



Q2

REPORT 2018

Highlights of the Q2 2018 report

- Total revenue in the second quarter of 2018 was MNOK 72.3, compared to MNOK 61.6 in the second quarter of 2017. The increase is due to the acquisition of new properties, the majority in Finland.
- Operating profit (EBIT) in the quarter was MNOK 63.4 and pre-tax profit was MNOK 22,7 compared to MNOK 54.9 and MNOK 14.7 in the second quarter of 2017.
- At the end of the quarter PPG executed the quarterly dividend to holders of preference shares in total NOK 1.875 per preference share.
- At the end of the quarter PPG had total assets of MNOK 5,116, where Investment Properties were valued at MNOK 4,938, and with a cash balance of MNOK 145. Total debt was MNOK 3,166 with total equity of MNOK 1,950.

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 162 properties centrally located in the large cities in Norway, Sweden and Finland. The total portfolio houses a total of over fourteen thousand children. The properties are leased out on long-term triple-net contracts to leading 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, Gothenburg, Helsinki, and the greater Oslo area.

Key material events during the quarter

During the quarter, existing operations experienced a stable operating quarter.

Subsequent events since the end of the quarter

In the start of the third quarter Pioneer Property Group's Finish subsidiary Pioneer Public Properties Finland Oy (PPPF) refinanced its existing loans with a new single-facility MEUR 70 loan from a European based infrastructure debt fund. The new financing has a ten-year fixed rate of 3.75% and will start to amortize from year six at the same time as PPPF has the option of repaying the loan at par. The total value of the PPPF portfolio of 41 properties and MEUR 5.8 in annual rental income was updated to MEUR 92 by Newsec. The Q3 results will be positively impacted by the adjusted property valuation and negatively impacted by transaction costs relating to the new facility.

Overview of the financial accounts for the second quarter of 2018

Total revenue in the second quarter of 2018 was MNOK 72.3, compared to MNOK 61.6 in the second quarter of 2017. The increase is due to the acquisition of new properties, the majority in Finland. Operating profit (EBIT) in the quarter was MNOK 63.4 and pre-tax profit was MNOK 22,7 compared to MNOK 54.9 and MNOK 14.7 in the second quarter of 2017. Profitability was negatively impacted by non-cash currency effects.

At the end of the quarter PPG had total assets of MNOK 5,116, where Investment Properties were valued at MNOK 4,938, and with a cash balance of MNOK 145. Total debt was MNOK 3,166 with total equity of MNOK 1,950. The Company has completed its quarterly review of the Investment Properties value and has concluded that no material events occurred in the quarter which should have impacted the valuation levels, and as such has not made adjustments to valuations since the last update from 31 December 2017.

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. The company's quarterly reports are updates since the last published annual report from 2017 and is therefore intended to be read in conjunction with the annual report of 2017.

Responsibility Statement of the Board of Directors

We confirm, to the best of our knowledge, that the set of financial statements for the period ending 30 June 2018 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 August 2018

