

# Q4

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REPORT 2017

## Highlights of the Q4 report

- Total revenue in the fourth quarter of 2017 was MNOK 66.6, compared to MNOK 60.3 in the fourth quarter of 2016. The increase is due to the acquisition of new properties during 2017, the majority in Finland.
- Operating profit (EBIT) in the quarter was MNOK 257.4 and pre-tax profit was MNOK 252.8, compared to MNOK 297.1 and MNOK 267.9 in the fourth quarter of 2016, respectively. Profitability in Q4 was significantly positively impacted by fair value adjustment of properties of MNOK 198, on the back of PPG's end-of-year updated market value analysis of the portfolio.
- At the end of the quarter PPG executed the quarterly dividend to holders of preference shares, technically a repayment of share capital – in total NOK 1.875 per preference share.
- At the end of the quarter PPG had total assets of MNOK 4,874, where Investment Properties were valued at MNOK 4,723, and with a cash balance of MNOK 139. Total debt was MNOK 2,948 with total equity of MNOK 1,925.

## 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 153 properties centrally located in the large cities in Norway, Sweden and Finland. The total portfolio houses a total of over fourteen thousand children. The properties are leased out on long-term triple-net contracts to leading 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, Gothenburg, Helsinki, and the greater Oslo area.

## Key material events during the quarter

During the quarter, existing operations experienced a stable operating quarter.

## Subsequent events since the end of the quarter

No material events have occurred since the end of the quarter.

## Overview of the financial accounts for the fourth quarter of 2017

Total revenue in the fourth quarter of 2017 was MNOK 66.6, compared to MNOK 60.3 in the fourth quarter of 2016. The increase is due to the acquisition of new properties during 2017, the majority in Finland.

Operating profit (EBIT) in the quarter was MNOK 257.4 and pre-tax profit was MNOK 252.8, compared to MNOK 297.1 and MNOK 267.9 in the fourth quarter of 2016, respectively. Profitability in Q4 was significantly positively impacted by fair value adjustment of properties of MNOK 198, on the back of PPG's end-of-year updated market value analysis of the portfolio.

At the end of the quarter PPG executed the quarterly dividend to holders of preference shares, technically a repayment of share capital – in total NOK 1.875 per preference share. The next dividend to preference shareholders is scheduled for the end of the first quarter 2018. See the company's website for updated financial calendar information.

At the end of the quarter PPG had total assets of MNOK 4,874, where Investment Properties were valued at MNOK 4,723, and with a cash balance of MNOK 139. Total debt was MNOK 2,948 with total equity of MNOK 1,925.

In the preparation of the 2017 reports, as previously described in the Company's 2017 quarterly reports, PPG has also identified certain corrections to the 2016 figures. The corrections are not significant and adjustments have now been 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 31 December 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.

27 February 2018

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	Q3 17	Q4 17	YTD 2017	2016	Q1 16	Q2 16	Q3 16	Q4 16
<b>Total Income</b>		61,431	61,607	66,057	66,612	255,706	217,741	52,452	52,316	52,688	60,285
Expenses related to property	8									762	-762
Payroll expenses	15	90	113	113	113	428	450			263	188
Other operating expenses	8	7,446	6,601	7,655	7,427	29,129	27,302	5,962	4,768	4,986	11,586
<b>Total Expenses</b>		7,537	6,714	7,768	7,539	29,557	27,752	5,962	4,768	6,010	11,012
Fair value adjustment, properties	12	-	-	-	198,325	198,325	245,077	-	-	-	245,077
<b>Operating profit (EBIT)</b>		53,894	54,893	58,289	257,397	424,474	435,066	46,490	47,547	46,678	294,350
Finance income	13	1,424	741	550	-948	1,767	2,707	631	688	918	469
Finance expenses	13	29,354	29,320	29,089	26,381	114,144	123,891	24,284	22,793	71,068	5,747
Other financial expenses	13	-	-	-	-	-	24,672			-	24,672
Currency	13	1,615	11,662	-3,187	-22,709	-12,619	812			1,618	-807
<b>Net Finance</b>		-29,545	-40,242	-25,351	-4,620	-99,758	-146,668	-23,653	-22,105	-71,768	-29,143
<b>Profit/(loss) before tax</b>		24,348	14,652	32,938	252,778	324,716	288,397	22,838	25,443	-25,089	265,206
Income taxes	10	5,844	3,516	7,905	68,381	85,646	97,002	5,709	6,361	-6,272	91,204
<b>Profit/(loss) for the period</b>		18,505	11,135	25,033	184,396	239,069	191,395	17,128	19,082	-18,817	174,002

## Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

NOK thousand	Note	Q1 17	Q2 17	Q3 17	Q4 17	YTD 2017	2016	Q1 16	Q2 16	Q3 16	Q4 16
<b>Profit/(loss) for the period</b>		18,505	11,135	25,033	184,396	239,069	191,395	17,128	19,082	-18,817	174,002
Total other income, net of tax		-	-	-	-	-	-	-	-	-	-
<b>Comprehensive income for the period</b>		18,505	11,135	25,033	184,396	239,069	191,395	17,128	19,082	-18,817	174,002
<b>Profit or loss for the period attributable to</b>											
All shareholders of PPG ASA		18,505	11,135	25,033	135,646	190,852	191,395	17,128	19,082	-18,817	174,002
<b>Comprehensive income for the period attributable to</b>											
Ordinary shareholders of PPG ASA		6,317	-1,052	12,845	123,459	142,102	142,645	4,941	6,894	-31,005	161,815
<b>Earnings per share (NOK)</b>											
Basic earnings per preference share	6	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.88
Basic earnings per ordinary share	6	0.644	-0.107	1.309	12.579	14.479	14.534	0.503	0.702	-3.159	16.487
Dividend per preference share	6	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.88
Dividend per ordinary share	6		5.00								

## Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	31-12-17	31-12-16
<b>Assets</b>			
Investment property	12	4,722,894	4,042,640
Other investment		8,885	
Other non-current assets		1,000	6,492
<b>Total non-current assets</b>		<b>4,732,780</b>	<b>4,049,132</b>
Trade and other receivables	16	1,938	9,574
Cash and cash equivalents	7	138,815	349,733
<b>Total current assets</b>		<b>140,752</b>	<b>359,307</b>
<b>Total assets</b>		<b>4,873,532</b>	<b>4,408,439</b>
<b>Equity and liabilities</b>			
Share capital	17	16,314	16,314
Share premium	17	1,487,326	1,548,585
Retained earnings		419,483	230,224
Non-Controlling interest		2,484	
<b>Total equity</b>		<b>1,925,607</b>	<b>1,795,124</b>
Borrowings	9	2,637,759	2,416,177
Deferred tax	10	170,215	105,008
Other non-current liabilities		1,216	9,339
<b>Total non-current liabilities</b>		<b>2,809,190</b>	<b>2,530,525</b>
Borrowings	9	69,490	38,391
Current tax payable	10	20,731	7,891
Other current liabilities		48,515	36,508
<b>Total current liabilities</b>		<b>138,735</b>	<b>82,790</b>
<b>Total liabilities</b>		<b>2,947,925</b>	<b>2,613,315</b>
<b>Total equity and liabilities</b>		<b>4,873,532</b>	<b>4,408,439</b>

## 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	
<b>Balance at 1 January 2016</b>	16,314	1,585,201	36,110	1,637,625
Other changes			2,719	2,719
Profit/(loss) for the period			191,395	191,395
Total comprehensive income for the period	0	0	191,395	191,395
Reduction of share capital				0
Divided		(36,616)		(36,616)
Transactions with owners	0	(36,616)	0	(36,616)
<b>Balance at 31 December 2016</b>	<b>16,314</b>	<b>1,548,585</b>	<b>230,224</b>	<b>1,795,124</b>
Other changes			1,686	1,686
Profit/(loss) for the period			239,069	239,069
Exchange differences from foreign operations			533	533
Divided		(61,260)	-48,750	(110,010)
Other changes			(795)	(795)
Total comprehensive income for the period	0	(61,260)	191,743	<b>130,483</b>
<b>Balance at 31 December 2017</b>	<b>16,314</b>	<b>1,487,325</b>	<b>421,967</b>	<b>1,925,607</b>

