Company Presentation

Pioneer Property Group / Pioneer Public Properties

April 2019

PIONEER PROPERTY

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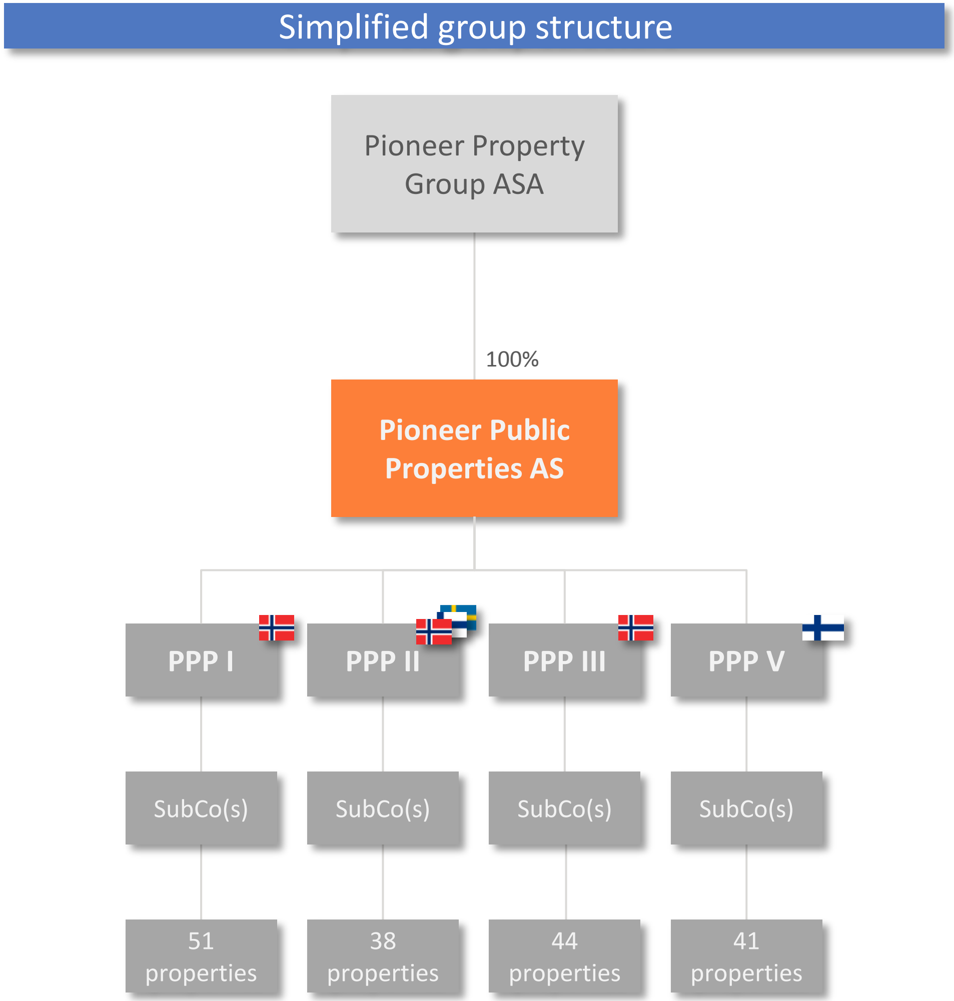
Group structure



- Pioneer Property Group ("PPG") owns 100% of Pioneer Public Properties ("PPP") (together defined as the "Group")
- PPP owns a large portfolio of 174[1] preschools and care properties located in Norway, Finland and Sweden
  - 166 of the properties are preschools
- The Group has had listed instruments since 2011
  - Preference shares in PPG (listed on Oslo Axess)
  - Bond in PPP (listed on Oslo Stock Exchange)
- Assets are structured in four different portfolio entities

1) Including 3 properties which are contractually acquired but not yet delivered

Large Nordic government backed social infrastructure portfolio

174 properties
Preschools and care properties

~14 year WAULT
CPI adjusted lease agreements

NOK 311m (EUR 32m)
Signed lease[1]

> 15,000 children
Diversified large portfolio

- Social infrastructure with government backed cash flow
- Pure play property owning Group with limited capex and high cash conversion
- Long term inflation linked lease contracts with leading operators
- Modern and diversified portfolio in favourable demographics
- Strict regulatory framework with statutory right for children to attend preschool

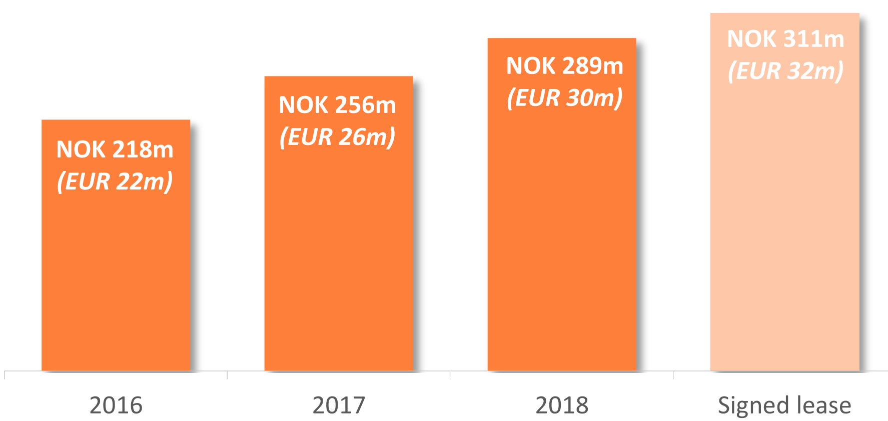
1) Signed lease includes CPI adjustment of existing lease agreements and additional lease income from three purchased properties currently under construction which is expected to be finalized in 2019

