PIONEER PROPERTY

Q3

REPORT 2018

COMBINED REPORT FOR PIONEER PROPERTY GROUP ASA AND PIONEER PUBLIC PROPERTIES AS

Highlights of the Q3 2018 report

- Total revenue in the third quarter of 2018 was MNOK 72.7, compared to MNOK 66.0 in the third quarter of 2017. The increase is mainly related to the acquisition of new properties, the majority in Finland.
- Operating profit (EBIT) in the quarter was MNOK 116.8 and pre-tax profit was MNOK 77.5 compared to MNOK 58.3 and MNOK 32.9 in the third quarter of 2017, respectively. Profitability in the third quarter was positively impacted by net fair value adjustments amounting to MNOK 57.6, entirely related to properties in Finland.
- In Q3 the company refinanced all its existing loans in Finland with a new long-term fixed rate direct loan of EUR 70 million.
- Towards the end of the quarter the company entered into agreement to acquire eleven properties from Norlandia at a total enterprise value (EV) of MNOK 174, of which six properties were acquired in Q3 and the remaining will be acquired in Q4 and 2019. The first six properties, with an EV of MNOK 83 have been financed from PPG's balance sheet and paid in cash.'
- PPG's largest tenant, Espira, gave notification that it would utilize its ten-year extension option on 31 properties. These 31 properties have an additional five year option from 31 Dec 2028.
- At the end of the quarter PPG executed the quarterly dividend to holders of preference shares in total NOK 1.875 per preference share.
- At the end of the quarter PPG had total assets of MNOK 5,489, where Investment Properties were valued at MNOK 5,098, and with a cash balance of MNOK 361. Total debt was MNOK 3,489 with total equity of MNOK 1,999.

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 174 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

In the third quarter Pioneer Property Group's Finish subsidiary Pioneer Public Properties Finland Oy (PPPF) refinanced its existing loans with a new single-facility MEUR 70 loan from a European based infrastructure debt fund. The new financing has a ten-year fixed rate of 3.75% and will start to amortize from year six at the same time as PPPF has the option of repaying the loan at par. The total value of the PPPF portfolio of 41 properties and MEUR 5.8 in annual rental income was updated to MEUR 92 by Newsec. The Q3 results are therefore positively impacted by the adjusted property valuation, while also including certain transaction costs relating to the new facility.

Towards the end of the quarter the company entered into agreement to acquire eleven properties from Norlandia at a total enterprise value (EV) of MNOK 174 based on fifteen-year leases with an annual rental income of MNOK 10.5.

Four of the properties are preschools based in Finland, two are preschools in Sweden, and five are specialized care homes run by NHC's subsidiary Aberia. Two of the properties are under construction and will be completed during 2019.

Subsequent events since the end of the quarter

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

Overview of the financial accounts for the third quarter of 2018

Total revenue in the third quarter of 2018 was MNOK 72.7, compared to MNOK 66.0 in the third quarter of 2017. The increase is mainly related to the acquisition of new properties , the majority in Finland. Operating profit (EBIT) in the quarter was MNOK 116.8 and pre-tax profit was MNOK 77.5 compared to MNOK 58.3 and MNOK 32.9 in the third quarter of 2017, respectively. Profitability in the third quarter was positively impacted by net fair value adjustments of MNOK 57.6, entirely related to properties in Finland. In Q3 the company refinanced all its existing loans in Finland with a new long-term fixed rate direct loan of EUR 70 million. Towards the end of the quarter the company entered into agreement to acquire eleven properties from Norlandia at a total enterprise value (EV) of MNOK 174, of which six properties were acquired in Q3 and the remaining will be acquired in Q4 . The first six properties, with an EV of MNOK 83 have been financed from PPG's balance sheet and paid in cash. At the end of the quarter PPG executed the quarterly dividend to holders of preference shares in total NOK 1.875 per preference share. At the end of the quarter PPG had total assets of MNOK 5,489, where Investment Properties were valued at MNOK 5,098, and with a cash balance of MNOK 361. Total debt was MNOK 3,489 with total equity of MNOK 1,999. The Company has completed its quarterly review of the Investment Properties value and besides the beforementioned adjustments in Finland has concluded that no material events occurred in the quarter which should have impacted the valuation levels, and as such has not made adjustments to valuations since the last update from 31 December 2017.

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. The company's quarterly reports are updates since the last published annual report from 2017 and is therefore intended to be read in conjunction with the annual report of 2017.

