Q4

REPORT 2016

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

PIONEER PROPERTY GROUP ASA

Highlights of the Q4 report

- Total revenues in the fourth quarter of 2016 were MNOK 60.3, up from the third quarter as a result of newly acquired properties.
- Operating costs in the quarter were impacted by miscellaneous costs relating to the acquisitions and implementation of properties from NCG and Trevian, as announced in Q3.
- Interest expenses in the quarter increased due to the full effect of the new PPP bond and also due to one-off expenses relating to the refinancing of bank loans, including some double-interest costs.
- At the end of the quarter PPG commissioned Newsec to review the valuation of the property portfolio. The valuation of MNOK 4,043 has prompted the Board of Directors to increase the book value in accordance to IFRS, triggering an extraordinary accounting profit of MNOK 242 in the fourth quarter.
- Primarily as a result of large gains from the adjustment of property values, EBIT for the fourth quarter was MNOK 292 and pre-tax profit was MNOK 263.
- The new bond of MNOK 1,000 in Pioneer Property Group's subsidiary company Pioneer Public Properties AS was successfully listed on the Oslo Stock Exchange from the beginning of the fourth quarter.
- A new bank financing from DnB of MNOK 495 was established to refinance smaller bank-loans in several subsidiary companies in addition to adding bank financing to recently acquired kindergartens.
- On 31th December, 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 first quarter 2017. See the company's website for updated financial calendar information.
- At the end of the fourth quarter PPG had total assets of MNOK 4,423, where Investment Property (133 properties) were valued at MNOK 4,043, and with a cash balance of MNOK 350. Total debt was MNOK 2,568 with total equity of MNOK 1,855.

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 Q4) consists of 133 properties centrally located in the large cities in Norway, Sweden and Finland. 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 fourth quarter

The bond in PPG's subsidiary group, Pioneer Public Properties AS, was successfully listed on the Oslo Stock Exchange at the start of the fourth quarter.

The Company obtained new bank financing from DnB of MNOK 495, which was utilized to refinance several smaller bank loans in subsidiaries, in addition to adding debt to a number of the recently acquired properties.

Subsequent events since the end of the fourth quarter

No material subsequent events have occurred during the start of 2017.

Overview of the financial accounts for the fourth quarter of 2016

Underlying revenues were in line with expectations as the acquired properties, as announced in the previous quarter, were included in PPG's accounts. Revenues for the quarter were at MNOK 60.3, representing a new quarterly run-rate level for the Group.

Several one-off effects impacted the fourth quarter results. Notably the adjustment of the company's investment properties which triggered gains of MNOK 242. Profitability for the quarter was therefore significantly increased to an operating result of MNOK 292 and pre-tax profit of MNOK 263.

The balance sheet as of 31th December includes the new valuation level for the Group's Investment Properties of MNOK 4,043, after an updated valuation report from Newsec was presented to, and approved, by the Board of Directors. The Group's cash balance was also increased in the quarter, primarily due to new bank loans from DnB of total MNOK 495, refinancing several smaller loans in subsidiary companies.

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 31st December 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.

14 February 2017

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	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Income from rent	2 18	51,055	129,319	52,302	52,302	52,674	60,270	217,548
Other income	2	-223	-223	151	14	14	14	193
Total Income		50,833	129,097	52,452	52,316	52,688	60,285	217,741
Payroll expenses	15	314	314			263	188	450
Other operating expenses	8	6,148	31,943	5,962	4,768	5,748	10,824	27,302
Total Expenses		6,461	32,256	5,962	4,768	6,010	11,012	27,752
Fair value adjustment on properties	12	-	-	-			242,392	242,392
Operating profit (EBIT)		44,371	96,840	46,490	47,547	46,678	291,664	432,380
Finance income	13	4,449	7,122	631	688	918	469	2,707
Finance expenses	13	19,949	62,189	24,284	22,793	71,068	30,419	148,563
Currency expenses	13					1,618	-807	812
Net Finance		-15,500	-55,067	-23,653	-22,105	-71,768	-29,143	-146,668
Profit/(loss) before tax		28,871	41,773	22,838	25,443	-25,089	262,521	285,712
Income taxes	10	1,763	5,610	5,709	6,361	-6,272	46,345	52,143
Profit/(loss) for the period		27,108	36,163	17,128	19,082	-18,817	216,176	233,569

Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

NOK thousand	Note	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Profit/(loss) for the period		27,108	36,163	17,128	19,082	-18,817	216,176	233,569
Total other comprehensive income, net of tax		-	-	-	-	-	-	-
Comprehensive income for the period		27,108	36,163	17,128	19,082	-18,817	216,176	233,569
Profit or loss for the period attributable to								
All shareholders of PPG ASA		27,108	36,163	17,128	19,082	-18,817	216,176	233,569
			-					
Profit or loss for the period attributable to								
Ordinary shareholders of PPG ASA		14,920	6,179	4,941	6,894	-31,005	203,988	184,819
Earnings per share (NOK)								
Basic earnings per preference share	6	1.875	4.61	1.875	1.875	1.875	1.875	7.500
Basic earnings per ordinary share	6	1.520	0.700	0.503	0.702	-3.159	20.784	18.831
Dividend per preference share	6	1.875	4.61	1.875	1.875	1.875	1.875	7.500
Dividend per ordinary share	6	-	-	-	-	-	-	-

Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	31-12-15	31-03-16	30-06-16	30-09-16	31-12-16
Assets						
Investment property	12	3,413,174	3,411,937	3,411,937	3,486,143	4,042,640
Other non-current assets						21,214
Total non-current assets		3,413,174	3,411,937	3,411,938	3,486,143	4,063,854
Trade and other receivables	16	10,607	2,344	17,084	99,027	9,574
Cash and cash equivalents	7	195,329	193,967	125,472	341,681	349,733
Total current assets		205,936	196,311	142,556	440,709	359,307
Total assets		3,619,111	3,608,248	3,554,495	3,926,851	4,423,161
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	1,572,960	1,560,773	1,548,585
Retained earnings		36,163	53,291	72,373	53,556	289,858
Total equity		1,637,625	1,654,754	1,661,648	1,630,643	1,854,758
Borrowings	9	1,698,190	1,539,983	1,497,250	2,001,409	2,416,177
Deferred tax	10	15,844	21,553	27,914	21,641	60,148
Other non-current liabilities		139,508	99,394	109,432	32,623	9,339
Total non-current liabilites		1,853,542	1,660,930	1,634,595	2,055,674	2,485,665
Borrowings	9	86,793	236,947	223,097	192,090	38,391
Current tax payable	10	7,363	7,279	7,279	7,339	7,838
Other current liabilities		33,787	48,338	27,876	41,105	36,509
Total current liabilities		127,944	292,564	258,251	240,534	82,738
Total liabilities		1,981,485	1,953,495	1,892,847	2,296,208	2,568,403
Total equity and liabilities		3,619,111	3,608,248	3,554,495	3,926,851	4,423,161

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			233,569	**233,569**
Proposed dividends		(36,563)		**(36,563)**
Other changes			20,126	**20,126**
Total comprehensive income for the period	0	(36,563)	253,695	**217,133**
Balance at 31 December 2016	**16,314**	**1,548,585**	**289,858**	**1,854,758**

Consolidated Statement of Cash Flows - Pioneer Property Group ASA

NOK thousands	Note	2015	2016
Cash flows from operating activities:			
Profit before income tax		41,773	285,712
Adjustments for:			
Fair value adjustments on investment property			-242,392
Interest expense - net			
Borrowing cost			
Taxes paid			-7,279
Profit/loss on sale of fixed assets			70
Changes in working capital:			
Trade receivables	16	-807	225
Trade payables			2,722
Other accruals		128,377	-68,892
Cash generated from operations		169,343	-29,834
Interest paid			
Income tax paid			
Net cash generated from operating activities		**169,343**	**-29,834**
Cash flows from investing activities:			
Proceeds from sale of properties			1,237
Purchase of property	12	-3,413,174	-368,185
Purchase of net other assets			
Other long term receivables			
Proceeds from sale of shares and bonds			-70
Net cash used in investing activities		**-3,413,174**	**-367,018**
Cash flows from financing activities:			
Proceeds from debt to financial institutions	9	1,837,698	1,676,110
Proceeds from other borrowings	9		
Repayments of debt to financial institutions	9		-1,088,291
Proceeds from shares issued	17	1,631,477	
Repayment of shares issued	17	-30,015	
Dividends paid to owners of the parent	6		-36,563
Dividends paid to non-controlling interests			
Net cash from financing activities		**3,439,161**	**551,256**
		-	
Net change in cash and cash equivalents		**195,329**	**154,404**
Cash and cash equivalents at beginning of period	7		195,329
Exchange gains/(losses) on cash and cash equivalents			
Cash and cash equivalents at period end	**7**	**195,329**	**349,733**

Notes to the Financial Statements - Pioneer Property Group ASA

Note 1: Accounting Principles

1.1 General information

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

Pioneer Property Group ASA is a public limited company incorporated and domiciled in Norway. The address of the Company's registered office is Rådhusgata 23, 0158 Oslo.

