PIONEER PROPERTY

Q2

REPORT 2015

PIONEER PROPERTY

Highlights of the Q2 report

- Pioneer Property Group ASA (“PPG”) was established on May 12th as a result of the acquisition of four separate property portfolio companies.
- During the quarter PPG issued MNOK 650 in preference shares and these shares were listed on the Oslo Axess stock exchange in June.
- To further strengthen the Company’s balance sheet a private placement of MNOK 90 ordinary shares was completed.
- Total revenues in the quarter amount to MNOK 27.2, and pre-tax loss MNOK -5.3 (from the period of the Group’s establishment 12 May to the end of the quarter 30 June). The negative bottom line was in line with expectations and a result of non-recurring IPO-related costs in the period.
- The company had total assets of MNOK 3,682, where Investment Property (112 preschools) were valued at MNOK 3,441 and with a cash balance of MNOK 206. Total debt was MNOK 2,055 and total equity of MNOK 1,627.

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 112 Norwegian kindergartens centrally located in the largest cities and which house a total of over eleven thousand children. The properties are leased out on long-term triple-net contracts to large kindergarten operators, including Norlandia Care Group and Espira.

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.

PPG’s kindergartens are well located in central areas, including Stavanger, Bergen, Kristiansand, and the greater Oslo area. The average age of the properties is at a low eight year average, and the quality of the properties is therefore very high. In total the properties have a capacity in excess of eleven thousand children.

Key material events during the second quarter

PPG was established on May 12th as the result of the acquisition of four separate property portfolios. Subsequently, the company issued MNOK 650 in preference shares and MNOK 90 in ordinary equity in conjunction with a listing of its preference shares on the Oslo Axess stock exchange in June. Details of the establishment, the acquisition of the underlying portfolio companies, valuation of the company’s primary assets, and more information on the company, can be found in PPG’s listing prospectus available via the company’s website.

Overview of the financial accounts for the second quarter of 2015

The company’s financials for the second quarter include operational financials from the establishment until the end of the quarter and therefore do not represent a full three-month operational quarter. Revenues of MNOK 27.2 represent a run-rate of MNOK 17 in monthly rental revenues. Operating costs where significantly impacted by IPO-related costs of MNOK 14, resulting in a negative bottom-line with a pre-tax loss of MNOK -5.3.

The balance sheet as of 30/6 represents the asset valuations conducted in conjunction with the acquisition of the underlying property companies, with Investment Property of MNOK 3,441. In addition the company had MNOK 206 in cash balance at the end of the quarter – higher than required for PPG's underlying operations, but gives additional security to the Company's planned dividend payments to the preference share owners over the next few years. On the debt side, PPG had a total of MNOK 2,055 in debt, including two separate bond-loans in the subsidiaries Pioneer Property II AS and Pioneer Property III AS, which are stock exchange listed bonds and report separate financial reports.

Outlook

PPG's outlook is unchanged since the listing of the company in June. No material subsequent events have occurred since the listing, or since the end of the financial quarter.

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 2015 has 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 first six months of the financial year and their impact on the set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

24 August 2015

The Board of Directors
Pioneer Property Group ASA

Roger Adolfsen
Chairman

Sandra Henriette Riise
Board Member

Geir Hjort
Board Member

Even Carlsen
Board Member

Nina Hjørdis Torp Høisæter
Board Member

Runar Rønningen
CEO

Consolidated Income Statement

NOK thousand	Note	Q2 15	YTD 15
Income from rent	3	27,209	27,209
Total Income		27,209	27,209
Other operating expenses	8	19,693	19,693
Total Expenses		19,693	19,693
Fair value adjustment on investment properties	12	-	-
Operating profit (EBIT)		7,516	7,516
Finance income	13	508	508
Finance expenses	13	13,342	13,342
Net Finance		-12,834	-12,834
Profit/loss before tax		-5,318	-5,318
Income taxes	10	-1,024	-1,024
Profit/loss for the period		-4,294	-4,294

