

Pioneer Public Properties II AS

Financial results for H1-2014

1/1-2014 – 30/06-2014



Oslo, 29 August 2014

Summary of the first half year (H1) 2014 financial performance

- Financial development in line with expectations.
- Bond-related financial covenants are met/exceeded.
- Revenue of MNOK 13.3, EBITDA of MNOK 12, and operating profit of MNOK 12.
- Total shareholder equity of MNOK 78 and total net interest bearing debt of MNOK 241.
- No material events have taken place that have altered the underlying valuation of the property portfolio, or the company's financial estimates going forward.

Background and strategy

The only activity carried out by the Issuer is to own and lease out kindergarten properties. The Issuer's transaction rationale is to create a portfolio of steady cash flows from strong counterparties and in doing so achieving yield compression. Pioneer Capital Partners (PCP), the Issuer's manager, has a goal of creating a portfolio with critical mass consisting of properties with public tenants and/or public subsidized tenants. By selling a larger portfolio, a portfolio premium is expected to generate an increased value of the combined properties.

In the first half year 2014 all operations proceeded as planned and financial results are in line with expectations. From the bond issue in the first half of 2013 PPPII still has NOK 40m of unused funds in escrow, and the managers are diligently seeking new investment opportunities for these funds. New kindergarten-properties have been identified and the managers are considering executing these investments during 2014 or 2015. When such acquisition(s) takes place, the shareholders will contribute with equity as in accordance with the bond agreement.

Overview of the accounts for the first half year (H1) 2014

The enclosed financial statements are for the PPPII Group, including subsidiaries.

During the first half of 2014, no material events have taken place and the financial results are in line with the company's ambitions and forecasts. The NOK 40 million additional financing in escrow is still not used, and will be drawn upon when the company identifies additional properties to be included in the PPPII portfolio.

At the end of H1/2014 the balance sheet is in accordance with the covenants relating to the bond issue and no material market-related events have taken place that might have impacted the valuation of the PPPII portfolio.

Responsibility Statement of the Board of Directors

We hereby confirm that, to the best of our knowledge, the interim accounts for H1 2014 have been prepared in accordance with applicable accounting standards, and that the financial statements give a true and fair view of the Group's assets, liabilities, financial position and result of operations, and that the report gives a true and fair review of the development of the group.

29 August 2014

Board of Directors of
Pioneer Public Properties II AS

Kristian Adolfsen,
Chairman
sign.

Runar Rønningen,
CEO
Sign.

Group Profit & Loss Statement (unaudited IFRS)

NOK1000	H1/2013	2013	H1/2014
Rental income	12 597,9	27 515,9	13 256,9
Other operating costs	(761,5)	(3 172,6)	(1 159,3)
EBITDA	11 836,4	24 343,3	12 097,6
		-	
Fair value change	-	5 334,9	-
Operating profit	11 836,4	29 678,1	12 097,6
		-	
Interest income	75,7	510,0	1,3
Other financial income	44,1	44,1	-
Interest cost	(5 495,4)	(19 901,8)	(8 846,2)
Sum net interest	(5 375,5)	(19 347,6)	(8 844,9)
		-	
Pre-tax profit	6 460,9	10 330,6	3 252,7
Tax expense	(1 744,4)	(2 718,6)	(878,2)
Profit for the period	4 716,5	7 611,9	2 374,5

Group Balance Sheet (unaudited IFRS)

NOK1000	Pr 30/6-2013	Pr 31/12-2013	Pr 30/6-2014
Properties	315 696,2	319 100,0	319 100,0
Other assets	13 874,8	-	-
Sum tangible assets	329 571,0	319 100,0	319 100,0
Other receivables	4 277,8	9 447,5	13 040,7
Cash & equivalents	53 058,4	54 553,0	55 618,6
Total current assets	57 336,2	64 000,5	68 659,3
Total assets	386 907,2	383 100,5	387 759,3
Total owners equity	66 030,0	66 030,0	66 030,0
Other equity	7 130,7	10 026,2	12 400,6
Total equity	73 160,7	76 056,2	78 430,6
Deferred tax	13 744,4	119,0	997,2
Bond loan	188 536,2	189 642,5	190 795,7
NCG/Husbanken loan	105 740,0	101 730,5	101 891,7
Total non-current liabilities	308 020,6	291 491,9	293 684,6
Other current liabilities	5 726,0	15 552,5	15 644,1
Total current liabilities	5 726,0	15 552,5	15 644,1
Total liabilities	313 746,6	307 044,4	309 328,6
Total equity & liabilities	386 907,3	383 100,5	387 759,3