The Company was incorporated 5 January 2015. The Group was formed 12 May 2015 after the acquisitions of Pioneer Public Properties I AS, Pioneer Public Properties II AS, Pioneer Public Properties III AS and Pioneer Public Properties IV AS. See note 11. In 2016 an additional subsidiary, Pioneer Public Properties V AS, was established.

The consolidated interim financial statements covers the period from 1 January 2016 to 31 March 2016 (Q1 column), from 1 April to 30 June (Q2 column), from 1 July to 30 September (Q3 column), from 1 October to 31 December (Q4 column) and 1 January 2016 - 31 December 2016 (2016 column).

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 fourth quarter report has not been audited.

Note 2: Financial Risk

2.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

Risk management is carried out by management under guidance by the Board of Directors. Management identifies, evaluates and act upon financial risks.

a) Market risk

Market risk is the risk that future cash flows in the form of interest payments change as a result of changes in market interest rates. Management and the Board of Directors agree on an acceptable level of interest rate exposures, which are monitored continuously by management. The level of interest rate exposure is determined based on an assessment of existing cash flows, general assessment of financial condition and available liquidity.

(i) Fair value interest rate risk

The Group holds interest bearing assets in terms for cash deposits. Fluctuations in interest would yield a higher or lower interest income. At the current level of cash deposits a change in interest rate of +/- 1 % would not be material for the financial statements.

The Group's interest rate risk arises from long-term borrowings. The Group holds several types of borrowings. 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 Q4 2016 the result after tax would be +/- MNOK 6.1 million, all other conditions unchanged and assuming a floating interest rate on 100% of the Company's borrowings.

b) Credit risk

Credit risk is the risk of loss when a party is unable to redeem their obligations to the Group, and credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, and credit exposures customers, including outstanding receivables and committed transactions. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on ratings. The utilization of credit limits is monitored regularly.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Exposure to credit risk at the end of the period:	**31-12-16**
Accounts receivable	582
Other Short term receivable	8,992
Cash balance	341,681
Total exposure	**351,255**

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:

Maturity of financial liabilities at the end of the period:					**31-12-16**
	< 3mnths	**3m-1y**	**1y-2y**	**2y-5y**	**>5y**
Borrowings (bank)	9,724	28,667	64,932	721,045	642,531
Interest on borrowings (bank)	13,418	36,262	46,710	149,695	177,907
Bond loans	-	-	-	1,000,000	-
Interest on bond loans	16,000	48,000	64,000	152,000	-
Other liabilities					

d) Currency risk

Currency risk is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company. Currency risk also exists when the foreign subsidiary of a firm maintains financial statements in a currency other than the reporting currency of the consolidated entity. The risk is that there may be an adverse movement in the exchange rate of the denomination currency in relation to the base currency before the date when the transaction is completed.

As the Group has subsidiaries in Sweden and Finland where the currencies are SEK and EUR, respectively, the company is exposed to currency risk as the Group's consolidated financial statements are reported in NOK.

2.2 Capital management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders holding ordinary shares, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Gearing ratio at the end of the period	31-12-16
Total borrowings	2,463,220
Less: Cash and cash equivalents	349,733
Net debt	2,113,486
Total equity	1,854,758
Total capital	3,968,245
Gearing ratio	53%

Note 3: Segment Summary

The Group's business is to own and manage investment properties in Norway, Sweden and Finland and rent them out to operators of pre-schools. There is no material difference in risk and margins in the different investment properties. The Group is therefore considered to operate in one business area and in three geographical areas

The Group have seven customers: Norlandia Barnehagene, Kidsa Barnehager, Espira Barnehagene, Suomen Tenava Päiväkodit, Norlandia Förskolor, Touhula and Casparssons Vårdhem. A geographical split of revenues for the quarter is as follows:

NOK thousand	Norway	Sweden	Finland	Group
Income from rent	55,880	1,001	3,389	60,270
Other income	14	-	-	14
Total Income	55,894	1,001	3,389	60,284

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. On an annual basis, in conjunction with preparation of the Annual Accounts, the Company commissions an external valuation report for the portfolio to support managements own estimates. This valuation report is commissioned from a well know and reputable company, and for 2016 a valuation report was commissioned from Newsec.