Roger Adolfsen
Chairman

Sandra Henriette Riise
Board Member

Even Carlsen
Board Member

Geir Hjort
Board Member

Nina Hjørdis Torp Høisæter
Board Member

Consolidated Income Statement - Pioneer Property Group ASA

NOK thousand	Note	Q1 18	Q2 18	YTD 2018	Q1 17	Q2 17	YTD 2017	2017
Income from rent	2 18	69,723	72,337	142,060	60,333	61,593	121,926	255,531
Other income	2	14	14	28	1,097	14	1,112	175
Total Income		69,737	72,351	142,088	61,431	61,607	123,037	255,706
Expenses related to property	8	-	-	-	-	-	-	-
Payroll expenses	15	-	280	280	90	113	203	428
Other operating expenses	8	8,067	8,702	16,769	7,446	6,601	14,048	29,129
Total Expenses		8,067	8,981	17,049	7,537	6,714	14,250	29,557
Fair value adjustment, properties	12	-	-	-	-	-	-	198,325
Operating profit (EBIT)		61,670	63,370	125,040	53,894	54,893	108,787	424,474
Finance income	13	21	9	30	1,424	741	2,165	1,767
Finance expenses	13	29,473	32,632	62,105	29,354	29,320	58,674	114,144
Other financial expenses	13	-	-	-	-	-	-	-
Currency	13	4,372	8,054	12,426	1,615	11,662	13,277	-12,619
Net Finance		-33,824	-40,677	-74,501	-29,545	-40,242	-69,787	-99,758
Profit/(loss) before tax		27,846	22,693	50,538	24,348	14,652	39,000	324,716
Income taxes	10	6,404	5,219	11,624	5,844	3,516	9,360	74,210
Profit/(loss) for the period		21,441	17,473	38,914	18,505	11,135	29,640	250,506
Earnings per share (NOK)								
Basic earnings per preference share	6	1.88	1.88	3.75	1.88	1.88	3.75	7.50
Basic earnings per ordinary share	6	0.94	0.54	1.49	0.64	-0.11	0.54	20.56
Dividend per preference share	6	1.88	1.88	3.75	1.88	1.88	3.75	7.50
Dividend per ordinary share	6	-	-	-	-	5.00	5.00	5.00

Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

	Q1 18	Q2 18	YTD 2018	Q1 17	Q2 17	YTD 2017	2017
Profit/(loss) for the period	21,441	17,473	38,914	18,505	11,135	29,640	250,506
Other comprehensive income							
Exchange differences, from foreign operations	-2,007	-145	-2,152	-	-	-	533
Comprehensive income attributable to shareholders of the paren	19,434	17,328	36,762	18,505	11,135	29,640	251,039

Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	30-06-18	30-06-17	31-12-17
Assets				
Investment property	12	4,937,931	4,092,574	4,722,894
Other investment		23,162		8,885
Other non-current assets		1,000	1,000	1,000
Total non-current assets		4,962,093	4,093,574	4,732,780
Trade and other receivables	16	8,896	4,314	1,938
Cash and cash equivalents	7	144,794	274,375	138,815
Total current assets		153,688	278,689	140,752
Total assets		5,115,781	4,372,263	4,873,532
Equity and liabilities				
Share capital	17	16,314	16,314	16,314
Share premium	17	1,487,327	1,475,138	1,487,326
Retained earnings		444,291	286,585	431,717
Non-Controlling interest		2,404		
Total equity		1,950,336	1,778,037	1,935,358
Borrowings	9	2,596,398	2,414,545	2,637,759
Deferred tax	10	160,464	78,287	160,464
Other non-current liabilities		1,135	758	1,216
Total non-current liabilities		2,757,997	2,493,590	2,799,439
Borrowings	9	333,359	52,394	69,490
Current tax payable	10	24,145	9,549	20,731
Other current liabilities		49,944	38,693	48,515
Total current liabilities		407,448	100,636	138,735
Total liabilities		3,165,445	2,594,226	2,938,174
Total equity and liabilities		5,115,781	4,372,263	4,873,532

Consolidated Statement of Changes in Equity - Pioneer Property Group ASA

NOK thousands	Attributable to owners of the parent				Non-controlling interests	Total Equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2017	16,314	1,548,586	230,224	1,795,124		1,795,124
Profit/(loss) for the period			250,506	250,506		250,506
Exchange differences from foreign operations			533	533		533
Other changes			-795	-795		-795
Comprehensive income for the period	-	-	250,243	250,243		250,243
Dividend		-61,260	-48,750	-110,010		-110,010
Transactions with owners		-61,260	-48,750	-110,010		-110,010
Balance at 31 December 2017	16,314	1,487,326	431,717	1,935,357		1,935,357
Profit/(loss) for the period			38,965	38,965	-51	38,914
Exchange differences from foreign operations			-2,140	-2,140	-12	-2,152
Comprehensive income for the period		-	36,825	36,825	-63	36,762
Transactions with non-controlling interests			124	124	2,467	2,591
Dividend			-24,375	-24,375		-24,375
Transactions with owners		-	-24,251	-24,251	2,467	-21,784
Balance at 30 June 2018	16,314	1,487,326	444,291	1,947,931	2,404	1,950,336