Introduction to the Group

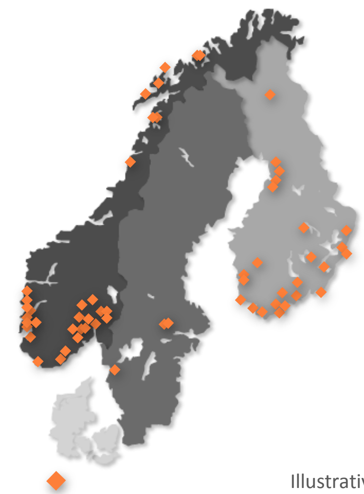
Introduction

- The Group owns a large portfolio of 174 preschools and care properties located in Norway, Finland and Sweden
- Pure asset owner with long term contracts to leading operators
  - Operators are responsible for all significant costs and maintenance
  - Inflation linked lease agreements with no operational or occupancy risk
- Attractive locations of the properties with favorable demographics
- Majority of the operator lease payments stem from governmental contributions, with country specific regulatory regimes
  - Preschool access for all children is a key part of the Nordic welfare model
- Strong financial performance driven by underlying growth and M&A

Strong revenue growth[1]



High quality portfolio in the Nordics



Illustrative location of the properties

			
Preschools (0-6yr)	x 120	x 43	x 3
Care properties[2]	x 0	x 2	x 6
% of total signed lease income	77%	20%	3%

1) 2016 to 2018 as reported by PPP. Signed lease includes CPI adjustment of existing lease agreements and additional lease income from three purchased properties currently under construction which is expected to be finalized in 2019. Revenues in NOK, SEK and EUR exchanged at the current currency rate. 2) Care properties relates to elderly care, care for mental and physical disabilities

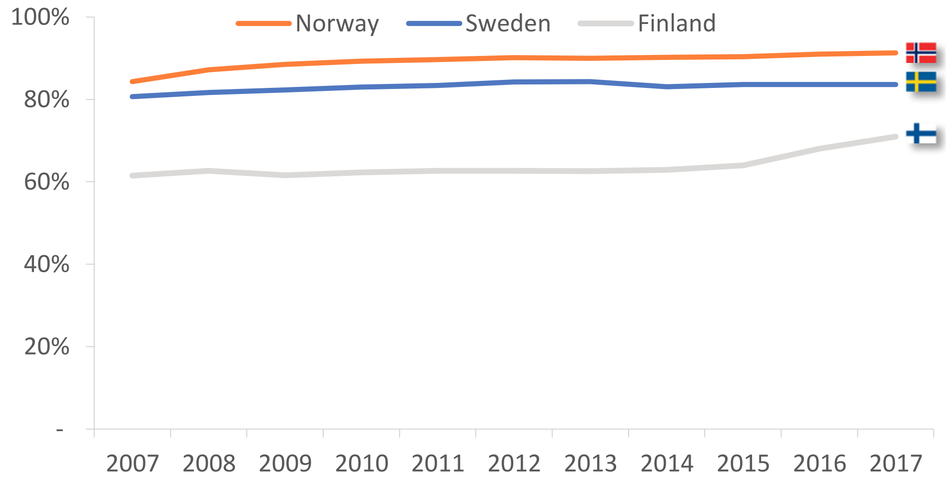
The Nordic preschool market is stable and fragmented

Private service providers with an increasingly more important role

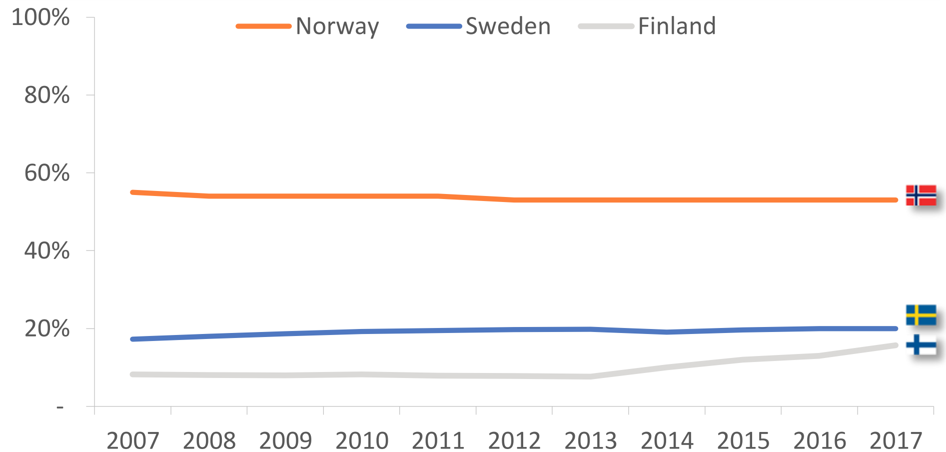
The Nordic preschool market

- The Nordics have the welfare model that is considered to be a leading international standard for preschools
- The private preschools are playing a vital role in providing cost efficient services, reducing the costs for the municipalities
- In general a positive political attitude towards private operators

