PIONEER PROPERTY

Q1

REPORT 2017

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

PIONEER PROPERTY GROUP ASA

Highlights of the Q1 report

- Total revenue in the first quarter of 2017 was MNOK 61, compared to MNOK 52 in the first quarter of 2016 as a result of properties acquired during the second half of last year.
- Operating profit (EBIT) in the quarter was MNOK 54 and pre-tax profit was MNOK 24, compared to MNOK 47 and MNOK 23 in the first quarter of 2016, respectively.
- At the end of the quarter PPG executed the quarterly 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 second quarter 2017. See the company's website for updated financial calendar information.
- At the end of the first quarter PPG had total assets of MNOK 4,410, where Investment Properties were valued at MNOK 4,043, and with a cash balance of MNOK 363. Total debt was MNOK 2,582 with total equity of MNOK 1,828.
- Towards the end of the quarter PPG acquired three pre-school properties from operator Norlandia which will be included in the second quarter results and will marginally increase revenues going forward.
- After the end of the first quarter there was an extraordinary general meeting which approved an extraordinary dividend to the ordinary shareholders of NOK 5 per share – a total payment of MNOK 49.

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 136 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 quarter

The first quarter of 2017 was a stable operating quarter for the Company with no events of material significance above expected normal operating events. Towards the end of the quarter the Company acquired three smaller pre-schools from Norlandia which will be included in the second quarter results and onwards. These three pre-schools will marginally increase revenues going forward. At the end of the quarter, PPG executed the first quarter dividend payment to its preference shareholders.

Subsequent events since the end of the first quarter

There was an extraordinary general meeting held 24th April which approved an extraordinary dividend to the ordinary shareholders of total NOK 5 per share – a total payment of MNOK 49. In combination with payment for the three pre-schools, dividend payment to preference shareholders, and down payment of a smaller loan, the total cash balance for the PPG group will be lower in the following second quarter of 2017.

Overview of the financial accounts for the first quarter of 2017

Total revenue in the first quarter of 2017 was MNOK 61, compared to MNOK 52 in the first quarter of 2016 as a result of properties acquired during the second half of last year.

Operating profit (EBIT) in the quarter was MNOK 54 and pre-tax profit was MNOK 24, compared to MNOK 47 and MNOK 23 in the first quarter of 2016, respectively.

At the end of the first quarter PPG had total assets of MNOK 4,410, where Investment Properties were valued at MNOK 4,043, and with a cash balance of MNOK 363. Total debt was MNOK 2,582 with total equity of MNOK 1,828. During the first quarter, no events have occurred that should have materially impacted the valuation of the investment properties.

In addition to preparation of the Q1 report, PPG has also identified certain corrections to the 2016 figures. The corrections are not significant and 2016 will not be restated, but are included in the 2016 columns here on a pro-forma basis for information purposes, and adjustments will be made for the full year 2017. The corrections are: Fair value adjustment of investment properties has increased by MNOK 5 from MNOK 242 to MNOK 247, and profit before tax has increased correspondingly from MNOK 285 to MNOK 291. Deferred tax has increased from MNOK 52 to MNOK 70. Total difference in pro-forma and reported 2016 profit after tax is MNOK 13, and equity is MNOK 27.

Accounting policies:

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

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 March 2017 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.

9 May 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	Q1 17	2016	Q1 16
Total Income	2 18	61,431	217,741	52,452
Expenses related to property	8			
Payroll expenses	15	90	450	
Expenses related to property	8			
Other operating expenses	8	7,446	27,302	5,962
Total Expenses		7,537	27,752	5,962
Fair value adjustment on investment properties	12	-	247,795	-
Operating profit (EBIT)		53,894	437,784	46,490
Finance income	13	1,424	2,707	631
Finance expenses	13	29,354	123,891	24,284
Other financial expenses	13		24,672	
Currency expenses	13	1,615	812	
Net Finance		-29,545	-146,668	-23,653
Profit/(loss) before tax		24,348	291,115	22,838
Income taxes	10	5,844	70,281	5,709
Profit/(loss) for the period		18,505	220,834	17,128

Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

NOK thousand	Note	Q1 17	2016	Q1 16
Profit/(loss) for the period		18,505	220,834	17,128
Total other comprehensive income, net of tax		-	-	-
Comprehensive income for the period		18,505	220,834	17,128
Profit or loss for the period attributable to				
All shareholders of Pioneer Property Group ASA		18,505	220,834	17,128
Comprehensive income for the period attributable to				
Ordinary shareholders of Pioneer Property Group ASA		6,317	172,084	4,941
Earnings per share (NOK)				
Basic earnings per preference share	6	1.88	1.88	1.88
Basic earnings per ordinary share	6	0.644	17.534	0.503
Dividend per preference share	6	1.88	1.88	1.88
Dividend per ordinary share	6			-

Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	31-03-17	31-12-16
Assets			
Investment property	12	4,042,640	4,042,640
Other non-current assets		-	6,492
Total non-current assets		4,042,640	4,049,132
Trade and other receivables	16	4,256	9,574
Cash and cash equivalents	7	363,321	349,733
Total current assets		367,577	359,307
Total assets		4,410,217	4,408,439
Equity and liabilities			
Share capital	17	16,314	16,314
Share premium	17	1,536,398	1,548,585
Retained earnings		275,449	256,944
Total equity		1,828,161	1,821,844
Borrowings	9	2,401,292	2,416,177
Deferred tax	10	78,287	78,287
Other non-current liabilities		769	9,339
Total non-current liabilites		2,480,348	2,503,804
Borrowings	9	44,710	38,391
Current tax payable	10	10,407	7,891
Other current liabilities		46,590	36,508
Total current liabilities		101,707	82,790
Total liabilities		2,582,056	2,586,594
Total equity and liabilities		4,410,217	4,408,438

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 1 January 2016	16,314	1,585,201	36,110	**1,637,625**
Profit/(loss) for the period			220,834	**220,834**
Total comprehensive income for the period	0	0	220,834	**220,834**
Reduction of share capital				0
Divided		(36,616)		(36,616)
Transactions with owners	0	(36,616)	0	(36,616)
Balance at 31 December 2016	**16,314**	**1,548,585**	**256,944**	**1,821,844**
Profit/(loss) for the period			18,505	**18,505**
Divided		(12,188)		**(12,188)**
Other changes				**0**
Total comprehensive income for the period	0	(12,188)	18,505	**6,317**
Balance at 31 March 2016	**16,314**	**1,536,398**	**275,449**	**1,828,162**

Consolidated Statement of Cash Flows - Pioneer Property Group ASA

NOK thousands	Note	Q1 2017	2016
Cash flows from operating activities:			
Profit before income tax		24,348	291,115
Adjustments for:			
Fair value adjustments on investment property		-	-247,795
Finance expense net		29,354	145,857
Profit/loss on sale of fixed assets			70
Changes in working capital:			
Trade receivables	16	403	225
Trade payables		10,081	2,722
Other accruals		11,449	-68,892
Cash generated from operations		75,636	123,301
Interest received			2,707
Interest paid		-29,354	-123,891
Income tax paid		-3,370	-7,279
Net cash generated from operating activities		**42,912**	**-5,162**
Cash flows from investing activities:			
Proceeds from sale of properties			1,237
Purchase of property	12	-	-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		**-**	**-367,018**
Cash flows from financing activities:			
Proceeds from debt to financial institutions	9		1,676,110
Proceeds from other borrowings	9		
Repayments of debt to financial institutions	9	-17,137	-1,112,963
Proceeds from shares issued	17		
Repayment of shares issued	17		
Dividends paid to owners of the parent	6	-12,188	-36,563
Dividends paid to non-controlling interests			
Net cash from financing activities		**-29,324**	**526,584**
Net change in cash and cash equivalents		**13,588**	**154,404**
Cash and cash equivalents at beginning of period	7	349,733	195,329
Exchange gains/(losses) on cash and cash equivalents			
Cash and cash equivalents at period end	**7**	**363,321**	**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 2017 to 31 March 2017 (Q1 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 first quarter report represents an update on new circumstances arising after the annual report of 2016, and is therefore intended to be read in connection with this report.