## Consolidated Statement of Cash Flows - Pioneer Property Group ASA

NOK thousands	Note	2017	2016
Cash flows from operating activities:			
Profit before income tax		324,716	288,397
<i>Adjustments for:</i>			
Fair value adjustments on investment property		-198,325	-245,077
Finance expense net		114,144	145,857
Taxes paid		-7,891	
Profit/loss on sale of fixed assets			70
Changes in working capital:			
Trade receivables	16	-163	225
Trade payables		13,633	2,722
Other accruals		702	-68,892
<b>Cash generated from operations</b>		<b>246,816</b>	<b>123,301</b>
Interest received			2,707
Interest paid		-114,144	-123,891
Income tax paid		-	-7,279
<b>Net cash generated from operating activities</b>		<b>132,672</b>	<b>-5,162</b>
Cash flows from investing activities:			
Proceeds from sale of properties			1,237
Purchase of property	12	-431,788	-368,185
Purchase of net other asset		-8,885	
Other long term receivables			
Proceeds from sale of shares and bonds			-70
<b>Net cash used in investing activities</b>		<b>-440,673</b>	<b>-367,018</b>
Cash flows from financing activities:			
Proceeds from debt to financial institutions	9	262,252	1,676,110
Repayments of debt to financial institutions	9	-67,347	-1,112,963
Dividends paid to owners of the parent	6	-97,822	-36,563
<b>Net cash from financing activities</b>		<b>97,083</b>	<b>526,584</b>
<b>Net change in cash and cash equivalents</b>		<b>-210,919</b>	<b>154,404</b>
Cash and cash equivalents at beginning of period	7	349,733	195,329
Exchange gains/(losses) on cash and cash equivalents			
<b>Cash and cash equivalents at period end</b>	<b>7</b>	<b>138,815</b>	<b>349,733</b>

## 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 January 2017 to 31 December 2017.

#### 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 fourth 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 2017 and fourth 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 Q4 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:	31-12-17	31-12-16
Accounts receivable	745	582
Other Short term receivable	1,192	8,992
Cash balance	138,815	349,733
<b>Total exposure</b>	<b>140,752</b>	<b>359,307</b>

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:	31-12-17				
	< 3mths	3m-1y	1y-2y	2y-5y	>5y
Borrowings (bank)	17,313	52,177	70,142	908,036	669,172
Interest on borrowings (bank)	13,257	39,082	50,117	119,181	177,053
Bond loans	-	-	-	1,000,000	-
Interest on bond loans	15,600	46,800	62,400	85,800	-
Other liabilities		50,141	1,216		

#### 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	31-12-17	31-12-16
Total borrowings	2,707,249	2,454,569
Less: Cash and cash equivalents	138,815	349,733
Net debt	2,568,434	2,104,836
Total equity	2,020,649	1,795,124
<b>Total capital</b>	<b>4,589,083</b>	<b>3,899,960</b>
Gearing ratio	56%	54%

### 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	226,232	2,961	26,338	255,531
Other income	56	-	119	175
<b>Total Income</b>	<b>226,288</b>	<b>2,961</b>	<b>26,457</b>	<b>255,706</b>

#### 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 Investment 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 end of year 2017 a valuation report was commissioned from Newsec. The fair value adjustment in the fourth quarter is based on the new aggregate market value of the investment properties from this report.

#### Note 5: Contingencies and commitments

The group has no contingent liabilities or commitments as of 31 December 2017.

#### 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	31-12-17	31-12-16
Net profit	239,069,492	220,834,377
Less pref share dividends	-48,750,000	-48,750,000
Profit attributable to ord shares	190,319,492	172,084,377
Weighted avg ord shares	9,814,470	9,814,470
EPS to ord shares	19.39	17.53

##### b) Diluted

As per 31 December 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.

In the second quarter there was paid out NOK 49 072 350 in an extraordinary dividend to the ordinary shareholders. This was done partly by repaying some of the share premium.

#### Note 7: Cash and cash equivalents

Cash and cash equivalents	31-12-17	31-12-16
Bank deposits	138,815	349,733
<b>Total</b>	<b>138,815</b>	<b>349,733</b>

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

#### Note 8: Expenses

Specification of other operating expenses	31-12-17	31-12-16
Management fee	15,007	11,861
Other operating expenses including management fee	11,863	13,423
<b>Total other operating expenses</b>	<b>26,870</b>	<b>25,284</b>

#### 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 31 December 2017:

NOK thousand	31-12-17	31-12-16
<b>Non-current</b>		
Commercial bank loans	876,657	659,395
Husbank loans (state bank)	770,693	769,113
Bonds in Pioneer Public Properties AS	990,409	987,669
<b>Total</b>	<b>2,637,759</b>	<b>2,416,177</b>
<b>Current</b>		
Commercial bank loans	36,479	7,356
Husbank loans (state bank)	33,011	31,036
Bonds in Pioneer Public Properties AS	-	-
<b>Total</b>	<b>69,490</b>	<b>38,391</b>
<b>Total non-current and current</b>		
Commercial bank loans	913,136	666,751
Husbank loans (state bank)	803,704	800,149
Bonds in Pioneer Public Properties AS	990,409	987,669
<b>Total</b>	<b>2,707,249</b>	<b>2,454,569</b>