Organized Nordic preschool attendance

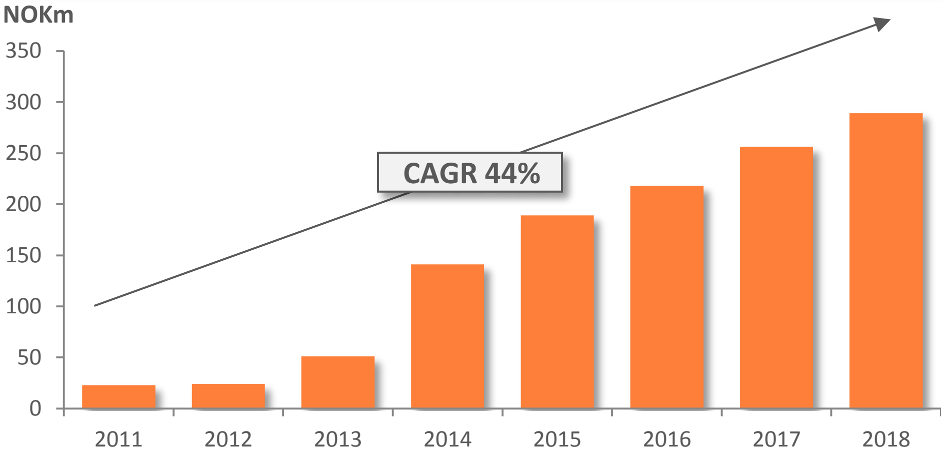


Private penetration

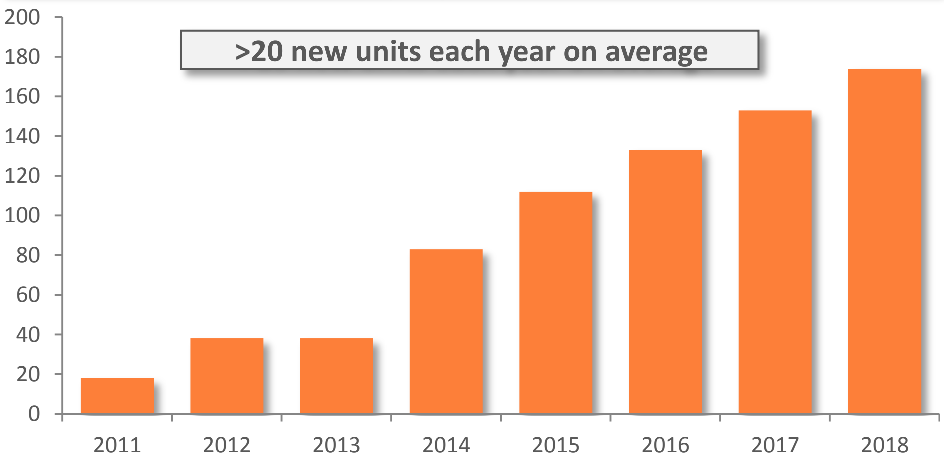


Proven track record of growth since establishment

Revenue development 2011 – 2018



Number of properties 2011 – 2018

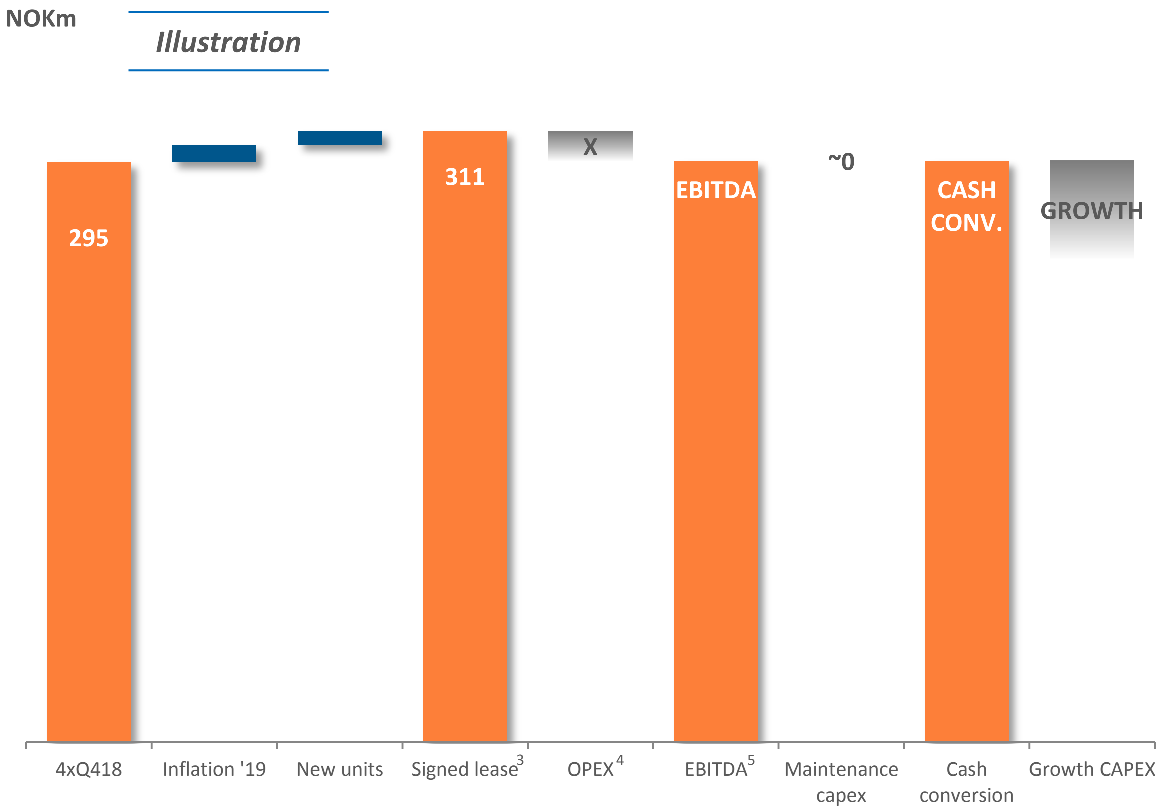


- Strong revenue growth since 2011 – CAGR of 44%
- Long term inflation linked contracts related to high quality assets creates the foundation for growth
- Growth driven by a series of successful bolt-on acquisitions supported by underlying CPI growth
  - On average acquired over 20 new properties each year
- Has grown to be a key provider of essential social infrastructure in the Nordics
  - Providing facilities utilized by over 15,000 children daily at present

Source: PPP

Pure play asset owner with high cash conversion

High cash conversion[1] providing significant potential for additional growth



Growing non-cyclical revenue

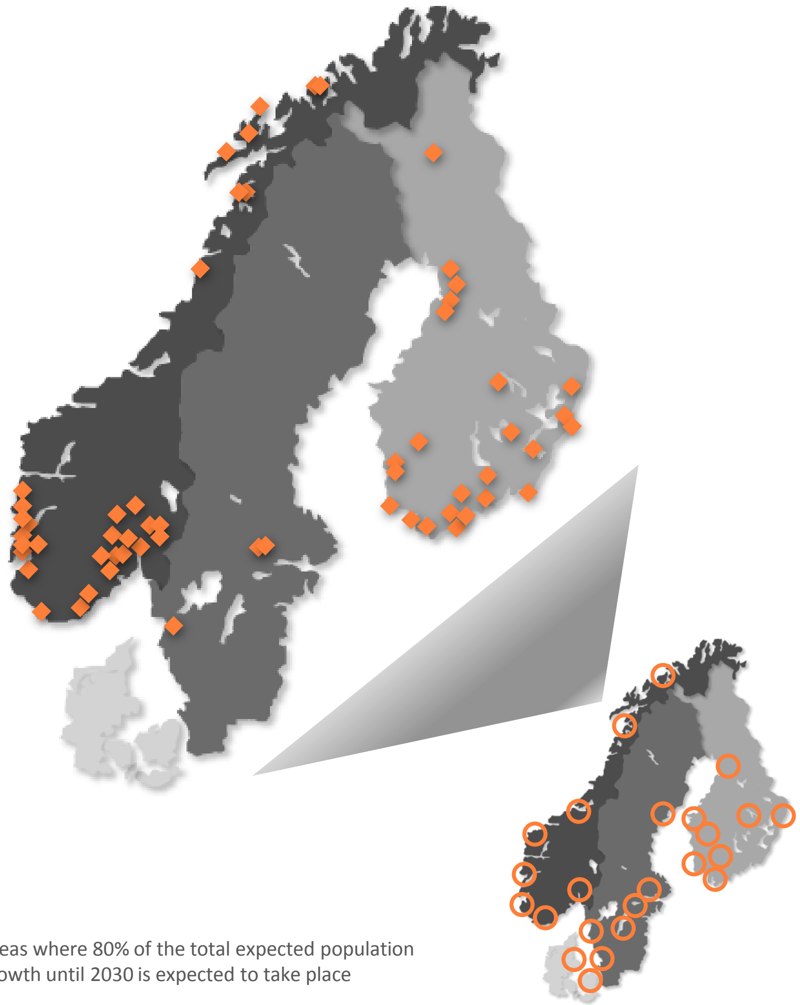
Cash conversion ex. growth ***~100%***

- Stable and growing revenue
  - Diversified, government backed and inflation linked lease revenues
  - Non cyclical revenue streams
  - Additional growth from new units in 2019
- Limited opex, no maintenance capex
  - Operators are responsible for all significant opex and maintenance capex
    - Triple net contracts, except properties operated by Espira[2]
  - Operations in the Group are related to portfolio follow-up and optimization, in addition to identifying and pursuing growth opportunities
    - Limited management cost, audit/accounting and other minor cost elements
- ~100% cash conversion at steady state operations (ex. growth capex)

1) Cash conversion defined as (EBITDA excl. fair value adjustments - capex) / EBITDA excl. fair value adjustments. 2) Leases with the majority of provisions in accordance with the Landlord and Tenant Act, whereafter the tenant carry out internal and external maintenance and the landlord carries the responsibility for replacements in addition to property tax, insurance and ground rent. 3) Signed lease includes CPI adjustment of existing lease agreements and additional lease income from three purchased properties currently under construction which is expected to be finalized in 2019. 4) Following insourcing of management services, opex (excl. non-recurring items and assuming continued operations) is expected to be reduced by NOK 5-10m per year. 5) For illustration purposes only and based on "Signed Lease" and estimated OPEX reduction due to insourcing of management. Other costs and other sources of revenue not included.