Newsec has valuated the properties using a combination of discounted cash flow models and market based property yield. All cash flows used in the calculations are based on long term contracts – and both Newsec and management assess the cash flows to be stable without material uncertainty. The critical estimates in the calculation, based on this judgement, is therefore the yield level. See note 12 for additional discussion of Investment Properties, including sensitivities.

Note 5: Contingencies and commitments

The Group has no contingent liabilities nor commitments as at 31 December 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 EPS	Q1	Q2	Q3	Q4	YTD
Net profit, m	17.13	19.08	-18.82	216.18	233.57
Less pref share dividends, m	-12.19	-12.19	-12.19	-12.19	-48.75
Attributable to ord shares, m	4.94	6.89	-31.00	203.99	184.82
Weighted avg ord shares, m	9.81	9.81	9.81	9.81	9.81
EPS to ord shares	0.50	0.70	-	20.78	18.83

b) Diluted

As per 31 December 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	31-12-16
Bank deposits	349,733
Total	349,733

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

Note 8: Expenses

Specification of other opex	31-03-16	30-06-16	30-09-16	31-12-16	YTD 2016
Management fee	2,830	2,830	2,830	3,372	11,861
Other operating expenses	3,132	1,939	2,156	8,213	15,441
Total other operating expenses	**5,962**	**4,768**	**4,986**	**11,586**	**27,302**

Note 9: Borrowings

Interest-bearing liabilities and available cash and cash equivalents constitute the capital of the Group. The Group's main source of financing are bank loans, bond loans in the Norwegian bond market and shareholder loans. Summary of external bank- and bond loans by tranche as of 31 December 2016:

NOK thousand	31-12-16
Non-current	
Commercial bank loans	659,395
Husbank loans (state bank)	769,113
Bonds in Pioneer Public Properties AS	987,669
Total	**2,416,177**

NOK thousand	31-12-16
Current	
Commercial bank loans	7,356
Husbank loans (state bank)	31,036
Bonds in Pioneer Public Properties AS	-
Total	**38,391**

NOK thousand	31-12-16
Total non-current and current	
Commercial bank loans	666,751
Husbank loans (state bank)	800,149
Bonds in Pioneer Public Properties AS	987,669
Total	**2,454,569**

a) Bank borrowings

The Group's major bank loans are with Husbanken, DnB, SR-Bank, and Danske Bank. The bank borrowings mature until 2035. Of the total bank borrowings per 31 December 2016 NOK 581 million are on a fixed rate. The remaining NOK 1466 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 31-12-16	Marked value 31-12-16	Coupon	Term
PPP	1,000,000	1,047,500	OR+5,25 %	2016/2021
Transaction costs	-13,701			
Amortization	1,370			
Total bond	**987,669**	**1,047,500**		
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%.

The recognised value of assets pledged as security for bank borrowings as per 31 December 2016

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

Note 10: Income Tax

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to date 31 December 2016 tax expense is 25 %.

Tax expense	Q1 16	Q2 16	Q3 16	Q4 16	2016
Profit before tax	22,838	25,443	-25,089	262,521	285,712
Adjustments for:					
- temporary differences					165,251
- Permanent differences	-				-242,392
Taxable result for the period	22,838	25,443	-25,089	262,521	208,571
Income tax expense for the perio	5,709	6,361	-6,272	46,345	52,143

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

During the third and fourth quarter the Group bought real estate companies in Sweden, Finland and Norway. The Group also founded a Norwegian holding company.