Consolidated Statement of Cash Flows - Pioneer Property Group ASA

NOK thousands	Note	YTD Q2 2018	YTD Q2 2017	Year 2017
Cash flows from operating activities:				
Profit before income tax		50,538	39,000	324,716
<i>Adjustments for:</i>				
Fair value adjustments on investment property				-198,325
Finance expense net		62,075	58,674	112,377
Taxes paid		-6,594	-7,760	-7,891
Exchange gains/(losses)		12,426		
Changes in working capital:				
Trade receivables	16	1,422	-123	-163
Trade payables		1,430	2,185	12,007
Other accruals		-8,227	10,934	523
Cash generated from operations		113,070	102,909	243,243
Interest received		30		1,767
Interest paid		-60,735	-58,674	-114,144
Net cash generated from operating activities		52,365	44,235	130,866
Cash flows from investing activities:				
Proceeds from sale of properties				
Purchase of subsidiaries / properties	12	-243,867	-49,934	-441,822
Purchase of shares		-14,698		-8,885
Proceeds from sale of shares and bonds				
Net cash used in investing activities		-258,565	-49,934	-450,707
Cash flows from financing activities:				
Proceeds from debt to financial institutions	9	271,444	3,788	273,913
Repayments of debt to financial institutions	9	-37,482		-67,347
Dividends paid to owners of the parent	6	-24,375	-73,447	-97,822
Payments from non-controlling interests		2,591		
Net cash from financing activities		212,178	-69,659	108,743
Net change in cash and cash equivalents		5,978	-75,358	-211,098
Cash and cash equivalents at beginning of period	7	138,815	349,734	349,734
Exchange gains/(losses) on cash and cash equivalents				179
Cash and cash equivalents at period end	7	144,793	274,375	138,815

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. In 2016 an additional subsidiary, Pioneer Public Properties V AS, was established. In 2017 Pioneer Public Properties IV AS was merged with Pioneer Public Properties I AS. See note 11 for changes in group structure for the reporting period.

The consolidated interim financial statements cover the period from 1 January 2018 to 30 June 2018.

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 second quarter report represents an update on new circumstances arising after the annual report of 2017 and is therefore intended to be read in connection with this report.

The second 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 Q2 2018 the result after tax would be +/- MNOK 7 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:	30-06-18	31-12-17	30-06-17
Accounts receivable	565	745	705
Other Short term receivable	8,331	1,192	3,609
Cash balance	144,793	138,815	274,375
Total exposure	153,688	140,752	278,689

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:	30-06-18				
	< 3mths	3m-1y	1y-2y	2y-5y	>5y
Borrowings (bank)	16,220	314,931	77,687	969,534	568,517
Interest on borrowings (bank)	15,291	42,021	46,305	121,673	125,162
Bond loans	-	-	-	1,000,000	-
Interest on bond loans	16,000	48,000	64,000	88,000	-
Other liabilities	-	49,944	1,135	-	-

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	30-06-18	31-12-17	30-06-17
Total borrowings	2,929,757	2,707,249	2,466,939
Less: Cash and cash equivalents	144,794	138,815	274,375
Net debt	2,784,963	2,568,434	2,192,564
Total equity	1,950,336	1,954,791	1,778,038
Total capital	4,735,300	4,523,225	3,970,602
Gearing ratio	59%	57%	55%

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	115,756	1,470	24,834	142,060
Other income	28	-	-	28
Total income	115,784	1,470	24,834	142,088

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 Investment Properties are also on a regular basis subject to on-site inspections and technical evaluations. At the end of year 2017 a valuation report was commissioned from Newsec and the fair value was adjusted in the fourth quarter based on the new aggregate market value of the investment properties from this report. In the second quarter the Company has internally assessed the valuation of Investment Properties and has not seen any material market developments which would justify any change to the input factors of the valuation, therefore leaving Investment Properties unchanged in the reporting period.

Note 5: Contingencies and commitments

The group has no contingent liabilities or commitments as of 30 June 2018.