Large and diversified Nordic portfolio

Sizeable portfolio in a stable region with favorable demographics



Areas where 80% of the total expected population growth until 2030 is expected to take place

Large portfolio of high quality social infrastructure assets

- 174 care properties covering more than 0.7 million sqm of land
  - 166 preschools in Norway (120), Finland (43) and Sweden (3)
  - 8 care properties for elderly and/or mentally disabled
- Essential public service for 15,000+ children and their parents
- Portfolio of large units which is attractive for operators
  - Portfolio average of 90+ children per unit compared to national average of ~50 children[1]
  - Larger units are more attractive for operators and regulators as they enable efficient operations and high quality services

Favorable demographics with underlying growth

- 10% expected population growth in the Nordics from 2018 to 2030
- Assets are located in urban areas and areas with favorable demographics

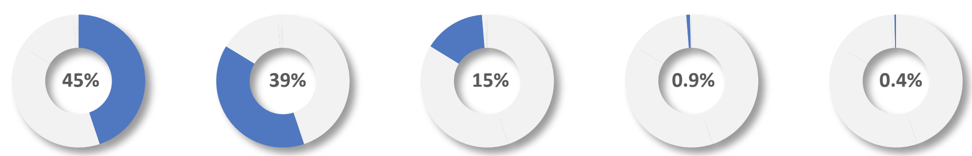
Highly diversified portfolio significantly reduces risks

- Mitigating any local adverse changes
- No/limited financial impact from issues with single properties
- No occupancy risk for each property under the lease agreements
- Multiple high quality operators

Diversified operator base

Operator share based on lease income

Operator 1	Operator 2	Operator 3	Operator 4	Operator 5



Source: Nordic Council of Ministers, SSB, NSIs, Tilväxtverket. Comment: Approximate locations. 1) Market average in Norway. Average for the portfolio is a company estimate on number of children. Number of children in preschools will vary from time to time and this information is not disclosed by the operators

Historical development of the group

2011 – PPP I is established as the result of the separation of Norlandia's preschool operation and property owning companies, and initially consisted of 18 preschool properties

2012 – PPP II is established, consisting of 20 preschool properties

2014 – PPP III is established, consisting of 45 preschool properties

2015 – PPP IV is established, consisting of 29 preschool properties (later merged with PPP I)

Pioneer Property Group is established and issues NOK 650m preference shares on Oslo Stock Exchange

2016 – PPP V is established, and 21 properties are acquired, marking the entry into the Swedish and Finnish markets

Pioneer Public Properties issues a NOK 1,000m senior unsecured bond

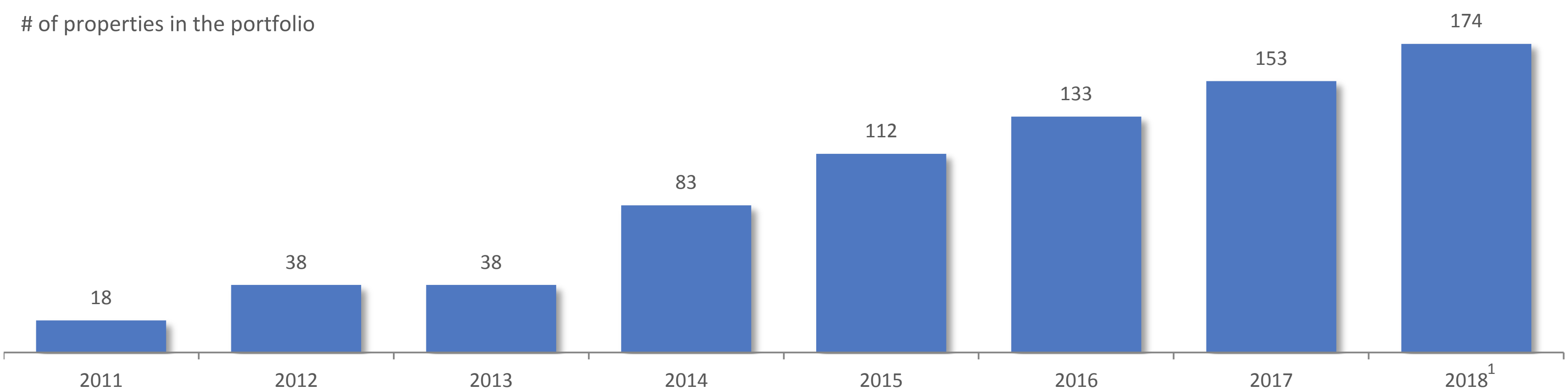
2017 – Acquisition of 20 properties that are located in Finland and Norway

2018 – 21 properties are acquired through two acquisitions

The group secures an infrastructure loan of EUR 70m for the properties in Finland

2019 – PPG initiates a strategic review to investigate the opportunity for a sale of parts or all subsidiaries, and a recapitalization of the group