Company added to the Group in Q3-Q4 Name	Location	Percent of stock
Pioneer Public Finland OY	Finland	100 %
Kiinteistö OY Akaan Tenavajoti	Finland	100 %
Kiinteistö OY Lohjan Tenavajoti	Finland	100 %
Kiinteistö Esoo Palolammentie OY	Finland	100 %
Kiinteisö Hyvinkään Pavinmäenkatu OY	Finland	100 %
Kiinteistö Keravan Kurkela OY	Finland	100 %
Kiinteistö Bromkuja Kirkkonummi OY	Finland	100 %
Päiväkotikiinteistö Klaukkala Pikkutikankuja OY	Finland	100 %
päiväkotikiinteistö Aapraminkaari Vantaa OY	Finland	100 %
Päiväkotikiinteistö Vihti Nummela OY	Finland	100 %
Päiväkotikiinteistö Touhula Karistonkatu Lahti OY	Finland	100 %
Oulunsalon Tetrilänku KOY	Finland	100 %
Touhula Ritaharju KOY	Finland	100 %
Kangasala Ilkontie KOY	Finland	100 %
Päiväkoti Ylöjärvi rimpitie OY	Finland	100 %
Casparssons Fastighetsbolag AB	Sweden	100 %
Västeråsfjärdens fastighetsbolag AB	Sweden	100 %
Kidsa Hylkje AS	Norway	100 %
Kidsa Sandgotna AS	Norway	100 %
Kidsa Ladegården AS	Norway	100 %
Kidsa Festtangen AS	Norway	100 %
Kidsa Øvre Sædal AS	Norway	100 %
Kidsa Kokstad AS	Norway	100 %
Kidsa Øvsttun AS	Norway	100 %
Kidsa Øyrane AS	Norway	100 %
Pioneer Public Properties V AS	Norway	100 %
Kidsa Ospeli Eiendom AS	Norway	100 %
Soløyvannveien 100 AS	Norway	100 %
ITS Solbarnehager AS	Norway	100 %
Norlandia Barnehagene Porsgrunn AS	Norway	100 %

Note 12: Investment Property

Valuation

The Group rents out the investment properties on long term triple net contracts, with an exception on the properties leased to Espira, one of the Group's four main customers (ref note 3). On average, there are 16 years remaining on the lease agreements. All agreements are fully CPI-adjusted annually. The Group does not have any 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 the year, PPG commissioned an 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 5.25%, and a number of individual factors for each property were applied to assess the individual yield for the respective property/location.

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 202 million.

Note 13: Net financial items

NOK thousands	Q1 16	Q2 16	Q3 16	Q4 16	YTD 16
Interest income	631	688	918	469	2,707
Currency expense	-		1,618	-807	812
Interest expense	24,284	22,793	71,068	30,419	148,563
Net financial items	**23,653**	**22,105**	**71,768**	**29,143**	**146,668**

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 AS
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 17
Pioneer Bidco I AS	Controlled by substantial shareholders, refer to note 17
Kidsa Drift AS	Controlled by substantial shareholders, refer to note 17
Kidsa Barnehager AS	Controlled by substantial shareholders, refer to note 17
Acea Properties AS	Controlled by substantial shareholders, refer to note 17

Indirect ownership of shares by board member:

	Ord. Shares	Pref. shares
Roger Adolfsen	2 938 912	437 805
Even Carlsen	1 773 386	338 600
Runar Rønningen	0	59 650

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

Transactions with related parties	Q1 16	Q2 16	Q3 16	Q4 16	2016
Rent from NCG	14,845	14,845	14,845	14,845	59,380
Rent from Kidsa	9,775	9,775	9,775	9,775	39,099
Mangmt fee Pioneer	2,830	2,830	2,830	3,372	11,861
Share purchase rel. parties	-	-	100,127	0	100,127

Receivables from related parties	31-12-16
Kidsa Barnehager AS	29,535

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. For 2016 the accrued compensation for the board members totaled TNOK 450.

Note 16: Trade receivables

	31-12-16
Trade Receivables	582
Other Receivables	8,992
Total Receivables	9,574

None of the receivables are due.

Note 17: Share capital and shareholder information

2016				Share value in NOK	
	Number of shares	Ordinary shares	Preference shares	Share premium	Total
At 31 December 2016, m	16.31	9.81	6.50	1,549	1,565

The Company has two classes of shares - ordinary shares and preference shares. The face value per share for both ordinary and preference shares classes is NOK 1.

About the shares

The differences between the share classes are differing voting rights and differing rights to the Company's profit. Besides voting rights, the difference between the Company's share classes is that the preference shares entail a preferential right to the Company's profit through a preferential right over ordinary shares to dividends. The regulations on voting rights and dividends are decided upon by the Shareholders' Meeting and can be found in the Articles of Association.

