

Q1

REPORT 2019

Highlights of the Q1 2019 report

- Total revenue for the first quarter of 2019 was MNOK 77.6 compared to MNOK 69.7 in the first quarter of 2018. The increase is related to acquisition of new properties as well as CPI-adjustments to the rental income.
- Operating profit (EBIT) for the quarter was MNOK 69.0 and pre-tax profit was MNOK 20.3 compared to MNOK 61.7 and MNOK 27.8 in the first quarter of 2018, respectively.
- At the end of the quarter PPG had total assets of MNOK 5 522.6 where Investment Properties were valued at MNOK 5 236.4, and with a cash balance of MNOK 277.6. Total liabilities were NOK 3 462.3 with total equity of MNOK 2 060.3. The change related to valuation of Investment Properties from the fourth quarter 2018 is solely due to currency fluctuations.
- The company effectuated a one-year extension of the MNOK 260 facility with Pareto Bank.
- At the end of the quarter PPG paid quarterly dividend to holders of preference shares in total NOK 1.875 per preference share.
- In March, The Board of Directors of Pioneer Property Group ASA initiated a process to evaluate different strategic alternatives for the group. See section Key material events during the quarter.
- The company estimates that insourcing of the management services will entail an annual reduction in the company's consolidated operational expenses (OPEX) in the range of NOK 5-10 million, excluding non-recurring cost and based on continued operations at the current level.
- The company is in compliance with all bank and bond-related financial covenants.

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 171 properties centrally located in the large cities in Norway, Sweden and Finland. In addition, the company has agreed to take over three new properties in 2019 as previously announced.

The total portfolio houses a total of more than fifteen thousand children from the age of one to six years. The properties are leased out on long-term triple-net contracts to leading preschool operators, including Norlandia Care Group, Espira and Touhula.

The company's property portfolio is a result of acquisitions 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 preschools have during the later years played an important role in the improvement of the Norwegian preschool market, through improved capacity, quality and cost-efficiency.

The company's strategy is to expand its reach into care-services property with similar characteristics as the Norwegian preschool 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.

Key material events during the quarter

In March the group announced that The Board of Directors of PPG has over a period of time experienced interest both from institutional investors providing long term debt financing and from third parties with respect to a potential sale of assets/shares by PPG. Based on this, the Board of Directors has initiated a process to evaluate different strategic alternatives for the group. Such alternatives may include a broad range of options including, but not limited to, a recapitalization of the group including refinancing the PPU01 bond, a continuation of the current strategy and/or a sale of all or parts of the shares in its subsidiaries. PPG has mandated Pareto Securities AS as financial advisor in this process.

As announced in the stock exchange notice, PPG does not expect to update the market with any further information on the strategic process, unless and until the Board has approved a specific transaction or such disclosure otherwise is deemed appropriate or required.

Subsequent events since the end of the quarter

None

Overview of the financial accounts for the first quarter of 2019

Total revenue in the first quarter of 2019 was MNOK 77.6, compared to MNOK 69.7 in the first quarter of 2018. The increase is related to the acquisition of new properties. Operating profit (EBIT) in the quarter was MNOK 69.0 and pre-tax profit was MNOK 20.3 compared to MNOK 61.7 and MNOK 27.8 in the first quarter of 2018, respectively.

Profitability has not been impacted by net fair value adjustments in this quarter. The company has performed an internal fair value assessment and has not seen any material market developments which would justify any change in values at this time. The valuation process comprises assessment of CPI-adjusted rent levels and property yield as important input factors in addition to individual factors related to each property. To the extent there is a change in the underlying drivers the company perceives these to be positive.

The change in book value of Investment Properties from the previous quarter is solely attributable to currency changes, primarily EUR-NOK.

Further, the company estimates that the recent insourcing of management services will entail an annual reduction in the company's consolidated operational expenses (OPEX) in the range of NOK 5-10 million, excluding non-recurring cost and based on continued operations at the current level. However, the full impact of this will not be seen in 2019 due to restructuring cost for the management services.

In relation to the ongoing strategic assessment, related non-recurring costs are negligible for the quarter. Depending on the outcome of the process, non-recurring costs may impact the operational expenses for 2019.

At the end of the quarter PPG had total assets of MNOK 5,522.6, where Investment Properties were valued at MNOK 5,236.4, and with a cash balance of MNOK 277.6. Total debt was MNOK 3,462.3 with total equity of MNOK 2,060.3.

