PIONEER PROPERTY

Q3

REPORT 2016

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

PIONEER PROPERTY GROUP ASA

Highlights of the Q3 report

- Total revenues in the third quarter of 2016 were MNOK 52.7, marginally up from the second quarter because of newly acquired preschools.
- PPG's subsidiary group, Pioneer Public Properties AS, issued a new unsecured bond of MNOK 1,000 to refinance existing bond-loans and other external unsecured debt, in addition to strengthening the Group's cash balance.
- Interest expenses in the quarter were heavily impacted by one-off costs relating to the refinancing of the two bond loans in Pioneer Public Properties II AS and Pioneer Public Properties III AS. Call premiums and the write down of previously amortized bond transaction costs totaled MNOK 38.7 in the quarter in addition to some double interest costs for a short period. Operating profit (EBIT) remained strong at MNOK 46.7, but with a pre-tax loss was MNOK -25 due to one-off costs.
- Towards the end of the quarter, PPG acquired additional nine properties for a total enterprise value of MNOK 188 with total annualized rent of MNOK 12. Four of these properties are consolidated in the third quarter results.
- On 30th September, PPG paid a dividend to holders of preference shares – in total NOK 1.875 per preference share. The next dividend to preference shareholders is scheduled for the end of the fourth quarter 2016. See the company's website for updated financial calendar information.
- The company had total assets of MNOK 3,927, where Investment Property (116 properties) were valued at MNOK 3,486 and with a cash balance of MNOK 342. Total debt was MNOK 2,296 with total equity of MNOK 1,631.
- Since the end of the third quarter, the company has entered into agreement to acquire additional twelve preschool properties in Finland for a total value of MEUR 22, which have annual revenues of MNOK 1.4. This acquisition is debt financed with MEUR 13.2 from Danske Bank.

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 (end Q3) consists of 116 Norwegian kindergartens centrally located in the large cities in Norway, Sweden and Finland, with an additional 17 to be consolidated in the fourth quarter. The total portfolio houses a total of over twelve thousand children. The properties are leased out on long-term triple-net contracts to large kindergarten operators, including Norlandia Care Group, Espira and Touhula.

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

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

Key material events during the third quarter

PPG's subsidiary group, Pioneer Public Properties AS, issued a new unsecured bond of MNOK 1,000 to refinance existing bond-loans and other external unsecured debt, in addition to strengthening the group's cash balance. The largest loans refinanced were the two listed bond loans in Pioneer Public Properties II AS and Pioneer Public Properties III AS, thus consolidating the group's outstanding bonds. See the stock exchange releases, including the disclosed investor presentation material, for full details of the new bond.

In September, PPG acquired additional nine properties for a total enterprise value of MNOK 188 with total annualized rent of MNOK 12. These nine properties only included MNOK 44 in external bank debt, and the remaining portion of the acquisition was paid from PPG's cash reserves. This was done, however, in anticipation of increased bank financing to be obtained in the upcoming quarter (see subsequent events below). See the related stock exchange release from September 15 for more details on the acquired companies.

Subsequent events since the end of the third quarter

From the start of the fourth quarter, PPG has consolidated an additional twelve Finish properties, which were acquired from the Finish investment company Trevian for a total value of MEUR 22. These properties are leased out to the leading Finish preschool operator Touhula on fifteen-year triple-net contracts, and are centrally located in major Finish cities. The annualized rent for the portfolio is MEUR 1.4, and in conjunction with the acquisition, PPG obtained MEUR 13.2 in debt financing from Danske Bank. See the stock exchange release for more details.

In November, PPG accepted an offer from DnB for a new bank loan of MNOK 495 to refinance existing debt in Pioneer Public Properties I AS and Pioneer Public Properties IV AS, in addition to adding debt financing to the Q3-acquisition of nine properties from Norlandia Care Group.

All other operations progressed as expected and there were no material unexpected events during the third quarter of the year. The company paid its scheduled Q3-dividend payment in the end of September.

Overview of the financial accounts for the third quarter of 2016

Underlying revenues were in line with expectations and PPG's contracted revenues. However, four of the newly acquired properties from Norlandia Care Group were included towards the end of September and had a marginally positive effect. Total revenues will increase in the fourth quarter of 2016 as the rest of the recently acquired properties will have full effect. Total revenues in Q3 were MNOK 52.7.

Due to the refinancing of the two existing bond loans in PPPII and PPPIII, interest costs were significantly increased due to call premiums and the write down of previously amortized bond transaction costs according to IFRS. Of the total interest costs in the third quarter, a total of MNOK 38.7 can be directly attributed to these one-off items. In addition, the Group incurred double interest costs for a short period. As a result of these one-off costs, the Group incurred a net loss before tax of MNOK -25.