13 November 2018

Roger Adolfsen
Chairman

Sandra Henriette Riise Board Member	Geir Hjort Board Member
Even Carlsen Board Member	Nina Hjørdis Torp Høisæter Board Member

Consolidated Income Statement - Pioneer Property Group ASA

NOK thousand	Note	Q3 18	YTD 2018	Q3 17	YTD 2017	2017
Income from rent	1	72,676	214,736	66,043	187,969	255,531
Other income	1	14	42	14	1,126	175
Total Income		72,690	214,779	66,057	189,095	255,706
					-	
Payroll expenses		140	419	113	315	428
Other operating expenses		13,407	30,176	7,655	21,703	29,129
Total Expenses		13,547	30,596	7,768	22,018	29,557
					-	
Fair value adjustment, properties	7,8	57,627	57,627		-	198,325
Operating profit (EBIT)		116,770	241,810	58,289	167,077	424,474
					-	
Finance income		9	39	550	2,715	1,767
Finance expenses		39,565	101,670	29,089	87,763	114,144
Currency		-268	12,157	-3,187	10,090	-12,619
Net Finance		-39,287	-113,788	-25,351	-95,138	-99,758
					-	
Profit/(loss) before tax		77,483	128,022	32,938	71,939	324,716
Income taxes		16,409	28,033	7,905	17,265	74,210
Profit/(loss) for the period		61,074	99,989	25,033	54,674	250,506
Profit/(Loss) attributable to						
Shareholders of the parent		60,138	99,104	25,033	54,674	250,506
Non-controlling interests		936	885			
Profit/(loss) for the period		61,074	99,989	25,033	54,674	250,506
Earnings per share (NOK)						
Basic earnings per preference share	9	1.88	5.63	1.88	5.63	7.50
Basic earnings per ordinary share	9	4.89	6.37	1.31	4.33	20.56
Dividend per preference share	9	1.88	5.63	1.88	5.63	7.50
Dividend per ordinary share	9		-		5.00	5.00

Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

	Q3 18	YTD 2018	Q3 17	YTD 2017	2017
Profit/(loss) for the period	61,074	99,989	25,033	54,674	250,506
Other comprehensiv income					
Exchange differences, from foreign operations	342	-1,811			533
Comprehensive income attributable to shareholders of the parent	61,416	98,178	25,033	54,674	251,039
Comprehensive income attributable to					
Shareholders of the parent	60,474	97,299	25,033	54,674	251,039
Non-controlling interests	942	879			
Comprehensive income	61,416	98,178	25,033	54,674	251,039

Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	30-09-18	31-12-17	30-09-2017*
Assets				
Investment property	7	5,097,792	4,722,894	4,431,592
Other investment		23,051	8,885	
Other non-current assets		1,000	1,000	1,000
Total non-current assets		5,121,843	4,732,780	4,432,592
Trade and other receivables		5,675	1,938	4,436
Cash and cash equivalents		361,471	138,815	178,922
Total current assets		367,146	140,752	183,358
Total assets		**5,488,989**	**4,873,532**	**4,615,951**
Equity and liabilities				
Share capital	9	16,314	16,314	16,314
Share premium	9	1,487,326	1,487,326	1,472,793
Retained earnings		492,577	431,717	274,260
Non-Controlling interest		3,346		
Total equity		1,999,563	1,935,358	1,763,367
Borrowings	7	2,890,163	2,637,759	2,620,936
Deferred tax		172,306	160,464	105,007
Other non-current liabilities		1,119	1,216	735
Total non-current liabilites		3,063,587	2,799,439	2,726,678
Borrowings	7	332,773	69,490	62,101
Current tax payable		28,290	20,731	17,454
Other current liabilities		64,776	48,515	46,351
Total current liabilities		425,839	138,735	125,906
Total liabilities		3,489,426	2,938,174	2,852,584
Total equity and liabilities		**5,488,989**	**4,873,532**	**4,615,951**

* Restated in 2017. See Annual Report 2017 for details

Consolidated Statement of Changes in Equity - Pioneer Property Group ASA

	Attributable to owners of the parent					
NOK thousands	**Share capital**	**Share premium**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at 1 January 2017	16,314	1,548,586	230,224	1,795,124		**1,795,124**
Profit/(loss) for the period			250,506	250,506		**250,506**
Exchange differences from foreign operations			533	533		**533**
Other changes			-795	-795		**-795**
Comprehensive income for the period	-	-	250,243	250,243		**250,243**
Dividend		-61,260	-48,750	-110,010		**-110,010**
Transactions with owners		-61,260	-48,750	-110,010		**-110,010**
Balance at 31 December 2017	**16,314**	**1,487,326**	**431,717**	**1,935,357**		**1,935,357**
Profit/(loss) for the period			99,104	99,104	885	**99,989**
Exchange differences from foreign operations			-1,806	-1,806	-5	**-1,811**
Comprehensive income for the period		-	97,299	97,299	879	**98,178**
Transactions with non-controlling interests			124	124	2,467	**2,591**
Dividend			-36,563	-36,563		**-36,563**
Transactions with owners		-	-36,439	-36,439	2,467	**-33,972**
Balance at 30 September 2018	**16,314**	**1,487,326**	**492,577**	**1,996,217**	**3,346**	**1,999,563**