# of properties in the portfolio

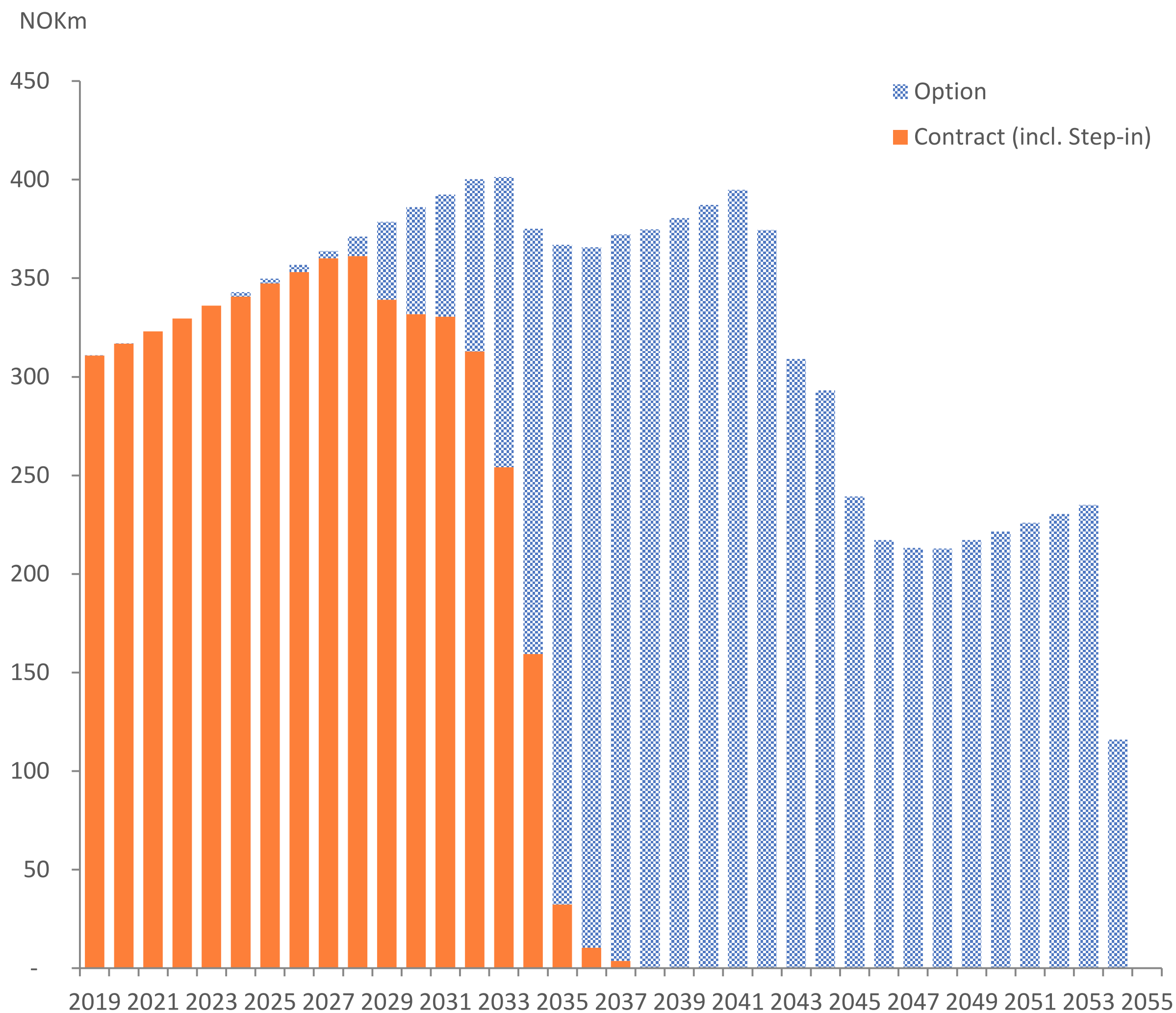


1) Signed properties

Stable and secure cash flow through long term contracts

WAULT of ~14 years

Contracts, options and step-in contracts[1]



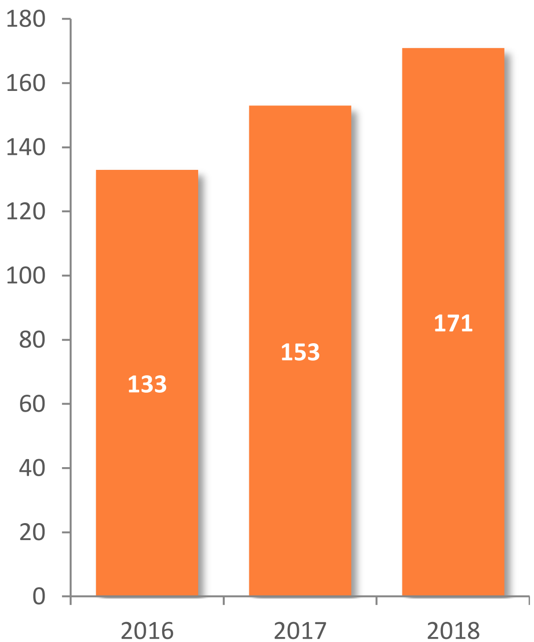
- Signed lease income of NOK ~311m in 2019 with 100% CPI adjustment
- Majority of contracts with remaining lease period of 10 – 15 years
- All operators with option to extend
  - Majority of options ranging from 5 – 10 years
  - Option declaration notification in general from 6 to 24 months prior to lease agreement expiry
- Norlandia step-in obligation for 63 of the preschool lease agreements
- Including options, the WAULT increases to ~27 years