The balance sheet as of 30th September includes Investment Property of MNOK 3,486, and no material events took place that should impact this valuation level. The four investment properties added in the quarter have been added according to their respective acquisition price. In addition, the company had MNOK 342 in cash balance at the end of the quarter. On the debt side, PPG had a total of MNOK 2,296 in debt, which includes the new bond-loan Pioneer Public Properties AS.

Accounting policies:

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

15 November 2016

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 - Pioneer Property Group ASA

NOK thousand	Note	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	YTD 2016
Income from rent	2	51,055	51,055	129,319	52,302	52,302	52,674	157,277
Other income	2		-223	-223	151	14	14	179
Total Income		51,055	50,833	129,097	52,452	52,316	52,688	157,456
Payroll expenses	15		314	314			263	263
Other operating expenses	8	6,102	6,148	31,943	5,962	4,768	5,748	16,478
Total Expenses		6,102	6,461	32,256	5,962	4,768	6,010	16,740
Fair value adjustment on investment properties	12	-	-	-	-			
Operating profit (EBIT)		44,953	44,371	96,840	46,490	47,547	46,678	140,716
Finance income	13	2,165	4,449	7,122	631	688	918	2,237
Finance expenses	13	28,898	19,949	62,189	24,284	22,793	71,068	118,144
Currency expenses							1,618	1,618
Net Finance		-26,733	-15,500	-55,067	-23,653	-22,105	-71,768	-117,525
Profit/(loss) before tax		18,220	28,871	41,773	22,838	25,443	-25,089	23,191
Income taxes	10	4,871	1,763	5,610	5,709	6,361	-6,272	5,798
Profit/(loss) for the period		13,349	27,108	36,163	17,128	19,082	-18,817	17,393
Proposed dividends		-			-			
Total distributed		13,349	27,109	36,163	17,128	19,082	-18,817	17,393

Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

NOK thousand	Note	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	YTD 2016
Profit/(loss) for the period		13,349	27,108	36,163	17,128	19,082	-18,817	17,393
Total other comprehensive income, net of tax		-	-	-	-	-	-	-
Comprehensive income for the period		13,349	27,108	36,163	17,128	19,082	-18,817	17,393
Profit or loss for the period attributable to								
All shareholders of Pioneer Property Group ASA		13,349	27,108	36,163	17,128	19,082	-18,817	17,393
				-				
Comprehensive income for the period attributable to								
Ordinary shareholders of Pioneer Property Group ASA		1,162	14,920	6,179	4,941	6,894	-31,005	-19,169
Earnings per share (NOK)								
Basic earnings per preference share	6	1.875	1.880	4.61	1.88	1.88	1.88	5.625
Basic earnings per ordinary share	6	0.118	1.520	0.700	0.503	0.702	-3.159	-1.953
Dividend per preference share	6	1.875	1.880	4.61	1.88	1.88	1.88	5.625
Dividend per ordinary share	6	-	-	-	-	-	-	-

Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	30-09-15	31-12-15	31-03-16	30-06-16	30-09-16
Assets						
Investment property	12	3,413,175	3,413,174	3,411,937	3,411,937	3,486,143
Total non-current assets		3,413,218	3,413,174	3,411,937	3,411,938	3,486,143
Trade and other receivables	16	83,515	10,607	2,344	17,084	99,027
Cash and cash equivalents	7	210,973	195,329	193,967	125,472	341,681
Total current assets		294,488	205,936	196,311	142,556	440,709
Total assets		3,707,706	3,619,111	3,608,248	3,554,495	3,926,851
Equity and liabilities						
Share capital	17	16,314	16,314	16,314	16,314	16,314
Share premium	17	1,585,148	1,585,148	1,585,148	1,572,960	1,560,773
Retained earnings		9,055	36,163	53,291	72,373	53,556
Total equity		1,610,518	1,637,625	1,654,754	1,661,648	1,630,643
Borrowings	9	1,479,852	1,698,190	1,539,983	1,497,250	2,001,409
Deferred tax	10	22,333	15,844	21,553	27,914	21,641
Other non-current liabilities		263,400	139,508	99,394	109,432	32,623
Total non-current liabilites		1,765,585	1,853,542	1,660,930	1,634,595	2,055,674
Borrowings	9	251,168	86,793	236,947	223,097	192,090
Current tax payable	10	5,500	7,363	7,279	7,279	7,339
Other current liabilities		74,935	33,787	48,338	27,876	41,105
Total current liabilities		331,603	127,944	292,564	258,251	240,534
Total liabilities		2,097,188	1,981,485	1,953,495	1,892,847	2,296,208
Total equity and liabilities		3,707,706	3,619,111	3,608,248	3,554,495	3,926,851