	Attributable to owners of the parent					
NOK thousands	**Share capital**	**Share premium**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at 1 January 2017	16,314	1,548,586	230,224	1,795,124		**1,795,124**
Profit/(loss) for the period			54,673	54,673		**54,673**
Exchange differences from foreign operations				-		**-**
Other changes			-795	-795		**-795**
Proposed dividends		-49,072	-36,563	-85,635		**-85,635**
Other comprehensive income for the period			-	-		**-**
Comprehensive income for the period	-	-49,072	17,315	-31,757	-	**-31,757**
Balance at 30 September 2017	**16,314**	**1,499,514**	**247,539**	**1,763,367**		**1,763,367**

Consolidated Statement of Cash Flows - Pioneer Property Group ASA

NOK thousands	Note	YTD Q3 2018	YTD Q3 2017	Year 2017
Cash flows from operating activities:				
Profit before income tax		128,022	71,938	324,716
Adjustments for:				
Fair value adjustments on investment property	7	-57,627		-198,325
Finance expense net		101,631	87,763	112,377
Taxes paid		-6,618	-7,760	-7,891
Exchange gains/(losses)		12,157		
Changes in working capital:				
Trade receivables		-2,597	442	-163
Trade payables		5,109	9,843	12,007
Other accruals		-2,098	10,245	523
Cash generated from operations		**177,978**	**172,471**	**243,243**
Interest received		39		1,767
Interest paid		-89,118	-87,763	-114,144
Net cash generated from operating activities		**-89,080**	**84,708**	**130,866**
Cash flows from investing activities:				
Proceeds from sale of properties				
Purchase of subsidiaries / properties		-350,453	-389,747	-441,822
Purchase of shares				-8,885
Proceeds from sale of shares and bonds				
Net cash used in investing activities		**-350,453**	**-389,747**	**-450,707**
Cash flows from financing activities:				
Proceeds from debt to financial institutions	5	951,212	260,979	273,913
Repayments of debt to financial institutions	5	-426,554	-41,116	-67,347
Dividends paid to owners of the parent		-36,563	-85,635	-97,822
Payments from non-controlling interests		2,591		
Net cash from financing activities		**490,687**	**134,228**	**108,743**
Net change in cash and cash equivalents		**229,132**	**-170,811**	**-211,098**
Cash and cash equivalents at beginning of period		138,815	349,733	349,734
Exchange gains/(losses) on cash and cash equivalents		-6,477		179
Cash and cash equivalents at period end		**361,471**	**178,922**	**138,815**

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, retirement homes and other healthcare related properties 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 consolidated interim financial statements cover the period from 1 January 2018 to 30 September 2018 and are approved by the Board of Directors on 13 Nov. 18.

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 third quarter report represents an update on new circumstances arising after the annual report of 2017 and is therefore intended to be read in connection with this report.

The third 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 Q3 2018 the result after tax would be +/- MNOK 7 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:	30-09-18	31-12-17	30-09-17
Accounts receivable	703	745	139
Other Short term receivable	80,205	1,192	4,297
Cash balance	361,471	138,815	178,922
Total exposure	**442,379**	**140,752**	**183,358**

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:	30-09-18				
	< 3mnths	3m-1y	1y-2y	2y-5y	>5y	Total
Borrowings (bank)	15,929	316,843	76,302	953,540	532,732	1,895,347
Interest on borrowings (bank)	14,842	37,903	44,733	111,338	115,069	323,885
Bond loans	-	-	-	1,000,000	-	1,000,000
Interest on bond loans	15,800	47,400	63,200	86,900	-	213,300
Other liabilities		56,416	1,119			57,535

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	30-09-18	31-12-17	30-09-17
Total borrowings	3,222,935	2,707,249	2,683,037
Less: Cash and cash equivalents	361,471	138,815	178,922
Net debt	2,861,464	2,568,434	2,504,115
Total equity	1,999,563	1,954,791	1,790,088
Total capital	4,861,027	4,523,225	4,294,203
Gearing ratio	59%	57%	58%

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:

Geographical segment Q3 2018:

NOK thousand	Norway	Sweden	Finland	Group
Income from rent	57,979	745	13,953	72,676
Other income	14	-	-	14
Total Income	57,993	745	13,953	72,690
Operating profit (EBIT)	55,262	636	60,872	116,770

Geographical segment YTD Q3 2018:

NOK thousand	Norway	Sweden	Finland	Group
Income from rent	173,726	2,245	38,766	214,736
Other income	42	-	-	42
Total Income	173,768	2,245	38,766	214,779
Operating profit (EBIT)	151,561	8,635	81,358	241,810

Geographical segment Q3 2017:

NOK thousand	Norway	Sweden	Finland	Group
Income from rent	*56,562*	*765*	*8,716*	*66,043*
Other income	*14*	-	-	*14*
Total Income	*56,576*	*765*	*8,716*	*66,057*
Operating profit (EBIT)	*52,629*	*936*	*4,724*	*58,289*

Geographical segment YTD Q3 2017:

NOK thousand	Norway	Sweden	Finland	Group
Income from rent	169,055	2,244	16,669	187,969
Other income	42	-	1,083	1,126
Total Income	169,098	2,244	17,753	189,095
Operating profit (EBIT)	153,053	2,011	12,012	167,076

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 also on a regular basis subject to on-site inspections and technical evaluations. At the end of year 2017 a valuation report was commissioned from Newsec and the fair value was adjusted in the fourth quarter based on the new aggregate market value of the investment properties from this report. In the third quarter the Company has internally assed the valuation of Investment Properties and has not seen any material market developments which would justify any change to the input factors of the valuation, therefore leaving Investment Properties unchanged in the reporting period.

Note 5: 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 2018:

NOK thousand	30-09-18	31-12-17	30-09-17
Non-current			
Commercial bank loans	1,157,363	876,657	870,457
Husbank loans (state bank)	740,336	770,693	760,756
Bonds in Pioneer Public Properties AS	992,464	990,409	989,724
Total	**2,890,163**	**2,637,759**	**2,620,937**
NOK thousand	**30-09-18**	**31-12-17**	**30-09-17**
Current			
Commercial bank loans	297,037	36,479	29,349
Husbank loans (state bank)	35,736	33,011	32,751
Bonds in Pioneer Public Properties AS	-	-	-
Total	**332,773**	**69,490**	**62,100**
NOK thousand	**30-09-18**	**31-12-17**	**30-09-17**
Total non-current and current			
Commercial bank loans	1,454,400	913,136	899,806
Husbank loans (state bank)	776,072	803,704	793,507
Bonds in Pioneer Public Properties AS	992,464	990,409	989,724
Total	**3,222,936**	**2,707,249**	**2,683,037**

a) Bank borrowings

The Group's major bank loans are with Husbanken, DnB, Swedbank, and Pareto Bank The bank borrowings mature until 2035.

b) Bond loans

The Group has one listed 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 30-09-18	Marked value 30-09-18	Coupon	Term
PPP	1,000,000	1,000,000	OR + 5,25 %	2016/2021
Transaction costs	-13,701			
Amortization	6,165			
Total bond	**992,464**	**1,000,000**		
Whereof current	-	-		

Bonds	Book value 31-12-17	Marked value 31-12-17	Coupon	Term
PPP	1,000,000	1,000,000	OR + 5,25 %	2016/2021
Transaction costs	-13,701			
Amortization	4,110			
Total bond	**990,409**	**1,000,000**		
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 indebtnes of 30%.

In addition the company has a direct bond-loan from a European Infrastructure debt fund of MEUR 70 in its Finish subsidiary. This debt was closed in Q3 and the majority of the proceeds were used to refinance existing debt with Danske Bank.

Note 6: Changes in Group structure, acquisitions

Towards the end of the quarter the company entered into agreement to acquire eleven properties from Norlandia. These properties will be structured in new company entities, which will be subsidiary companies below Pioneer Public Properties II AS and effective from Q4 2018.

Note 7: 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 15 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 2017, PPG commissioned an external cash-flow valuation for all the individual properties from Newsec. Newsec has in this report valuated 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 quarter the Company has performed its internal review of the valuation levels and has not experienced or seen any developments that should have a material impact on the total valuation levels of the properties, thus leaving valuation levels unchanged during the quarter.

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 255 million. If yield is changed by 1 per cent the book value of the properties change with MNOK +/-742, and a change of 0,5 percent of MNOK +/-371. If the rent changed by +/- 5 per cent value of the properties change with MNOK +/- 251.

