabilities		39,451			

d) Currency risk

Currency risk is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company. Currency risk also exists when the foreign subsidiary of a firm maintains financial statements in a currency other than the reporting currency of the consolidated entity. The risk is that there may be an adverse movement in the exchange rate of the denomination currency in relation to the base currency before the date when the transaction is completed.

As the Group has subsidiaries in Sweden and Finland where the currencies are SEK and EUR, respectively, the company is exposed to currency risk as the Group's consolidated financial statements are reported in NOK.

2.2 Capital management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders holding ordinary shares, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Gearing ratio at the end of the period	30-06-17	31-12-16	30-06-16
Total borrowings	2,466,939	2,454,569	1,720,346
Less: Cash and cash equivalents	274,375	349,733	125,472
Net debt	2,192,564	2,104,836	1,594,874
Total equity	1,778,038	1,821,844	1,661,648
Total capital	3,970,602	3,926,680	3,256,522
Gearing ratio	55%	54%	49%

Note 3: Segment Summary

The Group's business is to own and manage investment properties in Norway, Sweden and Finland and rent them out to operators of pre-schools. There is no material difference in risk and margins in the different investment properties. The Group is therefore considered to operate in one business area and in three geographical areas

The Group have seven customers: Norlandia Barnehagene, Kidsa Barnehager, Espira Barnehagene, Suomen Tenava Päiväkodit, Norlandia Förskolor, Touhula and Casparssons Vårdhem. A geographical split of revenues for the quarter is as follows:

NOK thousand	Norway	Sweden	Finland	Group
Income from rent	112,493	1,480	7,953	121,926
Other income	28	-	1,084	1,112
Total income	112,520	1,480	9,037	123,037

Note 4: Critical accounting estimates and judgement

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of items in the statement of financial position within the next financial year are addressed below.

a) Fair value of Investment Properties.

The fair value of investment Properties is assessed quarterly by management. The Investments Properties are on a regular basis subject to on-site inspections and technical evaluations. On an annual basis, in conjunction with preparation of the Annual Accounts, the Company commissions an external valuation report for the portfolio to support managements own estimates. This valuation report is commissioned from a well know and reputable company, and for the last financial year 2016 a valuation report was commissioned from Newsec. There are no changes in the value of the properties in the second quarter 2017. The fair value adjustment in the second quarter is based on an adjusted purchase price for properties acquired in December 2016.

Note 5: Contingencies and commitments

No material in the quarter.

Note 6: Earnings per share

a) Basic

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

Calculation of earnings per share for the period	Q2 2017	Q2 2016
Net profit	11,135,327	19,081,912
Less pref share dividends	-12,187,500	-12,187,500
Profit attributable to ord shares	-1,052,173	6,894,412
Weighted avg ord shares	9,814,470	9,814,470
EPS to ord shares	-0.11	0.70

b) Diluted

As per 30 June 2017 no rights are issued which cause diluted earnings per share to be different to basic earnings per share.

Refer to note 17 for information related to the classes of shares.

Note 7: Cash and cash equivalents

Cash and cash equivalents	30-06-17	30-06-16
Bank deposits	274,375	125,472
Total	274,375	125,472

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

Note 8: Expenses

Specification of other operating expenses	30-06-17	30-06-16
Management fee	7,053	5,659
Other operating expenses including management fee	6,995	5,071
Total other operating expenses	14,048	10,730

Note 9: Borrowings

Interest-bearing liabilities and available cash and cash equivalents constitute the capital of the Group. The Group's main source of financing are bank loans, bond loans in the Norwegian bond market and shareholder loans. Summary of external bank- and bond loans by tranche as of 30 June 2017:

NOK thousand	30-06-17	31-12-16	30-06-16
Non-current			
Commercial bank loans	651,826	659,395	256,550
Husbank loans (state bank)	773,680	769,113	749,628
Bonds in Pioneer Public Properties AS	989,039	987,669	491,071
Total	2,414,545	2,416,177	1,497,249
NOK thousand	30-06-17	31-12-16	30-06-16
Current			
Commercial bank loans	19,215	7,356	161,124
Husbank loans (state bank)	33,178	31,036	29,022
Bonds in Pioneer Public Properties AS	-	-	32,950
Total	52,393	38,391	223,096
NOK thousand	30-06-17	31-12-16	30-06-16
Total non-current and current			
Commercial bank loans	671,041	666,751	417,674
Husbank loans (state bank)	806,858	800,149	778,650
Bonds in Pioneer Public Properties AS	989,039	987,669	524,021
Total	2,466,938	2,454,569	1,720,345

a) Bank borrowings

The Group's major bank loans are with Husbanken, DnB, SR-Bank, and Danske Bank. The bank borrowings mature until 2035. Of the total bank borrowings per 30 June 2017 approx NOK 500 million are on a fixed rate and the remaining debt is on floating rates.

b) Bond loans

The Group has one issued bond:

Pioneer Public Property (ticker PPU01) at Oslo Børs amounting to NOK 1,000 million with maturity in May 2021. The bond is a senior secured callable bullet bond with voluntary redemption at specified premiums up until maturity. Summary of bond loans:

Bonds	Book value 30-06-17	Marked value 30-06-17	Coupon	Term
PPP	1,000,000	990,000	OR + 5,25 %	2016/2021
Transaction costs	-13,701			
Amortization	2,740			
Total bond	989,039	990,000		
Whereof current	-	-		

The PPU01 bond agreement has certain limitations on the borrower, including: (i) maintain an equity of minimum 25% on a consolidated basis for the PPP-group. (ii) Maintain cash and cash equivalents of min MNOK 75, and (iii) maintain a minimum ratio between unsecured debt to total financial indebtedness of 30%.

The recognised value of assets pledged as security for bank borrowings as per 30 June 2017:

	30-06-17	31-12-16	30-06-16
Investment property	4,092,574	4,042,640	3,411,937
Total pledged assets	4,092,574	4,042,640	3,411,937

Note 10: Income Tax

Income tax expense is recognized based on management's estimate of the weighted average

annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to date 30 June 2017 income tax expense is 24%.

Note 11: Changes in Group structure, acquisitions during the year and subsidiaries

There were no material changes during the quarter.

Note 12: Investment Property

Valuation

The Group rents out the investment properties on long term triple net contracts, with an exception on the properties leased to Espira, one of the Group's four main customers. On average, there are 16 years remaining on the lease agreements. All agreements are fully CPI-adjusted annually. The Group does not have any material future maintenance capital expenditure on properties as all maintenance is carried by the tenant as agreed upon in the lease agreements. The properties are primarily located in the greater Oslo area, Bergen, the greater Stavanger area, Bodø, Tromsø, and certain locations in Sweden and Finland. See the Company's web site for a full list and map of all the properties. The investment properties are valued in accordance with the fair value method and all have been valued in accordance with valuation Level 3. The yield level of the properties has been determined on the basis of their unique risk and transactions made at the respective location according to the location price method. At the end of 2016, PPG commissioned an external cash-flow valuation for all the individual properties from Newsec. Newsec has in this report valued each property on an individual basis using a combination of discounted cash-flow analysis and property yield level. The prime-yield used as a benchmark for individual yield assumptions in Newsec's analysis was 5.25%, and a number of individual factors for each property were applied to assess the individual yield for the respective property/location. During the second quarter the Company has not experienced or seen any developments that should have a material impact on the total valuation levels of the properties.

Sensitivity analysis

A property analysis is an estimate of the value that an investor is willing to pay for the property at a given time. The valuation is made on the basis of generally accepted models and certain assumptions on different parameters. The market value of the properties can only reliably be established in a transaction between two independent parties. An uncertainty interval is stated in the property values and is between +/- 5 per cent in a normal market. A changed property value of If yield is changed by 1 per cent the book value of the properties change with MNOK -580, and with -0,5 MNOK 370.