The ordinary share

The Company's ordinary share confers one vote unlike the preference shares that confer one-tenth of a vote.

The preference share

The Company's preference shares confer a preferential right over ordinary shares to an annual dividend of NOK 7.50 per preference share. Dividend payments are made quarterly with NOK 1.875 per preference share, if approved by the General Assembly. The preference share does not otherwise confer a right to dividend. If the general meeting decided not to pay dividends or to pay dividends that fall below NOK 1.875 per preference share during a quarter, the difference between paid dividends

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, Norlandia förskolor) of which all have lease guarantees from Norlandia Care Group.

Future payments under non-cancellable operating leases are as follows in nominal amounts excluding CPI adjustments

	31-12-16
Within 1 year	228,696
Between 1 and 5 years	961,445
After 5 years	4,366,560

Note 19: Subsequent events

No material subsequent events have occurred since the end of the fourth quarter 2016

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 presented in this document.

Discussion of the financial accounts for the fourth quarter of 2016

Underlying revenues were in line with expectations and PPP's contracted revenues. Revenues were increased from the third quarter, as the previously announced acquisition of properties from Norlandia Care Group and Trevian were consolidated in the accounts with full effect. Total revenues in Q4 were MNOK 60.3.

Due to the fair value adjustment of Investment Properties, the financial accounts include an accounting one-off profitability, in accordance to IFRS, of MNOK 242. As a result profitability was significantly higher in the fourth quarter with a profit before tax of MNOK 262.

The balance sheet as of 31th December includes Investment Property of MNOK 4,043. In addition, the company had MNOK 164 in cash balance at the end of the quarter. On the debt side, PPP had a total of MNOK 2,603 in debt.

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 31st December 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.

14 February 2017

Runar Rønningen

The Board of Directors
Pioneer Property Group ASA

Consolidated Income Statement – Pioneer Public Properties AS

NOK thousand	2015*	Q1	Q2	Q3	Q4	2016
Income from rent	19,309	52,302	52,302	52,674	60,270	217,548
Other income	29	151	14	14	14	193
Total Income	19,338	52,452	52,316	52,688	60,285	217,741
Payroll expenses						
Expenses related to property			-	762	-762	-
Other operating expenses	3,309	5,304	4,016	4,462	11,845	25,627
Total Expenses	3,309	5,304	4,016	5,224	11,083	25,627
Fair value adjustment on investment properties					242,392	242,392
Operating profit (EBIT)	16,029	47,149	48,300	47,465	291,593	434,506
Finance income	1,359	265	143	682	-147	944
Finance expenses	8,303	24,716	19,840	76,641	30,600	151,797
Currency expenses			-	1,618	-807	811
Net Finance	-6,944	-24,450	-19,697	-77,577	-29,940	-151,664
Profit/(loss) before tax	9,085	22,698	28,603	-30,113	261,653	282,842
Income taxes	2,453	5,675	7,151	-7,528	36,187	41,484
Profit/(loss) for the period	6,632	17,024	21,452	-22,584	225,467	241,358

* For the period 27/11 to 31/12

Consolidated Statement of Financial Position – Pioneer Public Properties AS

NOK thousands	31-12-15	30-09-16	31-12-16
Assets			
Investment property	3,413,174	3,486,143	4,042,640
Deferred tax assets	-		
Investment in subsidiaries			
Loans other companies			21,214
Total non-current assets	3,413,174	3,486,143	4,063,854
Trade and other receivables	10,607	77,348	9,416
Cash and cash equivalents	174,042	145,456	163,812
Total current assets	184,649	222,805	173,228
Total assets	3,597,823	3,708,947	4,237,082
Equity and liabilities			
Share capital	120,000	120,000	120,000
Share premium	1,264,959	1,264,959	1,264,959
Retained earnings	6,632	22,523	249,617
Total equity	1,391,591	1,407,482	1,634,576
Borrowings	1,698,190	2,001,409	2,416,177
Deferred tax	25,801	31,098	60,148
Other non-current liabilities	316,290	36,744	26,115
Total non-current liabilites	2,040,281	2,069,251	2,502,440
Borrowings	86,793	192,090	38,391
Current tax payable	-	60	970
Other current liabilities	79,158	40,064	60,704
Total current liabilities	165,952	232,214	100,066
Total liabilities	2,206,233	2,301,465	2,602,506
Total equity and liabilities	3,597,823	3,708,947	4,237,082