Note 8: Related-party transactions

The properties acquired from Norlandia in Q3 are regarded as related party transactions as Norlandia is owned 100% by Kristian and Roger Adolfsen, who are also majority shareholders in PPG. The total acquisition from Norlandia was MNOK 174 in property values for eleven properties. Of this, six properties were closed in Q3 with a corresponding property value of MNOK 83. According to Norlandia Health & Care Group's Q3 quarterly report released 12 Nov, Norlandia booked profits of MNOK 30 on the abovementioned six properties. The remaining five properties and will be closed in Q4 and in 2019 depending on completion. The Board of PPG gave preferential treatment in terms of process and payment terms to Norlandia due to the long-standing relationship and strategic cooperation between the company and Norlandia. The acquisition price was somewhat higher than the third-party valuations obtained from Newsec.

Note 9: Share capital and shareholder information

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.

There are no changes affecting ordinary shares pr preference shares as of 30 September 2018.

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.

Note 10: Subsequent events

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

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 third quarter of 2018

Total revenues in the quarter were MNOK 72.7, compared to MNOK 66.0 in the third quarter of 2017. The increase is due to the acquisition of new properties, the majority in Finland.

Operating profit (EBIT) in the quarter was MNOK 117.0 and pre-tax profit was MNOK 76.7, compared to MNOK 58.5 and MNOK 32.1 in the third quarter of 2017, respectively.

At the end of the quarter PPP had total assets of MNOK 5,475, where Investment Properties were valued at MNOK 5,098, and with a cash balance of MNOK 347. Total debt was MNOK 3,613 with total equity of MNOK 1,863.

The consolidated statement of Income statement and statement of financial position financial statements have been drawn up in accordance with International Standards for Financial Reporting (IFRS).

13 November 2018

Runar Rønningen
Chairman

Roger Adolfsen
Board Member

Consolidated Income Statement – Pioneer Public Properties AS

NOK thousand	Q3 2018	YTD Q3 2018	Q3 2017	YTD Q3 2017	2017
Income from rent	72,676	214,736	66,043	187,969	255,531
Other income	14	42	14	1,126	176
Total Income	72,690	214,779	66,057	189,095	255,707
Payroll expenses					
Expenses related to property					
Other operating expenses	13,310	28,853	7,597	19,952	26,917
Total Expenses	13,310	28,853	7,597	19,952	26,917
Fair value adjustment on investment properties	57,627	57,627		-	198,325
Operating profit (EBIT)	117,007	243,553	58,460	169,142	427,115
				-	
Finance income	6	36	443	2,090	796
Finance expenses	37,650	103,878	29,983	89,682	117,154
Currency loss	-268	12,157	-3,052	10,322	-12,619
Other financial expenses	2,920	2,920	-135	-232	-
Net Finance	-40,295	-118,918	-26,353	-97,681	-103,739
Profit/(loss) before tax	76,712	124,635	32,107	71,461	323,376
Income taxes	16,232	27,254	7,706	17,151	73,899
Profit/(loss) for the period	60,480	97,381	24,401	54,310	249,477
Profit/(Loss) attributable to					
Shareholders of the parent	59,545	96,496	24,401	54,310	249,477
Non-controlling interests	936	885			
Profit/(loss) for the period	60,481	97,381	24,401	54,310	249,477

Consolidated Statement of Financial Position – Pioneer Public Properties AS

NOK thousands	30-09-18	31-12-17	30-09-17
Assets			
Investment property	5,097,792	4,722,894	4,431,592
Other investment	23,051	8,885	
Loans to other companies	1,000	1,000	1,000
Total non-current assets	5,121,843	4,732,780	4,432,592
Trade and other receivables	6,491	1,600	3,744
Cash and cash equivalents	347,157	104,459	132,814
Total current assets	353,648	106,059	136,558
Total assets	**5,475,492**	**4,838,839**	**4,569,150**
Equity and liabilities			
Share capital	120,000	120,000	120,000
Share premium	1,264,959	1,264,959	1,264,959
Retained earnings	474,539	439,238	270,259
Non-controling interest	3,346	0	
Total equity	1,862,845	1,824,196	1,655,218
Borrowings	2,890,163	2,637,760	2,620,936
Deferred tax	172,306	160,464	78,287
Other non-current liabilities	73,607	90,973	89,398
Total non-current liabilites	3,136,076	2,889,196	2,788,621
Borrowings	332,773	69,490	62,101
Current tax payable	15,000	20,420	17,340
Other current liabilities	128,799	35,537	45,870
Total current liabilities	476,571	125,447	125,311
Total liabilities	3,612,647	3,014,643	2,913,932
Total equity and liabilities	**5,475,492**	**4,838,839**	**4,569,150**

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