If the rent changed by +/- 5 per cent value of the properties change with MNOK 202

Note 13: Net financial items

NOK thousands	Q2 17	Q2 16
Interest income	741	688
Currency expense	11,662	
Interest expense	29,320	22,793
Net financial items	40,242	22,105

Note 14: Related-party transactions

The Group had the following material transactions with related parties in the period:

Transactions with related parties	Q1 17	Q2 17	Q1 16	Q2 16
Rent revenue from Norlandia Care Group AS i	17,011	17,011	14,845	14,845
Rent revenue from Kidsa Drift including subs	10,220	10,220	9,775	9,775
Management fee to Pioneer Capital Partners	3,487	3,566	2,830	2,830
Purchase of shares from related parties (refe	-	-	-	-

Receivables from related parties	30-06-17	31-12-16
Kidsa Barnehager AS	0	29,535
Kidsa Drift AS including subsidiaries	0	0

Other transactions made between the related parties are made on terms equivalent to those that prevail in the market at arms length

Note 15: Payroll

The company does not have any employees. Refer to Note 8 for information regarding management fee to Pioneer Management AS, a fully owned subsidiary of Pioneer Capital Partners AS. The Board of Directors receives an annual compensation based on the total number of board-meetings attended during the year..

Note 16: Trade receivables

	30-06-17	31-12-16	30-06-16
Trade Receivables	705	583	220
Other Receivables	3,609	8,991	16,864
Total Receivables	4,314	9,574	17,084

None of the receivables are due.

Note 17: Share capital and shareholder information

million	Ordinary shares	Preference shares
At 30 June 2017	9.81	6.50

The Company has two classes of shares - ordinary shares and preference shares. The face value per share for both ordinary and preference shares classes is NOK 1.

About the shares

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

The ordinary share

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

The preference share

The Company's preference shares confer a preferential right over ordinary shares to an annual dividend of NOK 7.50 per preference share. Dividend payments are made quarterly with NOK 1.875 per preference share, if approved by the General Assembly. The preference share does not otherwise confer a right to dividend. If the general meeting decided not to pay dividends or to pay dividends that fall below NOK 1.875 per preference share during a quarter, the difference between paid dividends

Top 10 shareholder 30.06.17	Ord shares	Pref shares
Hospitality Invest AS	32.62%	0.15%
HI Capital AS	2.34%	1.56%
Eidissen Consult AS	18.07%	11.22%
Grafo AS	18.07%	5.02%
Klevenstern AS	14.45%	3.71%
Mecca Invest AS	14.45%	3.71%
Avanza Bank AB	0.00%	10.47%
Skandinaviska Enskilda bank AB	0.00%	8.32%
J.P. Morgan bank Luxembourg SA	0.00%	2.96%
J.P. Morgan Securities LLC	0.00%	2.98%
Other minority shareholders	0.00%	49.90%
Total	100%	100%
Related party:		
Norlandia Care Group AS	0.00%	1.53%
Acea Properties AS	0.00%	0.56%
Northstar Properties AS	0.00%	0.29%

Note 18: Operational leases

Properties are leased out on long term triple-net or double-net contracts to solid pre-school operators (Espira, Norlandia Preschools and Kidsa Drift,

Norlandia förskolor) of which all have lease guarantees from Norlandia Care Group.

Future payments under non-cancellable operating leases are as follows in nominal amounts excluding CPI adjustments

	30-06-17	31-12-16	30-06-16
Within 1 year	228,696	228,696	208,114
Between 1 and 5 years	961,445	961,445	836,423
After 5 years	2,918,684	3,072,581	2,509,269

Note 19: Subsequent events

At the start of July, the Board approved the acquisition of fourteen additional properties in Finland. These properties will be consolidated in the next financial report (Q3).

PIONEER PUBLIC PROPERTIES AS

Background

The Pioneer Public Properties AS (PPP) group of companies was established towards the end of 2015 and comprise all the operational companies in Pioneer Property Group ASA. The reason for establishing this subset group of companies was in preparation for the issuance of the PPP unsecured bond of MNOK 1,000, which was issued in the third quarter of 2016. The financial statements of Pioneer Public Properties AS are therefore very closely related to the financial statements of Pioneer Property Group ASA, with the key difference being the exclusion of the mother company of the PPG group. All operational discussions will be identical for the two groups, and discussions of financial accounts will be similar, with a few exceptions. The comments below are to be read in conjunction with the report for the PPG Group, as also presented in this document.