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	Q2 2018	Q2 2017
Net profit	17,473,273	11,135,327
Less pref share dividends	-12,187,500	-12,187,500
Profit attributable to ord shares	5,285,773	-1,052,173
Weighted avg ord shares	9,814,470	9,814,470
EPS to ord shares	0.54	-0.11

b) Diluted

As per 30 June 2018 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	30-06-18	30-06-17
Bank deposits	144,794	274,375
Total	144,794	274,375

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

Note 8: Expenses

Specification of other operating expenses	30-06-18	30-06-17
Management fee	8,441	7,053
Other operating expenses including management fee	8,328	6,995
Total other operating expenses	16,769	14,048

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 June 2018:

NOK thousand	30-06-18	31-12-17	30-06-17
Non-current			
Commercial bank loans	856,091	876,657	651,826
Husbank loans (state bank)	748,528	770,693	773,680
Bonds in Pioneer Public Properties AS	991,779	990,409	989,039
Total	2,596,398	2,637,759	2,414,545

NOK thousand	30-06-18	31-12-17	30-06-17
Current			
Commercial bank loans	297,205	36,479	19,215
Husbank loans (state bank)	36,154	33,011	33,178
Bonds in Pioneer Public Properties AS	-	-	-
Total	333,359	69,490	52,393

NOK thousand	30-06-18	31-12-17	30-06-17
Total non-current and current			
Commercial bank loans	1,153,296	913,136	671,041
Husbank loans (state bank)	784,682	803,704	806,858
Bonds in Pioneer Public Properties AS	991,779	990,409	989,039
Total	2,929,757	2,707,249	2,466,938

a) Bank borrowings

The Group's major bank loans are with Husbanken, DnB, Swedbank, Pareto Bank and Danske Bank. The bank borrowings mature until 2035. Of the total bank borrowings per 30 June 2018 MNOK 1,653 is on a fixed rate and the remaining debt is 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 30-06-18	Marked value 30-06-18	Coupon	Term
PPP	1,000,000	1,000,000	OR + 5,25 %	2016/2021
Transaction costs	-13,701			
Amortization	5,480			
Total bond	991,779	1,000,000		

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 indebtedness of 30%.

The recognized value of assets pledged as security for bank borrowings as per 30 June 2018:

	30-06-18	31-12-17	30-06-17
Investment property	4,937,931	4,722,894	4,092,574
Total pledged assets	4,937,931	4,722,894	4,092,574

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 year to date is 23%.

Note 11: Changes in Group structure, acquisitions

No new subsidiaries were acquired or established in the quarter.

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 15 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 2017, PPG commissioned an external cash-flow valuation for all the individual properties from Newsec. Newsec has in this report valued 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 5.00%, and a number of individual factors for each property were applied to assess the individual yield for the respective property/location. During the quarter the Company has performed its internal review of the valuation levels and has not experienced or seen any developments that should have a material impact on the total valuation levels of the properties, thus leaving valuation levels unchanged during the quarter.

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 247 million. If yield is changed by 1 per cent the book value of the properties change with MNOK -990, and with -0,5 MNOK 495. If the rent changed by +/- 5 per cent value of the properties change with MNOK 247.

Note 13: Net financial items

NOK thousands	Q2 2018	Q2 2017
Interest income	9	741
Currency	8,054	11,662
Interest expense	32,632	29,320
Net financial items	40,677	40,241

Note 14: Related-party transactions

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

Transactions with related parties	Q2 2018
Rent revenue from Norlandia Care Group AS including subsidiaries	18,475
Rent revenue from Kidsa Drift including subsidiaries	10,347
Management fee to Pioneer Capital Partners AS including subsidiaries	4,380
Purchase of shares from related parties (refer to note 11)	-

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.

Note 16: Trade receivables

	30-06-18	31-12-17	30-06-17
Trade Receivables	565	745	705
Other Receivables	8,331	1,192	3,609
Total Receivables	8,896	1,937	4,314

None of the receivables are due.