Consolidated Statement of Comprehensive Income

NOK thousand	Note	Q2 15	YTD 15
Profit/(loss) for the period		-4,294	-4,294
Total other comprehensive income, net of tax		-	-
Comprehensive income for the period		-4,294	-4,294
Profit or loss for the period attributable to			
Owners of Pioneer Property Group ASA		-4,294	-4,294
Comprehensive income for the period attributable to			
Owners of Pioneer Property Group ASA		-4,294	-4,294
Earnings per share (NOK)			
Basic earnings per preference share	6	2.72	2.72
Basic earnings per ordinary share	6	-4.27	-8.34
Dividend per preference share	6	2.72	2.72
Dividend per ordinary share	6	-	-

PIONEER PROPERTY

Consolidated Statement of Financial Position

NOK thousands	Note	30.06.15
Assets		
Investment property	12	3,441,280
Fixed assets		101
Total non-current assets		3,441,381
Trade and other receivables		34,719
Cash and cash equivalents	7	205,575
Total current assets		240,294
Total assets		3,681,674
Equity and liabilities		
Share capital	17	16,314
Share premium	17	1,615,133
Retained earnings		-4,294
Total equity		1,627,153
Borrowings	9	1,716,257
Deferred tax	10	20,838
Other non-current liabilities		190,667
Total non-current liabilites		1,927,762
Borrowings	9	90,031
Current tax payable	10	5,500
Other current liabilities		31,228
Total current liabilities		126,759
Total liabilities		2,054,521
Total equity and liabilities		3,681,674

Consolidated Statement of Changes in Equity

NOK thousand	Share capital	Share premium	Retained earnings	Total Equity
Balance at 5 January 2015	30	-	-	**30**
Profit/(loss) for the period			-4,294	**-4,294**
Other comprehensive income for the period			-	**-**
Total comprehensive income for the period	-	-	-4,294	**-4,294**
Reduction of share capital	-30			-30
Proceeds from shares issues debt conversion	15,384	1,523,063		1,538,447
Proceeds from shares issued, contribution in kind	30	2,970		3,000
Proceeds from shares issued	900	89,100		90,000
Consolidation adjustment towards equity				-
Transactions with owners	16,284	1,615,133	-	1,631,417
Balance at 30 June 2015	**16,314**	**1,615,133**	**-4,294**	**1,627,153**

Consolidated Statement of Cash Flows

NOK thousand	Note	Q2 15	YTD 15
Cash flows from operating activities:			
Profit before income tax		-5,318	-5,318
Changes in working capital:		120,893	120,893
Cash generated from operating activities		115,575	115,575
Cash flows from investing activities:			
Purchase of property	11	-3,400,726	-3,400,726
Purchase of net other assets	11	-43,327	-43,327
Net cash used in investing activities		**-3,444,053**	**-3,444,053**
Cash flows from financing activities:			
Proceeds from debt to financial institutions	9	1,746,088	1,746,088
Proceeds from other borrowings	9	156,518	156,518
Proceeds from shares issued	17	1,631,447	1,631,447
Repayment of shares issued	17	-30	-30
Net cash from financing activities		**3,534,023**	**3,534,023**
			-
Net change in cash and cash equivalents		**205,545**	**205,545**
Cash and cash equivalents at beginning of period	7	30	30
Exchange gains/(losses) on cash and cash equivalents			-
Cash and cash equivalents at period end	**7**	**205,575**	**205,575**

Notes to the Financial Statements

Note 1: Accounting principles

Accounting principles are included in full in this report as this is PPG's first consolidated group financial statement.

1.1 General information

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

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 AS, Pioneer Public Properties II AS, Pioneer Public Properties III AS and Pioneer Public Properties IV AS. See note 11.

The consolidated interim financial statements covers the period from 1 April 2015 to 30 June 2015 (Q2 column) and 5 January 2015 - 30 June 2015 (YTD column). However, all operating financial data is from 12 May when the Group was established.

1.2 Basis of preparation

The interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The interim consolidated financial statements have been prepared under the historical cost convention, as modified by fair value adjustments to investment properties.

The interim consolidated financial statements are the Group's first financial statements and in accordance with IFRS 1. For illustrative figures representing the Group as if it was established in 2014 refer to the combined IFRS statement presented in the Group's prospectus.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The consolidated financial statements have been prepared on a going concern basis.

All financial numbers are presented in thousand NOK, unless otherwise stated.