Source: Company. 1) 2% CPI adjustment assumed in chart

Strong financial development

Number of units

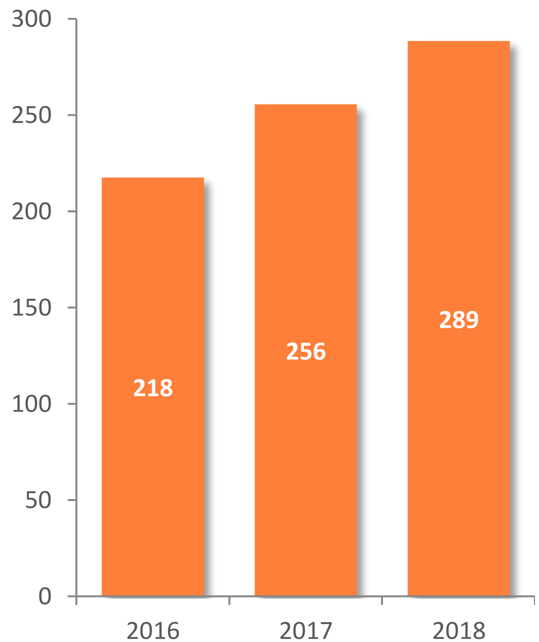
#



- Steady growth of new units
- +38 between 2016 and 2018
- 3 additional units signed in 2019

Revenue development

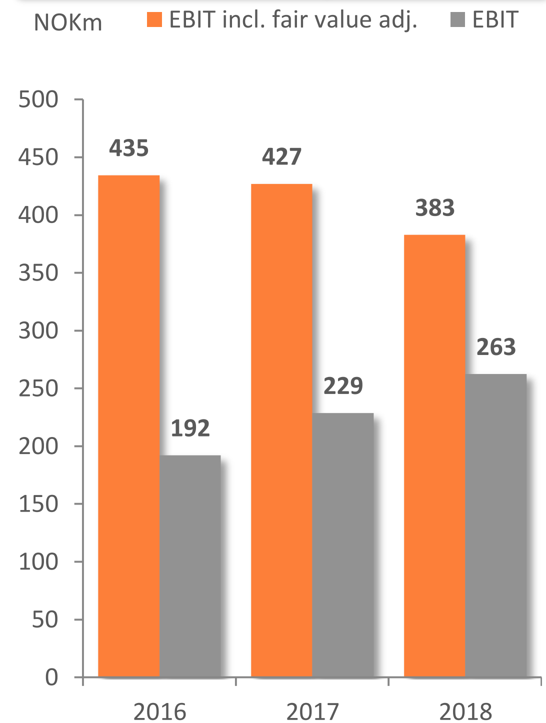
NOKm



- Revenue has increased with ~33% since 2016
- Growth through acquisitions and CPI adjustments
- Current signed lease of ~NOK 311m

EBIT development

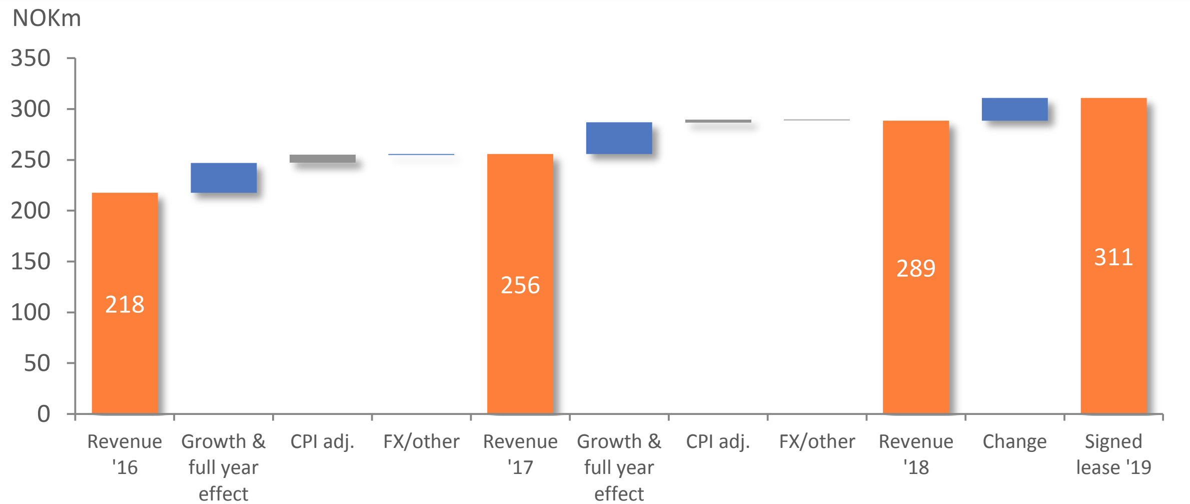
NOKm



- EBIT has increased steadily since 2016
- ~91% EBIT-margin in 2018

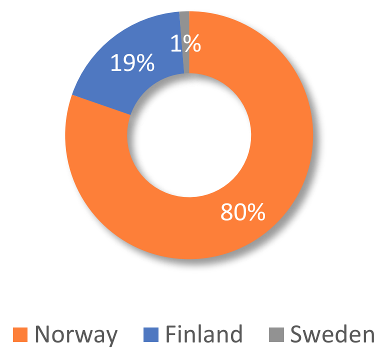
Strong revenue growth in recent years mainly driven by acquisitions