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 Equity**
Balance at 31 December 2015	16,314	1,585,148	36,163	**1,637,625**
Profit/(loss) for the period			17,393	**17,393**
Proposed dividends		(24,375)		**(24,375)**
Other comprehensive income for the period			0	**0**
Total comprehensive income for the period	0	(24,375)	17,393	**(6,982)**
Balance at 30 September 2016	**16,314**	**1,560,773**	**53,556**	**1,630,643**

Consolidated Statement of Cash Flows - Pioneer Property Group ASA

NOK thousands	Note	Q1-Q3 2015	2015	YTD 16
Cash flows from operating activities:				
Profit before income tax		10,850	41,773	23,191
Adjustments for:				
Fair value adjustments on investment property	12			
Interest expense - net	13			
Borrowing cost	9			
Taxes paid				-24
Profit/loss on sale of fixed assets				70
Changes in working capital:		-943		
Trade receivables	17		-807	-2,328
Trade payables	18			7,056
Other accruals			128,377	19,467
Cash generated from operations		9,907	169,343	47,431
Interest paid				
Income tax paid				
Net cash generated from operating activities		**9,907**	**169,343**	**47,431**
Cash flows from investing activities:				
Proceeds from sale of properties				1,237
Purchase of property	11	-3,444,053	-3,413,174	-74,205
Purchase of net other assets	11			
Other long term receivables				
Proceeds from sale of shares and bonds	9.19			-70
Net cash used in investing activities		**-3,444,053**	**-3,413,174**	**-73,038**
Cash flows from financing activities:				
Proceeds from debt to financial institutions	8	1,731,019	1,837,698	1,000,000
Proceeds from other borrowings	8	282,653		
Repayments of debt to financial institutions	9			-803,666
Proceeds from shares issued	18	1,631,447	1,631,477	
Repayment of shares issued	18	30,000	-30,015	
Dividends paid to owners of the parent	15			-24,375
Dividends paid to non-controlling interests	15			
Net cash from financing activities		**3,675,120**	**3,439,161**	**171,959**
		-	**-**	
Net change in cash and cash equivalents		**240,974**	**195,329**	**146,352**
Cash and cash equivalents at beginning of period	6			195,329
Exchange gains/(losses) on cash and cash equivalents				
Cash and cash equivalents at period end	**6**	**240,974**	**195,329**	**341,681**

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 preschool properties and rents 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 acquisition 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.

The consolidated interim financial statements covers the period from 1 January 2016 to 30 September 2016.

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 quarterly reports are interim updates after the annual report of 2015, and is therefore intended to be read in connection with this report.

The third quarter report has not been audited.

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 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. Refer to note 10 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. 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 2016 the result after tax would be +/- MNOK 5,5 million, all other conditions unchanged and assuming a floating interest rate on 100% of the Company's borrowings.

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, refinance existing loans, 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.

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 perioc	**30-09-16**
Accounts receivable	179
Other Short term receivable	98,849
Cash balance	341,681
Total exposure	**440,709**

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 (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:

	30-09-16				
	< 3mnths	**3m-1y**	**1y-2y**	**2y-5y**	**>5y**
Borrowings (bank)	10,310	181,781	248,914	138,298	627,213
Interest on borrowings (bank)	11,334	30,265	36,418	103,147	180,443
Bond loans	-	-	-	1,000,000	-
Interest on bond loans	16,000	48,000	64,000	168,000	-

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	**30-09-16**
Total borrowings	2,225,420
Less: Cash and cash equivalents	341,681
Net debt	1,883,739
Total equity	1,630,643
Total capital	3,514,383
Gearing ratio	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 has four main end customers: Norlandia Barnehagene, Kidsa Barnehager, Touhula and Espira.

A geographical split of revenues for the quarter is as follows:

NOK thousand	**Norway**	**Sweden**	**Finland**	**Group**
Income from rent	52,302	207	166	52,674
Other income	14	-	-	14
Total Income	52,316	207	166	52,688

Note 4: Critical accounting estimates and judgement

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

a) Fair value of Investment Properties.

The fair value of investment properties is assessed quarterly by management. The Investments Properties are on a regular basis subject to on-site inspections and technical evaluations.

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. 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(Norwegian: *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 September 2016.