Note 17: Share capital and shareholder information

million	Ordinary shares	Preference shares
At 30 June 2018	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

Top 10 shareholder	Ord shares	Pref shars
Hospitality Invest AS	32.62%	0.00%
HI Capital AS	2.34%	0.00%
Eidissen Consult AS	18.07%	11.98%
Grafo AS	18.07%	5.02%
Klevenstern AS	14.45%	1.63%
Mecca Invest AS	14.45%	1.78%
Avanza Bank AB	0.00%	8.81%
Skandinaviska Enskilda bank AB	0.00%	8.47%
J.P. Morgan bank Luxembourg SA	0.00%	8.00%
Nordnet Bank AB	0.00%	3.38%
Other minority shareholders	0.00%	50.93%
Total	100%	100%

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

	30-06-18	31-12-17	30-06-17
Within 1 year	299,261	273,307	228,696
Between 1 and 5 years	1,258,106	1,148,992	961,445
After 5 years	3,223,013	3,304,107	2,918,684

Note 19: Subsequent events

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

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 second quarter of 2018

Total revenues in the quarter were MNOK 72.3, compared to MNOK 61.6 in the second quarter of 2017. The increase is due to the acquisition of new properties, the majority in Finland.

Operating profit (EBIT) in the quarter was MNOK 64.4 and pre-tax profit was MNOK 21.7, compared to MNOK 55.8 and MNOK 14.8 in the second quarter of 2017, respectively.

At the end of the quarter PPP had total assets of MNOK 5,097, where Investment Properties were valued at MNOK 4,938, and with a cash balance of MNOK 131. Total debt was MNOK 3,295 with total equity of MNOK 1,802.

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 June 2018 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.

14 August 2018

Runar Rønningen
Chairman

Roger Adolfsen
Board Member

Consolidated Income Statement – Pioneer Public Properties AS

NOK thousand	Q1 2018	Q2 2018	YTD 2018	Q1 2017	Q2 2017	YTD 2017	2017
Income from rent	69,723	72,337	142,060	60,333	61,593	121,926	255,531
Other income	14	14	28	1,097	14	1,112	176
Total Income	69,737	72,351	142,088	61,431	61,607	123,038	255,707
Payroll expenses							
Expenses related to property							
Other operating expenses	7,580	7,963	15,543	6,553	5,802	12,355	26,917
Total Expenses	7,580	7,963	15,543	6,553	5,802	12,355	26,917
Fair value adjustment on investment properties	-	-	-	-	-	-	198,325
Operating profit (EBIT)	62,157	64,388	126,545	54,877	55,805	110,682	427,115
Finance income	21	9	30	1,109	538	1,647	796
Finance expenses	31,327	34,901	66,228	29,862	29,837	59,699	117,154
Currency loss	4,580	7,845	12,425	1,615	11,759	13,374	-12,619
Other financial expenses					-97	-97	-
Net Finance	-35,886	-42,737	-78,623	-30,367	-40,961	-71,328	-103,739
Profit/(loss) before tax	26,272	21,650	47,922	24,510	14,844	39,354	323,376
Income taxes	6,043	4,979	11,022	5,882	3,563	9,445	73,899
Profit/(loss) for the period	20,229	16,671	36,900	18,628	11,281	29,909	249,477

Consolidated Statement of Financial Position – Pioneer Public Properties AS

NOK thousands	30-06-18	31-03-18	31-12-17
Assets			
Investment property	4,937,931	4,952,356	4,722,894
Other investment	23,161	8,707	8,885
Loans to other companies	1,000	1,000	1,000
Total non-current assets	4,962,092	4,962,063	4,732,780
Trade and other receivables	4,443	3,880	1,600
Cash and cash equivalents	130,679	135,021	104,459
Total current assets	135,122	138,901	106,059
Total assets	5,097,214	5,100,964	4,838,839
Equity and liabilities			
Share capital	120,000	120,000	120,000
Share premium	1,264,959	1,264,959	1,264,959
Retained earnings	414,659	456,205	439,238
Non-controlling interest	2,404	0	0
Total equity	1,802,022	1,841,164	1,824,196
Borrowings	2,596,398	2,625,666	2,637,760
Deferred tax	160,464	160,464	160,464
Other non-current liabilities	156,820	92,984	90,973
Total non-current liabilities	2,913,682	2,879,114	2,889,196
Borrowings	333,359	327,831	69,490
Current tax payable	11,032	24,471	20,420
Other current liabilities	37,119	28,385	35,537
Total current liabilities	381,510	380,687	125,447
Total liabilities	3,295,192	3,259,801	3,014,643
Total equity and liabilities	5,097,214	5,100,964	4,838,839

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