Revenue development 2016 – 2018, including signed lease 2019



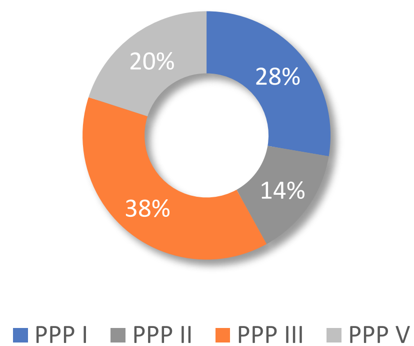
Revenue distribution per country

2018 numbers



Revenue distribution per portfolio

2018 numbers

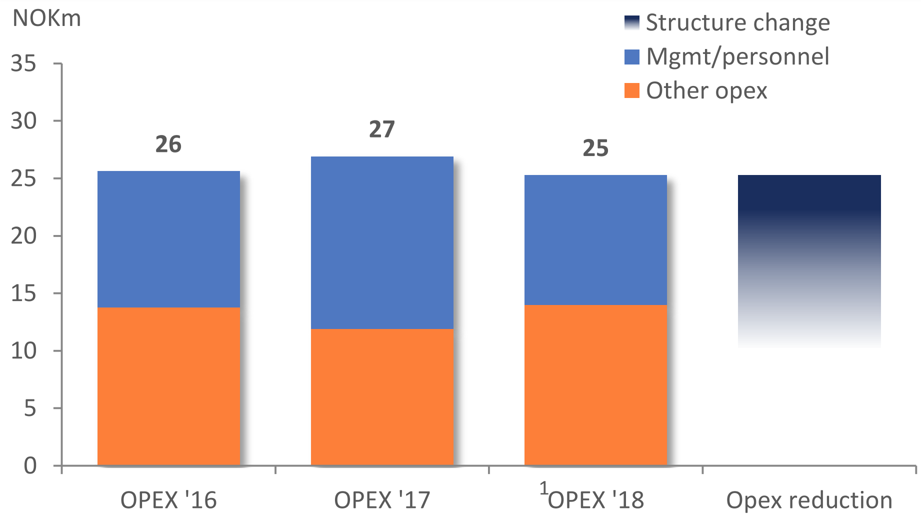


- All revenue is based on fixed lease contracts
- Growth mainly from acquisition of new assets and full year effect of assets acquired in the previous year
- Leases are 100% CPI adjusted annually
- Most of the revenue is based in NOK (~80%) , while the Finnish assets are in EUR (~19%), and small portion in SEK
- Signed lease 2019 includes units acquired in Q3 2018
  - Based on CPI adjustments and full year effect for assets acquired in 2018
  - In addition to three purchased properties currently under construction which is expected to be finalized in 2019[1]
- PPP III and PPP I are the largest portfolios with regards to revenue
  - These portfolios solely contain Norwegian units
- PPP V includes only Finnish units, while PPP II is a mix of Norwegian, Finnish and Swedish units

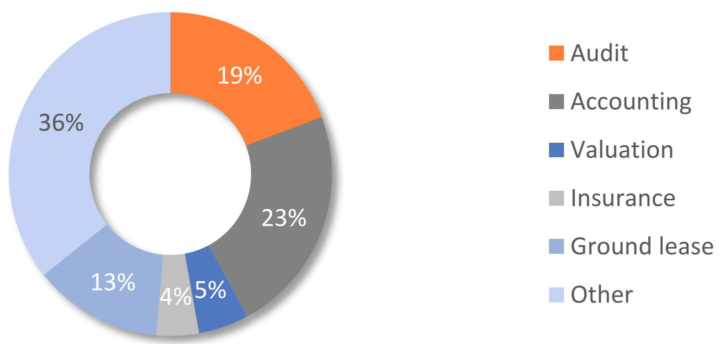
Source: PPP, 1) Revenues in NOK, SEK and EUR exchanged at the current currency rate

Limited OPEX as lease contracts are triple net

Opex development



Other opex break down 2018



- Contracts are primarily on a triple net basis, securing a low cost base
  - Note that contracts with Espira contain some cost elements which are covered by the asset owner, related to ground lease (~NOK 1.2m in 2018), insurance (~NOK 0.6m in 2018) and property tax (~NOK 0.9m in 2018). These costs are included in the historical cost base
- Historically the main cost component has been fees to the outsourced management company
- Onwards, the management structure of the company has changed, and the management is now insourced
  - Securing direct control of business-critical management services and systems
  - Only personnel cost, no management fee, leaves an expected lowered opex of NOK 5-10m (excl. non-recurring items and assuming continued operations at current level)
  - The management is working on streamlining the general cost structure and is targeting optimal cost of operations
- Other opex consist mainly of outsourced services, primarily related to accounting, audit and other administration services

Source: PPP, 1) Based on management fees and consulting fees related to management cost

Strategy

- **Key focus on care services real estate**
  - PPG and PPP shall mainly own, manage and develop real-estate for government-backed operators
  - To date the company has started consolidation of the Nordic market for preschool properties

- **Consolidate market through acquisitions and broaden foot-print into other government backed real estate**
  - The preschool market is still highly fragmented and ripe for further consolidation through additional acquisitions
  - Opportunities materializing within real estate with similar characteristics as the preschool market (long-term triple net lease contracts, public- and government-backed tenants, etc.)

- **Financial ambitions**
  - Continue to build portfolio through market consolidation and acquisitions
  - Achieve yield compression through increased critical mass
  - Best-in-class debt finance structures

- **Strategic review**
  - Assessment of refinancing and / or strategic alternatives for the Group initiated in March 2019