14 May 2019

Roger Adolfsen
Chairman

Sandra Henriette Riise
Board Member

Geir Hjorth
Board Member

Even Carlsen
Board Member

Nina H. Torp Høisæter
Board Member

Consolidated Income Statement - Pioneer Property Group ASA

NOK thousand	Note	Q1 2019	Q1 2018	FY 2018
Income from rent	4	77 580	69 723	288 189
Other income		34	14	386
Total Income		77 614	69 737	288 575
Payroll expenses		1 837	-	1 511
Expenses related to property				
Other operating expenses		6 811	8 067	27 205
Total Expenses		8 648	8 067	28 717
Fair value adjustment on Investment Properties		-	-	120 397
Operating profit (EBIT)		68 966	61 670	380 256
Interest income		324	21	676
Interest expenses		36 146	29 473	138 669
Currency gain (-) / loss		12 829	4 372	-4 571
Other financial expenses		-	-	-
Net Finance		-48 650	-33 824	-133 422
Profit/(loss) before tax		20 316	27 846	246 834
Income taxes		4 469	6 404	51 725
Profit/(loss) for the period		15 846	21 441	195 109

Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

Items to be reclassified to P&L in subsequent periods:

Exchange differences, from translation of foreign operations	-642	-2 008	-424
Total comprehensive income	15 204	19 433	194 685

Profit/(Loss) attributable to

Shareholders of the parent	15 204	19 433	193 928
Non-controlling interests	-	-	756
Profit/(loss) for the period	15 204	19 433	194 685

Earnings per share (NOK)

Basic earnings per preference share	1.88	1.88	7.50
Basic earnings per ordinary share	0.37	0.94	14.84
Dividends per preference share	1.88	1.88	7.50
Dividends per ordinary share	-	-	-

Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	31.03.2019	31.12.2018	31.03.2018
Assets				
Investment property	4,5	5 236 422	5 269 296	4 952 356
Deferred tax assets				
Other investment				8 707
Loans to other companies		1 000	1 000	1 000
Total non-current assets		5 237 422	5 270 296	4 962 063
Trade and other receivables		7 584	6 269	5 510
Cash and cash equivalents	4	277 587	283 271	153 374
Total current assets		285 171	289 541	158 884
Total assets		5 522 593	5 559 837	5 120 947
Equity and liabilities				
Share capital		16 314	16 314	16 314
Share premium		1 487 326	1 487 326	1 487 326
Retained earnings		556 669	553 652	451 151
Non-controlling interest				
Total equity		2 060 309	2 057 292	1 954 791
Borrowings	3	2 874 717	2 911 291	2 625 666
Deferred tax		188 269	188 269	160 464
Other non-current liabilities		561	575	1 166
Total non-current liabilities		3 063 547	3 100 135	2 787 296
Borrowings	3	330 179	330 044	327 831
Current tax payable		10 082	24 323	22 222
Other current liabilities		58 474	48 042	28 808
Total current liabilities		398 736	402 409	378 861
Total liabilities		3 462 283	3 502 544	3 166 156
Total equity and liabilities		5 522 593	5 559 837	5 120 947

Consolidated Statement of Changes in Equity - Pioneer Property Group ASA

NOK thousands	Note	Attributable to owners of the parent			Non-controlling interests	Total Equity
		Share capital	Share premium	Retained earnings		
Balance at 1 January 2018		16 314	1 487 325	431 717		1 935 357
Profit/(loss) for the period				194 374	735	195 109
Exchange differences from foreign operations				-446	21	-424
Total comprehensive income for the period				193 928	756	194 685
Sale of shares to non-controlling interests				124	2 467	2 591
Purchase of shares from non-controlling interests				-23 367	-3 223	-26 590
Dividends				-48 750		-48 750
Transactions with owners				-71 993	-756	-72 749
Balance at 31 December 2018		16 314	1 487 325	553 653	0	2 057 293
Profit/(loss) for the period				15 846	0	15 846
Exchange differences from foreign operations				-642		-642
Comprehensive income for the period			0	15 204	0	15 204
Transactions with non-controlling interests						0
Dividends				-12 188		-12 188
Transactions with owners			0	-12 188	0	-12 188
Balance at 31 March 2019		16 314	1 487 325	556 670	0	2 060 309

Consolidated Statement of Cash Flows - Pioneer Property Group ASA

<i>NOK thousands</i>	Note	Q1 2019	FY 2018	Q1 2018
Cash flows from operating activities:				
Profit before income tax		20 316	246 834	27 846
<i>Adjustments for:</i>				
Fair value adjustments on investment property	5	-	-120 397	0
Interest net		35 821	137 993	29 452
Borrowing cost				
Taxes paid		-16 954	-20 781	-3 297
Exchange gains/(losses)		12 829	-4 571	
Profit/loss on sale of fixed assets				
Changes in working capital:				
Trade receivables		-882	-3 326	-24
Trade payables		10 432	-4 656	-7 520
Other accruals		-2 116	-8 282	-4 183
Generated from operations		59 445	222 813	42 274
Interest received		324	651	
Interest paid	3	-35 461	-134 137	-29 452
Interest received				
Cash generated from operating activities		24 308	89 327	12 822
Cash flows from investing activities:				
Proceeds from sale of properties				
Purchase of subsidiaries / properties			-346 367	-232 273
Purchase of net other assets				
Other long term receivables				
Proceeds from sale of shares and bonds				
Cash from investing activities		-	-346 367	-232 273
Cash flows from financing activities:				
Proceeds from debt to financial institutions			955 021	273 071
Proceeds from other borrowings	3	-16 833	-487 756	-26 873
Repayments of debt to financial institutions				
Repayments to other borrowings				
Proceeds from shares issued				
Repayment of shares issued				
Dividends		-12 188	-48 750	-12 188
Dividends paid to non-controlling interests				
Transactions with non-controlling interests			-15 787	
Cash from financing activities		-29 020	402 729	234 010
		-	-	
Change in cash and cash equivalents		-4 712	145 689	14 559
Cash and cash equivalents at beginning of period		283 271	138 815	138 815
Exchange gains/(losses) on cash and cash equivalents		-972	-1 233	
Cash and cash equivalents at period end		277 587	283 271	153 374

Notes to the Financial Statements - Pioneer Property Group ASA

Note 1: General information

Pioneer Property Group ASA, which is the parent company of the Pioneer Property group (the Group), is a public limited liability company incorporated and domiciled in Norway, with its corporate headquarters in Oslo. Pioneer Property Group ASA is listed on the Oslo Stock Exchange.