1.3 Consolidation

Subsidiaries: Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquirer and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

Acquisition of subsidiaries or other entities not viewed as a business combination: An acquisition of entities not comprising any business activities is viewed as a purchase of assets. The acquisition cost is allocated to the acquired assets and no deferred tax is calculated for temporary differences that arise at their initial recognition

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

1.4 Changes in accounting principles

These financial statements are the first accounts submitted by the Group. The financial statements and accompanying notes are in accordance with standards currently effective under IFRS as adopted by the EU.

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 30 June 2015, and have not been applied in preparing these interim consolidated financial statement. None of the new Standards are expected to have a significant effect on the consolidated financial statements of the Group. The following new standards have not been implemented in the preparation of these financial statements: IFRS 9 Financial instruments, and IFRS 15 Revenue from contracts with customers.

1.5 Investment properties

Property held with the purpose of achieving rental income, increase in value or both are classified as investment property. Investment property also includes property under development for future use as investment property. Investment property is initially recognized at cost included transaction costs.

Transaction costs include such costs as public duties, lawyer's fees and costs to bring the property to the condition that is necessary to put the property into operation. Recognized value also includes replacement cost for parts of the existing investment property at the time when the cost is incurred and the terms for recognition has been met.

After initial recognition the investment property is then recognized at fair value. Profit or loss from changes in fair value are presented in the income statement when they arise.

Subsequent costs relating to investment property are included in the carrying amount if it is probable that they will result in future economic benefits for the investment property and the costs can be measured reliably. Expenses relating to operations and maintenance of the investment property are charged to the income statement during the financial period in which they are incurred.

Investment properties are derecognized when they are sold or are permanently out of operations and no future economic benefit is expected if disposed of. All gains or losses relating to sales or disposal are presented in the income statement the same year as disposal. Gains or losses from disposal of investment property is the difference between net selling price and the carrying amount of the asset in the previous year's financial statements.

1.6 Lease agreements
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, the right to use an asset for an agreed period of time.

All the Group's properties are leased out under operating leases. The properties are included in the balance sheet as Investment Property.

Revenue is comprised of rental income from the properties. Lease income on operating leases is recognized over the term of the lease on a straight line basis.

1.7 Real estate related costs and other costs
Costs directly related to the operations of existing properties are recognized as real estate related costs, other costs are included as administrative costs. Costs are recognized as they are accrued.

1.8 Financial assets
1.8.1 Classification
The group classifies its financial assets in the following category: Loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Currently the Group only holds financial assets in the category loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet

1.8.2 Recognition and measurement
Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

1.8.3 Impairment of financial assets
Assets carried at amortized cost: The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

1.9 Trade receivables
Trade receivables are amounts due from customers for rental of premises. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost

using the effective interest method, less provision for impairment.

1.10 Cash and cash equivalents
Cash and cash equivalents includes bank deposits.

1.11 Share capital
The Company has two classes of shares, ordinary shares and preference shares. Both classes are classified as equity.

1.12 Trade payables and other short term payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

1.13 Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

1.15 Borrowing costs
All borrowing costs are recognized in profit or loss in the period in which they are incurred.

1.16 Interest income
Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

1.17 Current and deferred income tax
Tax on income in the interim periods are accrued using the tax rate that would be applicable to expected annual profit.

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Norway. Management periodically evaluates positions taken in tax calculations with respect to situations in which applicable tax regulation is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

1.18 Dividend distribution
The Company has two classes of shares, ordinary shares and preference shares. The preference shares are entitled to annual dividend payments amounting to NOK 7.50 per preference share, if the General Assembly approves payment of dividends. If payable, the dividend payments will be made quarterly with NOK 1.875 per preference share, with adjustment for extra days for the Company's first payment. See the Articles of Association for full details.

The quarterly dividend distribution to the preference shares is recognized as equity in the Group's financial statements in the period in which the dividends are approved by the General Assembly.

Dividend distribution to Ordinary shares is recognized as a liability in the Group's financial statement in the period in which the dividend is approved by the Company's shareholders in the General Assembly to payment.

1.19 Segments
The Group's only business is to own and rent out preschool properties. All properties are in the same business segment. All properties are in Norway.

1.20 Cash flow
The statement of cash flow has been prepared using the indirect method, and in accordance with IAS 34 a condensed statement is presented.

Note 2: Financial risk management

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 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. Refer to note 9 for details. 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. The only fixed-interest agreements entered into by the end of Q2 2015 has been established as a result of demands from the lender in relation to the financing of individual purchases. If the interest rate had been +/- 1 % in Q2 2015 the result after tax would be +/- MNOK 2.3 million, all other conditions unchanged.

b) Credit risk: Credit risk is the risk of loss when a party is unable to redeem their obligations to the Group.