The first quarter report has not been audited.

Note 2: Financial Risk

2.1 Financial risk factors

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

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

a) Market risk

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

(i) Fair value interest rate risk

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

The Group's interest rate risk arises from long-term borrowings. The Group holds several types of borrowings. Borrowings at fixed rates expose the Group to fair value interest rate risk.

(ii) Cash flow interest rate risk

Exposure to cash flow interest rate risk is assessed continuously. The need for a fixed rate is under constant review in relation to the Group to withstand adverse fluctuations in profit due to higher interest rates. Management's assessment is that the Group's current financial position does not indicate a further need for fixed interest rates.

If the interest rate had been +/- 1 % in Q1 2017 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:	31-03-17	31-12-16
Accounts receivable	179	582
Other Short term receivable	4,077	8,992
Cash balance	363,321	349,733
Total exposure	**367,577**	**359,307**

The credit risk related to outstanding to related parties and banks is considered to be low.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations at maturity without incurring a significant increase in finance cost or not being able to meet its obligations at all. The risk also includes that the Group must forfeit investment opportunities. Cash flow forecasting is performed at Group level. Group management monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom to avoid breaches in covenants on relevant borrowing facilities as well as capability to pay out quarterly dividends to holders of preference shares. The monitoring takes into account the Group's debt financing plans and covenant compliance.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Maturity of financial liabilities at the end of the period:

	< 3mnths	3m-1y	1y-2y	2y-5y	>5y
Borrowings (bank)	9,493	35,217	65,089	714,026	633,823
Interest on borrowings (bank)	12,196	35,945	46,171	143,938	172,324
Bond loans	-	-	-	1,000,000	-
Interest on bond loans	16,000	48,000	64,000	136,000	-
Other liabilities		47,359			

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	31-03-17	31-12-16
Total borrowings	2,446,003	2,454,569
Less: Cash and cash equivalents	363,321	349,733
Net debt	2,082,681	2,104,836
Total equity	1,828,161	1,821,844
Total capital	3,910,843	3,926,680
Gearing ratio	53%	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 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	55,931	723	3,679	60,333
Other income	14	-	1,083	1,097
Total Income	55,946	723	4,762	61,431

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 the last financial year 2016 a valuation report was commissioned from Newsec. There are no changes in the value of the properties in the first quarter 2017. The fair value adjustment in the first quarter is based on an adjusted purchase price for properties acquired in December 2016.

Note 5: Contingencies and commitments

The group entered into an agreement of buying 3 new real estates from Norlandia Care Group

The agreement was signed 31.03.2017, and the real estate will be included in the Q2 report for the group.

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	Q1 2017	Q1 2016
Net profit	18,504,783	17,128,165
Less pref share dividends	-12,187,500	-12,187,500
Profit attributable to ord shares	6,317,283	4,940,665
Weighted avg ord shares	9,814,470	9,814,470
EPS to ord shares	0.64	0.50

b) Diluted

As per 31 March 2017 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	31-03-17	31-12-16
Bank deposits	363,321	349,733
Total	363,321	349,733

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

Note 8: Expenses

Specification of other operating expenses	31-03-17	31-03-16
Management fee	3,487	2,830
Other operating expenses	3,959	3,132
Total other operating expenses	**7,446**	**5,962**

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 March 2017:

NOK thousand	31-03-17	31-12-16
Non-current		
Commercial bank loans	644,378	659,395
Husbank loans (state bank)	768,561	769,113
Bonds in Pioneer Public Properties AS	988,354	987,669
Total	**2,401,292**	**2,416,177**

NOK thousand	31-03-17	31-12-16
Current		
Commercial bank loans	15,383	7,356
Husbank loans (state bank)	29,327	31,036
Bonds in Pioneer Public Properties AS	-	-
Total	**44,710**	**38,391**