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	Q3	YTD
Net profit	-18,817,066	17,393,011
Less pref share dividends	-12,187,500	-36,562,500
Profit attributable to ord shares	-31,004,566	-19,169,489
Weighted avg ord shares	9,814,470	9,814,470
EPS to ord shares	-3.16	-1.95

b) Diluted

As per 30 September 2016 no rights are issued which cause diluted earnings per share to be different to basic earnings per share.

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

Note 7: Cash and cash equivalents

Cash and cash equivalents	30-09-16
Bank deposits	341,681
Total	341,681

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

The increase in cash equivalents from the second quarter (MNOK 125) is a result of a number of transactions relating to the issue of the new corporate bond in Pioneer Public Properties AS (MNOK 1000) and refinancing, including extraordinary refinancing costs, of loans in Pioneer Public Properties II AS, Pioneer Public Properties III AS, and other external unsecured debt. Towards the end of the third quarter, the Company also acquired seven properties from Norlandia Care Group for a total enterprise value of MNOK 188, which at the time was not adequately debt financed.

Note 8: Expenses

Specification of other operating expenses	30-09-16	YTD 2016
Other operating expenses including management fee	5,748	16,478
Total other operating expenses	**5,748**	**16,478**

Note 9: Borrowings

Interest-bearing liabilities and available cash and cash equivalents constitute the capital of the Group.

The Group's main source of financing are bank loans, bond loans in the Norwegian bond market and shareholder loans.

Summary of external bank- and bond loans by tranche as of 30 September 2016:

NOK thousand	30-09-16
Non-current	
Commercial bank loans	255,574
Husbank loans (state bank)	758,852
Bonds in Pioneer Public Properties	986,984
Total	**2,001,409**

NOK thousand	42,643
Current	
Commercial bank loans	159,320
Husbank loans (state bank)	32,770
Bonds in Pioneer Public Properties	-
Total	**192,090**

NOK thousand	42,643
Total non-current and current	
Commercial bank loans	414,894
Husbank loans (state bank)	791,622
Bonds in Pioneer Public Properties	986,984
Total	**2,193,500**

a) Bank borrowings

The Group's major bank loans are with Husbanken, Pareto Bank, and Handelsbanken. The bank borrowings mature until 2035. Of the total bank borrowings per 30 September 2016 NOK 587 million are on a fixed rate. The remaining NOK 619 million are on floating rates.

b) Bond loans

The Group has one issued bond:

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

Bonds	Book value 30-09-16	Marked value 30-09-16	Coupon	Term
PPP	1,000,000	1,047,000	NIBOR + 5,25 %	2016/2021
Transaction costs	-13,701			
Amortization	685			
Total bond	**986,984**	**1,047,000**		

The PPU01 bond agreement has certain limitaions 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%.

Note 10: Income Tax

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to date 30 September 2016 income tax expense is 25 %.

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

During the third quarter the Group acquired real estate companies in Sweden and Finland (see stock exchange releases for full details). The Group also founded a Norwegian holding company. In the subsequent fourth quarter the Group has also acquired an additional twelve real estate companies in Finland and four real estate companies in Norway.

Company added to the Group in Q3 Name	Location	Percent of stock
Pioneer Public Finland OY	Finland	100%
Kiinteistö OY Akaan Tenavajoti	Finland	100%
Kiinteistö OY Lohjan Tenavajoti	Finland	100%
Casparssons Fastighetsbolag AB	Sweden	100%
Västeråsfjärdens fastighetsbolag AB	Sweden	100%
Pioneer Public Properties V AS	Norway	100%

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 four main customers (ref note 3). On average there are 17 years remaining on the lease agreements. All agreements are fully CPI-adjusted annually. The Group does not have any future 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 Q3/2016, the Company has maintained its portfolio value based upon a gross average 6% yield, similar to the valuation level at the end of the previous quarter in addition to adding the newly acquired properties at acquisition value.

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 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 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 Group's property value by +/– NOK 174 million.

Note 13: Net financial items

NOK thousands	Q1 16	Q2 16	Q3 16	YTD 16
Interest income	631	688	918	2,237
Interest expense	24,284	22,793	71,068	118,144
Net financial items	**23,653**	**22,105**	**70,149**	**115,907**

Note 14: Related-party transactions

Overview of 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 andDeliverer of managment services
Hospitality Invest AS	Substantial shareholder
Grafo AS	Substantial shareholder
Kevenstern AS	Substantial shareholder
Mecca Invest AS	Substantial shareholder
Norlandia Care Group AS	Controlled by substantial shareholders, refer to note 18
Kidprop AS	Controlled by substantial shareholders, refer to note 18
Kidsa Drift AS	Controlled by substantial shareholders, refer to note 18
Acea Properties AS	Controlled by substantial shareholders, refer to note 18