Discussion of the financial accounts for the second quarter of 2017

Underlying revenues were in line with expectations and PPP's contracted revenues. Total revenues in the quarter were MNOK 62

Operating profit (EBIT) was MNOK 56 in comparison to MNOK 48 in the second quarter of 2016. The increase is primarily related to properties acquired towards the second half of 2016.

At the end of the quarter PPP had total assets of MNOK 4,268, where Investment Properties were valued at MNOK 4,093, and with a cash balance of MNOK 171. Total debt was MNOK 2,636 with total equity of MNOK 1,632. During the quarter no events have occurred that should have materially impacted the valuation of the investment properties.

In the preparation of the 2017 quarterly reports, PPP has also identified certain corrections to the 2016 figures. The corrections are not significant and 2016 will not be restated, but are included in the 2016 columns here on a pro-forma basis for information purposes, and adjustments will be made for the full year 2017. The corrections are: Fair value adjustment of investment properties has increased by MNOK 5 from MNOK 242 to MNOK 247, and profit before tax has increased correspondingly from MNOK 282 to MNOK 288. Deferred tax has increased from MNOK 35 to MNOK 69. Total difference in pro-forma and reported 2016 equity is MNOK 39.

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

Responsibility Statement of the Board of Directors

We confirm, to the best of our knowledge, that the set of financial statements for the period ending 30 June 2017 have been prepared in accordance with IFRS, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

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

24 August 2017

Runar Rønningen
Chairman

Roger Adolfsen
Board Member

Consolidated Income Statement – Pioneer Public Properties AS

NOK thousand	Q1 2017	Q2 2017	YTD 2017	Q1 2016	Q2 2016
Income from rent	60,333	61,593	121,926	52,302	52,302
Other income	1,097	14	1,112	151	14
Total Income	61,431	61,607	123,038	52,452	52,316
Payroll expenses					
Expenses related to property					-
Other operating expenses	6,553	5,802	12,355	5,304	4,016
Total Expenses	6,553	5,802	12,355	5,304	4,016
Fair value adjustment on investment properties	-	-	-		-
Operating profit (EBIT)	54,877	55,805	110,682	47,149	48,300
Finance income	1,109	538	1,647	265	143
Finance expenses	29,862	29,837	59,699	24,716	19,840
Currency expenses	1,615	11,759	13,374		-
Other financial expenses		-97	-97		
Net Finance	-30,367	-40,961	-71,328	-24,450	-19,697
Profit/(loss) before tax	24,510	14,844	39,354	22,698	28,603
Income taxes	5,882	3,563	9,445	5,675	7,151
Profit/(loss) for the period	18,628	11,281	29,909	17,024	21,452

Consolidated Statement of Financial Position – Pioneer Public Properties AS

NOK thousands	30-06-17	31-12-16
Assets		
Investment property	4,092,574	4,042,640
Loans other companies	1,000	
Loans to group companies		6,492
Total non-current assets	4,093,574	4,049,132
Trade and other receivables	3,660	9,416
Cash and cash equivalents	170,635	163,812
Total current assets	174,295	173,228
Total assets	4,267,869	4,222,360
Equity and liabilities		
Share capital	120,000	120,000
Share premium	1,264,959	1,264,959
Retained earnings	246,653	235,242
Total equity	1,631,611	1,620,201
Borrowings	2,414,545	2,416,177
Deferred tax	78,287	78,287
Other non-current liabilities	43,223	26,115
Total non-current liabilities	2,536,055	2,520,579
Borrowings	52,394	38,391
Current tax payable	9,634	7,149
Other current liabilities	38,176	36,039
Total current liabilities	100,204	81,580
Total liabilities	2,636,259	2,602,159
Total equity and liabilities	4,267,870	4,222,360

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