NOK thousand	31-03-17	31-12-16
Total non-current and current		
Commercial bank loans	659,761	666,751
Husbank loans (state bank)	797,888	800,149
Bonds in Pioneer Public Properties AS	988,354	987,669
Total	**2,446,003**	**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 March 2017 NOK 514 million are on a fixed rate. The remaining NOK 1932 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 31-03-17	Marked value 31-03-17	Coupon	Term
PPP	1,000,000	975,000	OR + 5,25 %	2016/2021
Transaction costs	-13,701			
Amortization	2,055			
Total bond	**988,354**	**975,000**		
Whereof current	-	-		

The PPU01 bond agreement has certain limitations on the borrower, including: (i) maintain an equity of minimum 25% on a consolidated basis for the PPP-group. (ii) Maintain cash and cash equivalents of min MNOK 75, and (iii) maintain a minimum ratio between unsecured debt to total financial indebtnes of 30%.

The recognised value of assets pledged as security for bank borrowings as per 31 March 2017:

	31-03-17	31-12-16
Investment property	4,042,640	4,042,641
Total pledged assets	4,042,640	4,042,641

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 March 201 income tax expense is 24%.

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

The group entered into an agreement of buying 3 new real estates from Norlandia Care Group.

The agreement was signed 31.03.2017, and the real estate will be included in the Q2 report for the group.

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. On average, there are 16 years remaining on the lease agreements. All agreements are fully CPI-adjusted annually. The Group does not have any material future maintenance capital expenditure on properties as all maintenance is carried by the tenant as agreed upon in the lease agreements. The properties are primarily located in the greater Oslo area, Bergen, the greater Stavanger area, Bodø, Tromsø, and certain locations in Sweden and Finland. See the Company's web site for a full list and map of all the properties. The investment properties are valued in accordance with the fair value method and all have been valued in accordance with valuation Level 3. The yield level of the properties has been determined on the basis of their unique risk and transactions made at the respective location according to the location price method. At the end of 2016, PPG commissioned an external cash-flow valuation for all the individual properties from Newsec. Newsec has in this report valuated each property on an individual basis using a combination of discounted cash-flow analysis and property yield level. The prime-yield used as a benchmark for individual yield assumptions in Newsec’s analysis was 5.25%, and a number of individual factors for each property were applied to assess the individual yield for the respective property/location. During the first quarter the Company has not experienced or seen any developments that should have a material impact on the total valuation levels of the 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 If yield is changed by 1 per cent the book value of the properties change with MNOK -580, and with -0,5 MNOK 370.

If the rent changed by +/- 5 per cent value of the properties change with MNOK 202

Note 13: Net financial items

NOK thousands	Q1 16	Q1 17
Interest income	631	1,424
Currency expense	-	1,615
Interest expense	24,284	29,354
Net financial items	**23,653**	**29,545**

Note 14: Related-party transactions

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

Transactions with related parties	Q1 17	2016
Rent revenue from Norlandia Care Group AS including subsidiaries	17,011	59,380
Rent revenue from Kidsa Drift including subsidiaries	10,220	39,099
Management fee to Pioneer Capital Partners AS including subsidiaries	3,487	11,861
Purchase of shares from related parties (refer to note 11)	-	114,849

Receivables from related parties	31-03-17	31-12-16
Kidsa Barnehager AS	0	29,535
Kidsa Drift AS including subsidiaries	1	0

Other 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 8 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 the first quarter 2017 the accrued compensation for the board members totals TNOK 90.

Note 16: Trade receivables

	31-03-17	31-12-16
Trade Receivables	179	583
Other Receivables	4,077	8991
Total Receivables	4,256	9,574

None of the receivables are due.

Note 17: Share capital and shareholder information

million	Ordinary shares	Preference shares
At 31 March 2017	9.81	6.50

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 or double-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

	31-03-17	**31-12-16**
Within 1 year	228,696	228,696
Between 1 and 5 years	961,445	961,445
After 5 years	3,072,581	3,072,581

Note 19: Subsequent events

April 24th there was hold an extraordinary general meeting of Pioneer Property Group ASA. There was approved an extraordinary dividend to the ordinary shareholders of NOK 5.00 per share. In the second quarter a merger will be conducted between Pioneer Public Properties I AS and Pioneer Public Properties IV AS.