##### a) Bank borrowings

The Group's major bank loans are with Husbanken, DnB, Swedbank and Danske Bank. The bank borrowings mature

until 2035. Of the total bank borrowings per 31 December 2017 MNOK 1,395 is 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 31-12-17	Marked value 31-12-17	Coupon	Term
PPP	1,000,000	1,000,000	IOR + 5,25 %	2016/2021
Transaction costs	-13,701			
Amortization	4,110			
<b>Total bond</b>	<b>990,409</b>	<b>1,000,000</b>		
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 recognized value of assets pledged as security for bank borrowings as per 31 December 2017:

	31-12-17	31-12-16
Investment property	4,722,894	4,042,640
Total pledged assets	4,722,894	4,042,640

#### 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 31 December 2017 income tax expense is 24%.

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

The following subsidiaries were purchased in 2017

Company	Location	Percent
Vardefjellet Barnehageeiendom AS	Norway	100%

Kiinteistö Oy Ulvila Hanhikkite 1	Finland	100%
Kiinteistö Oy Hyvinään Kirvesniehenkatu 12	Finland	100%
Neskollen Barnehageeiendom AS	Finland	100%

#### 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 5.00%, and a number of individual factors for each property were applied to assess the individual yield for the respective property/location. During the fourth 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 +/- 5 per cent affects the Groups's property value by +/- NOK 236 million. If yield is changed by 1 per cent the book value of the properties change with MNOK -690, and with -0,5 MNOK 442. If the rent cahnged by +/- 5 per cent value of the properties change with MNOK 236

### Note 13: Net financial items

NOK thousands	2017	2016
Interest income	1,767	2,707
Currency	-12,619	812
Interest expense	114,144	148,563
<b>Net financial items</b>	<b>99,758</b>	<b>146,668</b>

### Note 14: Related-party transactions

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

Transactions with related parties	2017	2016
Rent revenue from Norlandia Care Group AS including subsidiaries	70,550	59,380
Rent revenue from Kidsa Drift including subsidiaries	40,881	39,099
Management fee to Pioneer Capital Partners AS including subsidiaries	14,974	11,861
Purchase of shares from related parties (refer to note 11)	-	100,127
<b>Receivables from related parties</b>	<b>31-12-17</b>	<b>31-12-16</b>
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.

As of 31.12.2017 the accrued compensation for the board members totals TNOK 450.

### Note 16: Trade receivables

	31-12-17	31-12-16
Trade Receivables	745	583
Other Receivables	1,192	8,991
<b>Total Receivables</b>	<b>1,937</b>	<b>9,574</b>

None of the receivables are due.

### Note 17: Share capital and shareholder information

million	Ordinary shares	Preference shares
At 31 December 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

<b>Top 10 shareholder 31.12.17</b>	<b>Ord shares</b>	<b>Pref shares</b>
Hospitality Invest AS	32.62%	0.00%
HI Capital AS	2.34%	0.00%
Eidissen Consult AS	18.07%	11.98%
Grafo AS	18.07%	5.02%
Klevenstern AS	14.45%	1.63%
Mecca Invest AS	14.45%	1.78%
Avanza Bank AB	0.00%	9.87%
Skandinaviska Enskilda bank AB	0.00%	7.72%
J.P. Morgan bank Luxembourg SA	0.00%	3.50%
J.P. Morgan bank Luxembourg SA	0.00%	3.19%
Other minority shareholders	0.00%	55.31%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Related party:</b>		
Norlandia Care Group AS	0.00%	1.45%
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

	<b>31-12-17</b>	<b>31-12-16</b>
Within 1 year	273,307	228,696
Between 1 and 5 years	1,148,992	961,445
After 5 years	3,304,107	3,072,581

### Note 19: Subsequent events

No material subsequent events have occurred since the end of the year 2017

## **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 fourth quarter of 2017**

Total revenues in the quarter were MNOK 66.6, compared to MNOK 60.3 in the fourth quarter of 2016. The increase is due to the acquisition of new properties during 2017, the majority in Finland.

Operating profit (EBIT) in the quarter was MNOK 258 and pre-tax profit was MNOK 252, compared to MNOK 294 and MNOK 264 in the fourth quarter of 2016, respectively. Profitability in Q4 was significantly positively impacted by fair value adjustment of properties of MNOK 198, on the back of PPG's end-of-year updated market value analysis of the portfolio.

At the end of the quarter PPP had total assets of MNOK 4,839, where Investment Properties were valued at MNOK 4,723, and with a cash balance of MNOK 104. Total debt was MNOK 3,024 with total equity of MNOK 1,814.