Credit risk is managed on 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:	30-06-15
Accounts receivable	2,648
Other short term receivable	32,071
Cash balance	205,575
Total exposure	**240,294**

The credit risk 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 (refer to note 9), 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:

	< 3 months	3m - 1y	1y - 2y	2y - 5y	> 5 years
Borrowings (bank)	9,165	27,704	345,880	91,644	620,175
Interest on borrowings (bank)	11,198	33,082	33,936	77,850	222,868
Bond loans	-	46,950	32,950	505,100	-
Interest on bond loans	8,902	26,705	35,607	58,442	-
Other liabilities	31,228	-	219,111	-	-

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	30-06-15
Total borrowings	1,777,844
Less: Cash and cash equivalents	205,575
Net debt	1,572,269
Total equity	1,627,153
Total capital	3,199,422
Gearing ration	49%

Note 3: Segment Summary

The Group's business is to own and manage investment properties in Norway (currently all assets are in Norway) and rent them out to operators. 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 one geographical area. Further segment information is therefore not prepared.

The Group have three customers: Norlandia Barnehagene, Kidsa Barnehager and Espira all of which contribute with more than 10 % of operating revenue.

Note 4: Critical Accounting Estimates and Judgement

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, 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. The quarterly evaluations are presented to the audit committee for approval.

The properties are valued using a combination of discounted cash flow models and market based property yield. The Investment Properties are measures at level 3. All significant inputs are disclosed in note 12. All cash flows used in the calculations are based on long term contracts. Management assess the cash flows to be stable without material uncertainty. The critical accounting estimates in the calculation, based on management's judgement is the yield.

The yield is calculated per investment property. The prime yield for pre-school properties is 5.50 %. Factor such as the property's location in relation to a major city, net-population change, size of the property/per child, year of build and whether or not the property is on a leased land (festetomt). The average gross yield for the investment property portfolio is 6.0 %. Refer to note 12 for sensitivities.

Note 5: Contingencies and commitments

The Group has no contingent liabilities nor commitments as at 30 June 2015.

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	Q2	YTD
Comprehensive income for the period	-4,294	-4,294
Less: Dividend to preference shares	17,664	17,664
Total	-21,957	-21,957
Weighted average number of ordinary shares	5,145,220	2,631,455

b) Diluted

As per 30 June 2015 no rights are issued which cause diluted earnings per share to be different to basic earnings per share.

Refer to note 19 for information related to the classes of shares.

Dividend payment to preference shares for Q2 2015: Holders of preference shares at the end of September are scheduled to receive a dividend amounting to NOK 1.875 per share. The payment planned for end-September 2015 will include an additional amount of NOK 0.842 per share. In total NOK 17,664 million will be paid to holders of preference shares. The additional amount is based on the following, as disclosed in the Company's Articles of Association: 7.5% interest on the IPO subscription rate (NOK 100) adjusted for the number of days from registration of the preference shares in the Company Register (Foretaksregisteret) until 30 June 2015 divided by 365 days per year. The preference shares were registered 19 May 2015.

Note 7: Cash and cash equivalents

Cash and cash equivalents	30-06-15
Bank deposits	205,575
Total	205,575

Included in the bank deposits are restricted cash amounting to NOK 1.5 million which is held in a client account by the company’s lawyer.

Note 8: Expenses

Specification of other operating expenses	Q2 2015 (and YTD)
expenses related to initial public offering	14,416
Other operating expenses including management fee	5,277
Total other operating expenses	19,693

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 borrowings by tranche at 30 June 2015:

NOK thousand	30.06.15
Non-current	
Commercial bank loans	345,726
Husbank loans (state bank)	845,380
Bonds in Pioneer Public Properties II AS	174,172
Bonds in Pioneer Public Properties III AS	350,979
Total	**1,716,257**

NOK thousand	30.06.15
Current	
Commercial bank loans	9,292
Husbank loans (state bank)	33,790
Bonds in Pioneer Public Properties II AS	20,000
Bonds in Pioneer Public Properties III AS	26,950
Total	**90,032**

a) bank borrowings

The majority of the Group's bank loans are with Husbanken, Pareto Bank and Handelsbanken. The bank borrowings mature until 2035. Of the total bank borrowings (commercial and Husbank) per Q2 2015 NOK 654 million are on a fixed rate. The remaining NOK 556 million are on floating rates.

b) Bond loans

The Group has issued two bonds: Pioneer Public Property II (PPP01 PRO) at Oslo ABM amounting to NOK 200 million with maturity April 2018 and Pioneer Public Property III (PIII01) at Oslo Børs amounting to NOK 385 million with maturity June 2019. The bonds are senior secured callable bonds with voluntary redemption at specified premiums up until maturity.