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

Transactions with related parties	Q3 16
Rent revenue from Norlandia Care Group AS including subsidiaries	14,845
Rent revenue from Kidsa Drift including subsidiaries	9,775
Management fee to Pioneer Capital Partners AS including subsidiaries	2,830
Purchase of shares from related parties (refer to note 11)	

Receivables from related parties	30-09-16
Kidprop AS	18,307

Liabilities to related parties	30-09-16
Kidsa Drift AS	12,448

The outstanding balances between the related parties are unsecured. The interest rate used to calculate interest are based on current market rates. There are no provisions for loss on receivables. 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 14 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 Q3 the accrued compensation for the board members totals TNOK 263; this amount has not been paid out yet.

Note 16: Trade receivables

	30-09-16
Trade Receivables	179
Other Receivables	98,849
Total Receivables	99,027

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
At 30 September 2016	16,314,470	9,814,470	6,500,000	1,560,772,941	1,577,087,411

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 preference shares have a right to 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

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.

Discussion of the financial accounts for the third quarter of 2016

Underlying revenues were in line with expectations and PPP's contracted revenues. However, four of the newly acquired properties from Norlandia Care Group were included towards the end of September and had a marginally positive effect. Total revenues will increase in the fourth quarter of 2016 as the rest of the recently acquired properties will have full effect. Total revenues in Q3 were MNOK 52.7.

Due to the refinancing of the two existing bond loans in PPPII and PPPIII, interest costs were significantly increased due to call premiums and the write down of previously amortized bond transaction costs according to IFRS. Of the total interest costs in the third quarter, a total of MNOK 38.7 can be directly attributed to these one-off items. In addition, the Group incurred double interest costs for a short period. As a result of these one-off costs, the Group incurred a net loss before tax of MNOK -30.1.

The balance sheet as of 30th September includes Investment Property of MNOK 3,486, and no material events took place that should impact this valuation level. The four investment properties added in the quarter have been added according to their respective acquisition price. In addition, the company had MNOK 145 in cash balance at the end of the quarter. On the debt side, PPP had a total of MNOK 2,301 in debt, which includes the new bond-loan Pioneer Public Properties AS.

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

Responsibility Statement of the Board of Directors

We confirm, to the best of our knowledge, that the set of financial statements for the period ending 30 September 2016 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.

15 November 2016

Runar Rønningen

The Board of Directors
Pioneer Property Group ASA

Consolidated Income Statement – Pioneer Public Properties AS

NOK thousand	27.11.15-31.12.15	Q1	Q2	Q3	YTD 2016
Income from rent	19,309	52,302	52,302	52,674	157,277
Other income	29	151	14	14	179
Total Income	19,338	52,452	52,316	52,688	157,456
Payroll expenses					
Expenses related to property			-	762	762
Other operating expenses	3,309	5,304	4,016	4,462	13,782
Total Expenses	3,309	5,304	4,016	5,224	14,543
Fair value adjustment on investment properties					
Operating profit (EBIT)	16,029	47,149	48,300	47,465	142,913
Finance income	1,359	265	143	682	1,091
Finance expenses	8,303	24,716	19,840	76,641	121,197
Currency expenses			-	1,618	1,618
Net Finance	-6,944	-24,450	-19,697	-77,577	-121,724
Profit/(loss) before tax	9,085	22,698	28,603	-30,113	21,189
Income taxes	2,453	5,675	7,151	-7,528	5,297
Profit/(loss) for the period	6,632	17,024	21,452	-22,584	15,891

Consolidated Statement of Financial Position – Pioneer Public Properties AS

NOK thousands	31-12-15	30-09-16
Assets		
Investment property	3,413,174	3,486,143
Deferred tax assets	-	
Investment in subsidiaries		
Loans to group companies		
Total non-current assets	3,413,174	3,486,143
Trade and other receivables	10,607	77,348
Cash and cash equivalents	174,042	145,456
Total current assets	184,649	222,805
Total assets	3,597,823	3,708,947
Equity and liabilities		
Share capital	120,000	120,000
Share premium	1,264,959	1,264,959
Retained earnings	6,632	22,523
Total equity	1,391,591	1,407,482
Borrowings	1,698,190	2,001,409
Deferred tax	25,801	31,098
Other non-current liabilities	316,290	36,744
Total non-current liabilites	2,040,281	2,069,251
Borrowings	86,793	192,090
Current tax payable	-	60
Other current liabilities	79,158	40,064
Total current liabilities	165,952	232,214
Total liabilities	2,206,233	2,301,465
Total equity and liabilities	3,597,823	3,708,947