In the preparation of the 2017 reports, as previously described in the Company's 2017 quarterly reports, PPG has also identified certain corrections to the 2016 figures. The corrections are not significant and adjustments have now been 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.

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 31 December 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.

27 February 2018

Runar Rønningen  
Chairman

Roger Adolfsen  
Board Member

## Consolidated Income Statement – Pioneer Public Properties AS

NOK thousand	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	2016	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Income from rent	60,333	61,593	66,043	67,562	255,531	217,548	52,302	52,302	52,674	60,270
Other income	1,097	14	14	-950	176	193	151	14	14	14
<b>Total Income</b>	<b>61,431</b>	<b>61,607</b>	<b>66,057</b>	<b>66,612</b>	<b>255,707</b>	<b>217,741</b>	<b>52,452</b>	<b>52,316</b>	<b>52,688</b>	<b>60,284</b>
Payroll expenses										
Expenses related to property								-	762	-762
Other operating expenses	6,553	5,802	7,597	6,965	26,917	25,627	5,304	4,016	4,462	11,845
<b>Total Expenses</b>	<b>6,553</b>	<b>5,802</b>	<b>7,597</b>	<b>6,965</b>	<b>26,917</b>	<b>25,627</b>	<b>5,304</b>	<b>4,016</b>	<b>5,224</b>	<b>11,083</b>
Fair value adjustment, properties	-	-		198,325	198,325	245,077		-	-	245,077
<b>Operating profit (EBIT)</b>	<b>54,877</b>	<b>55,805</b>	<b>58,460</b>	<b>257,972</b>	<b>427,115</b>	<b>437,191</b>	<b>47,149</b>	<b>48,300</b>	<b>47,465</b>	<b>294,278</b>
Finance income	1,109	538	443	-1,294	796	944	265	143	682	-146
Finance expenses	29,862	29,837	29,983	27,473	117,154	127,125	24,716	19,840	76,641	5,928
Currency	1,615	11,759	-3,052	-22,941	-12,619	811		-	1,618	-807
Other financial expenses		-97	-135	232	-	24,672				24,672
<b>Net Finance</b>	<b>-30,367</b>	<b>-40,961</b>	<b>-26,353</b>	<b>-6,058</b>	<b>-103,739</b>	<b>-151,664</b>	<b>-24,450</b>	<b>-19,697</b>	<b>-77,577</b>	<b>-29,939</b>
<b>Profit/(loss) before tax</b>	<b>24,510</b>	<b>14,844</b>	<b>32,108</b>	<b>251,915</b>	<b>323,376</b>	<b>285,527</b>	<b>22,698</b>	<b>28,603</b>	<b>-30,113</b>	<b>264,339</b>
Income taxes	5,882	3,563	7,706	66,498	83,649	95,900	5,675	7,151	-7,528	90,603
<b>Profit/(loss) for the period</b>	<b>18,628</b>	<b>11,281</b>	<b>24,402</b>	<b>185,416</b>	<b>239,727</b>	<b>189,627</b>	<b>17,024</b>	<b>21,452</b>	<b>-22,584</b>	<b>173,736</b>

## Consolidated Statement of Financial Position – Pioneer Public Properties AS

<b>NOK thousands</b>	<b>31-12-17</b>	<b>31-12-16</b>
<b>Assets</b>		
Investment property	4,722,894	4,042,640
Other investment	8,885	
Loans to other companies	1,000	6,492
<b>Total non-current assets</b>	<b>4,732,780</b>	<b>4,049,132</b>
Trade and other receivables	1,600	9,416
Cash and cash equivalents	104,459	163,812
<b>Total current assets</b>	<b>106,059</b>	<b>173,228</b>
<b>Total assets</b>	<b>4,838,839</b>	<b>4,222,360</b>
<b>Equity and liabilities</b>		
Share capital	120,000	120,000
Share premium	1,264,959	1,264,959
Retained earnings	427,003	208,521
Non-controlling interest	2,484	
<b>Total equity</b>	<b>1,814,445</b>	<b>1,593,480</b>
Borrowings	2,637,760	2,416,177
Deferred tax	170,215	105,008
Other non-current liabilities	90,973	26,115
<b>Total non-current liabilities</b>	<b>2,898,947</b>	<b>2,547,301</b>
Borrowings	69,490	38,391
Current tax payable	20,420	7,149
Other current liabilities	35,537	36,039
<b>Total current liabilities</b>	<b>125,447</b>	<b>81,580</b>
<b>Total liabilities</b>	<b>3,024,394</b>	<b>2,628,880</b>
<b>Total equity and liabilities</b>	<b>4,838,839</b>	<b>4,222,360</b>

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