Summary of bond loans:

Bonds	Book value 30-06-15	Fair value 30-06-15	Coupon	Term
PPP01 PRO	200,000	201,500	NIBOR + 5 %	2013/2018
PIII01	385,000	389,004	NIBOR + 4,5 %	2014/2019
Transaction costs	-24,896			
Amortization	11,997			
Total bond	**572,101**	**590,504**		
Whereof current	46,950	73,900		

In both bond agreements entered into there are limitations on the borrower (PPPII and PPPIII) in regards to additional financial indebtness, distributions and renegotiations on borrowing. Also, the two bond loans are subject to the following main financial covenants:

Bonds	LTV*	Minimum cash requirement
PPP01 PRO	120%	5,000
PIII01	120%	6 month interest payment on the bond

**LTV: the aggregate of fair value of properties, the amount standing to credit of the issues at the escrow account and Earnings Account, must at all times exceed the covenant requirement of the total financial indebtnes of the Group*

The recognised value of assets pledged as security for bank borrowings as per 30 June 2015.

	30-06-15
Investment property	3,441,280
Total pledged assets	3,441,280

Note 10: Tax

Income tax expense is recognised 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 2015 income tax expense is 27%.

Tax expense	Q2 15	YTD 15
Profit before tax	-5,318	-5,318
Adjustments for:		
- temporary differences	1,524	1,524
- Permanent differences	-	-
Taxable result for the period	-3,794	-3,794
Estimated income tax expense for the period	-1,024	-1,024
Estimated effective tax rate for the period	19%	19%

Tax payable is related to companies which are incorporated in 2014 and thus have not received a prepayment request from the tax authorities, nor requested a prepayment themselves.

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

The Company was incorporated 5 January 2015. The Group was formed after the acquisition of Pioneer Public Properties I AS, (PPPI), Pioneer Public Properties II AS (PPPII), Pioneer Public Properties III AS (PPPIII) and Pioneer Public Properties IV AS (PPP IV) on 12 May 2015.

The acquisitions of PPP I, PPP II AS, PPP III and PPP IV included investment properties, liabilities and rent agreements. No employee or management contract was included in the acquisition. Based on the underlying facts and circumstances, management has evaluated that the purchases were not in scope of IFRS 3, but a purchase of a group of assets. Therefore no goodwill was recognized and the initial recognition exemption for recognising deferred tax was applied.

The following table summarises the consideration paid for PPP, PPP II, PPP III and PPP IV, the fair value of assets acquired, liabilities assumed at the acquisition date.

Consideration 12 May 2015	
Equity instruments	891,447
Equity instruments preference shares	650,000
Total consideration transferred	1,541,447

Investment property	3,400,726
Net current assets and liabilities	43,327
Borrowings	-1,746,088
Shareholder loans	-156,518
Total identifiable assets	1,541,447

For a full list of the subsidiaries within the Group, please see the listing prospectus available via the Company's website.

Note 12: Investment property

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 three customers, refer to note 3. On average there are 17 years remaining on the lease agreements. All agreements are CPI adjusted annually. The Group does not have any future capital expenditure on the properties as all maintenance is carried by the tenant. The properties are mainly located in the greater Oslo area, Bergen, Stavanger, Bodø and Tromsø.

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. All external valuations have been carried out in accordance with the international valuation standard. External valuations have been carried out by Newsec. See the IPO-prospectus for the full valuation report.

Valuation

The Group uses yield valuation according to the cash flow method for external and internal valuations. The same valuation method has been used for all of the Group's 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 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 Group's property value by +/– NOK 179 million.