PIONEER PUBLIC PROPERTIES AS

Background

The Pioneer Public Properties AS (PPP) group of companies was established towards the end of 2015 and comprise all the operational companies in Pioneer Property Group ASA. The reason for establishing this subset group of companies was in preparation for the issuance of the PPP unsecured bond of MNOK 1,000, which was issued in the third quarter of 2016. The financial statements of Pioneer Public Properties AS are therefore very closely related to the financial statements of Pioneer Property Group ASA, with the key difference being the exclusion of the mother company of the PPG group. All operational discussions will be identical for the two groups, and discussions of financial accounts will be similar, with a few exceptions. The comments below are to be read in conjunction with the report for the PPG Group, as also presented in this document.

Discussion of the financial accounts for the first quarter of 2017

Underlying revenues were in line with expectations and PPP's contracted revenues. Total revenues in the quarter were MNOK 61

Operating profit (EBIT) was MNOK 55 in comparison to MNOK 47 in the first quarter of 2016. The increase is related to properties acquired towards the second half of 2016.

At the end of the first quarter PPP had total assets of MNOK 4,241, where Investment Properties were valued at MNOK 4,043, and with a cash balance of MNOK 194. Total debt was MNOK 2,620 with total equity of MNOK 1,620. During the first quarter no events have occurred that should have materially impacted the valuation of the investment properties.

In addition to preparation of the Q1 report, PPP has also identified certain corrections to the 2016 figures. The corrections are not significant and 2016 will not be restated, but are included in the 2016 columns here on a pro-forma basis for information purposes, and adjustments will be made for the full year 2017. The corrections are: Fair value adjustment of investment properties has increased by MNOK 5 from MNOK 242 to MNOK 247, and profit before tax has increased correspondingly from MNOK 282 to MNOK 288. Deferred tax has increased from MNOK 35 to MNOK 69. Total difference in pro-forma and reported 2016 equity is MNOK 39.

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 March 2017 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 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.

9 May 2017

Runar Rønningen

The Board of Directors
Pioneer Property Group ASA

Consolidated Income Statement – Pioneer Public Properties AS

NOK thousand	Q1 2017	2016	Q1 2016
Total Income	61,431	217,741	52,452
Payroll expenses			
Expenses related to property			
Other operating expenses	6,553	25,627	5,304
Total Expenses	6,553	25,627	5,304
Fair value adjustment on investment properties	-	247,795	
Operating profit (EBIT)	54,877	439,909	47,149
Finance income	1,109	944	265
Finance expenses	29,862	127,125	24,716
Currency expenses	1,615	811	
Other financial expenses		24,672	
Net Finance	-30,367	-151,664	-24,450
Profit/(loss) before tax	24,510	288,246	22,698
Income taxes	5,882	69,179	5,675
Profit/(loss) for the period	18,628	219,066	17,024

Consolidated Statement of Financial Position – Pioneer Public Properties AS

NOK thousands	31-03-17	31-12-16	31-03-16
Assets			
Investment property	4,042,640	4,042,640	3,411,937
Loans to group companies		6,492	
Total non-current assets	4,042,640	4,049,132	3,411,937
Trade and other receivables	3,794	9,416	2,150
Cash and cash equivalents	194,225	163,812	148,338
Total current assets	198,019	173,228	150,488
Total assets	4,240,659	4,222,360	3,562,425
Equity and liabilities			
Share capital	120,000	120,000	120,000
Share premium	1,264,959	1,264,959	1,264,959
Retained earnings	235,371	235,242	23,656
Total equity	1,620,330	1,620,201	1,408,614
Borrowings	2,401,292	2,416,177	1,539,983
Deferred tax	78,287	78,287	31,475
Other non-current liabilities	42,717	26,115	251,485
Total non-current liabilites	2,522,297	2,520,579	1,822,943
Borrowings	44,710	38,391	236,947
Current tax payable	6,947	7,149	-
Other current liabilities	46,375	36,039	93,921
Total current liabilities	98,032	81,580	330,868
Total liabilities	2,620,329	2,602,159	2,153,811
Total equity and liabilities	4,240,659	4,222,360	3,562,425

--- END OF REPORT ---