Description of valuation method:

Market revenue per child per pre-school is estimated to be NOK 21.000 per year. This is based on empirical evidence and assessed to be the going market rate. Revenue is grossed up based on number of children attending the pre-school. Total revenue is deducted 2 % administration costs and divided by the yield for the property as described in note 4.

Sensitivity analysis, property valuation	Change	Effect on profit thousand NOK
Yield	0.5 %	-279,742
Yield	-0.5 %	279,742
Rental income	5.0 %	171,250
Rental income	-5.0 %	-171,250

All properties owned generated rental income in the period. No properties are classified as 'held-for-sale' or held under finance leases. Since the acquisition of the properties 12 May 2015, an adjustment of MNOK 41 has been accounted for.

Note 13: Net financial items

NOK thousands	Q2 15	YTD 15
Interest income	508	508
Interest expense	13,342	13,342

Note 14: Related-party transactions

Overview over related parties

Related party	Relation to the Group
Roger Adolfsen	Chairman of the Board and owner of Mecca Invest AS
Sandra Henriette Riise	Board member
Geir Hjort	Board member
Even Carlsen	Board member and owner of Grafo AS
Nina Hjørdis Torp Høisæter	Board member
Runar Rønningen	CEO Pioneer Capital Partners
Pioneer Capital Partners AS	Shareholder and deliverer of managment services
Grafo AS	Substantial shareholder
Kevenstern AS	Substantial shareholder
Mecca Invest AS	Substantial shareholder
Norlandia Care Group AS	Controlled by substantial shareholders
Kidprop AS	Controlled by substantial shareholders
Kidsa Drift AS	Controlled by substantial shareholders

The Group had the following material transactions with related parties:

Transactions with related parties	Q2/15 (and YTD)
Rent revenue from Norlandia Care Group AS including subsidiaries	8,449
Rent revenue from Kidsa Drift including subsidiaries	4,477
Management fee to Pioneer Management AS	1,490
Purchase of shares from related parties (refer to note 11)	1,541,447

For a complete description of related-party transactions in conjunction with the establishment of the Group, see the listing prospectus available via the Company's website.

Note 15: Payroll

The company does not have any employees. Refer to Note 14 for information regarding management fee to Pioneer Management AS, a fully owned subsidiary of Pioneer Capital Partners AS.

Note 16: Trade receivables

	30-06-15
Trade Receivables	2,648
Other Receivables	32,071
Total Receivables	34,719

None of the receivables are due.

Note 17: Share capital and shareholder information

		Share value in NOK			
	Number of shares	Ordinary shares	Preference shares	Share premium	Total
Proceeds from	30,000	30,000			
Paid out capital	-30,000	-30,000			
Proceeds from share issue, debt conversion	15,384,470	8,884,470	6,500,000	1,523,062,530	1,538,447,000
Proceeds from share issue, contribution in kind	30,000	30,000		2,970,000	3,000,000
Proceeds from share issue	900,000	900,000		89,100,000	90,000,000
At 30 June 2015	16,314,470	9,814,470	6,500,000	1,615,132,530	1,631,447,000

The Company have two classes of shares, ordinary shares and preference shares. The face value per share for both ordinary and preference shares classes is NOK 1. Share premium for all shares issued in the period is of NOK 99 per share.

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 shares: 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 and NOK 1.875 per preference share shall be accumulated and adjusted upwards with an annual interest rate of 5 per cent until full dividends have been distributed. No dividends may be distributed to the ordinary shareholders until the preference shareholders have received full dividends including the withheld amount. Any difference between NOK 1.875 per preference share and the dividend paid per preference share is accumulated for each quarter.

Detailed information regarding dividends, issues and redemption can be found in the Company's Articles of Association, available in the prospectus via the Company's website.

Shareholder	Ordinary	Preference
Norlandia Care Group As	20.0 %	13.4 %
Hospitality Invest As	22.2 %	3.3 %
Eidissen Consult As	14.4 %	3.5 %
Grafo As	14.4 %	3.5 %
Klevenstern As	14.4 %	2.8 %
Mecca Invest As	14.4 %	2.8 %
Pioneer Capital Partners As	0.0 %	2.9 %
Other minority shareholders	0.0 %	67.8 %
Sum	**100.0 %**	**100.0 %**

Note 18: Operational leases

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

	30-06-15
Within 1 year	205,006
Between 1 and 5 years	820,023
After 5 years	2,460,068

Note 19: Subsequent events

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