The company's Board of Directors approved the condensed financial statements on 14 May 2019. The figures in the statements have not been audited.

The interim condensed consolidated financial statements for the first quarter 2019, ending 31 March 2019, were prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's 2018 annual report.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the implementation of IFRS 16 Leases as of 1 January 2019 as described below.

Note 2: Implementation of IFRS 16

The Group has adopted IFRS 16 Leases from 1 January 2019 using the simplified transition approach in accordance with IFRS 16.C5(b) and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The Group has only one leasing contract at 1 January 2019, the lease of the head office. The lease term was 12 months with no minimum rental period.

In applying IFRS 16 for the first time, the Group has used the following practical expedients as permitted by IFRS 16:

The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

As a consequence of applying the practical expedient there were no implementation effects of IFRS 16 in the opening balance as of 1 January 2016.

The following accounting principles are applied:

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group (the commencement date). Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

Right-of-use assets are measured.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Note 3: 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 2019:

<i>NOK thousand</i>	31.03.2019	31.12.2018	31.03.2018
Non-current			
Commercial bank loans	1 162 934	1 189 672	626 669
Husbank loans (state bank)	717 948	728 470	1 007 902
Bonds in Pioneer Public Properties AS	993 834	993 149	991 094
Total	2 874 716	2 911 291	2 625 665

<i>NOK thousand</i>	31.03.2019	31.12.2018	31.03.2018
Current			
Commercial bank loans	291 275	292 318	274 635
Husbank loans (state bank)	38 904	37 726	53 196
Bonds in Pioneer Public Properties AS			
Total	330 179	330 044	327 831

<i>NOK thousand</i>	31.03.2019	31.12.2018	31.03.2018
Total non-current and current			
Commercial bank loans	1 454 209	1 481 990	901 304
Husbank loans (state bank)	756 853	766 196	1 061 098
Bonds in Pioneer Public Properties AS	993 834	993 149	991 094
Total	3 204 896	3 241 335	2 953 496

In agreement with Pareto Bank the company extended the maturity of 260 MNOK for an additional year in March 2019.

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:

	31.03.2019				
<i>NOK thousand</i>	<1y	1y-2y	2y-5y	>5y	Total
Borrowings (bank)	329 244	68 244	623 320	1 190 253	2 211 061
Interest on borrowings (bank)	74 289	60 006	182 471	170 377	487 143
Bond loans	0	0	1 000 000	0	1 000 000
Interest on bond loans	64 476	64 476	16 119	0	145 071
Other current liabilities	0	0	0	0	0
Total	468 009	192 726	1 821 910	1 360 630	3 843 275

	31.12.2018				
<i>NOK thousand</i>	<1y	1y-2y	2y-5y	>5y	Total
Borrowings (bank)	329 119	68 141	589 090	1 273 053	2 259 402
Interest on borrowings (bank)	65 305	60 491	148 251	215 062	489 108
Bond loans	0	0	1 000 000	0	1 000 000
Interest on bond loans	65 670	65 750	24 645	0	156 065
Other current liabilities	0	0	0	0	0
Total	460 095	194 381	1 761 985	1 488 115	3 904 576

	31.03.2018				
<i>NOK thousand</i>	<1y	1y-2y	2y-5y	>5y	Total
Borrowings (bank)	327 831	77 560	979 363	577 649	1 962 402
Interest on borrowings (bank)	60 799	46 916	128 832	129 493	366 041
Bond loans	0	0	1 000 000	0	1 000 000
Interest on bond loans	62 400	62 400	85 800	0	210 600
Other current liabilities	28 807	1 166			29 973
Total	479 837	188 042	2 193 995	707 142	3 569 016

Note 4: 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

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

	Norway	Sweden	Finland	Group
Total Income	60 010 390	1 494 572	16 109 055	77 614 017
Fair Value Adjustment	0	0	0	0
Operating profit (EBIT)	53 366 701	1 055 905	14 543 229	68 965 834
Investment Properties	4 182 999 397	91 868 078	961 554 185	5 236 421 660
Cash and Cash equivalents	273 488 125	2 948 225	1 150 786	277 587 136

Note 5: Investment Properties

The fair value of Investment Properties is assessed quarterly by management. The Investment Properties are also subject to on-site inspections and technical evaluations. At the end of year 2018 a valuation report was commissioned from external valuation party 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 first quarter the company has internally assessed the valuation of the Investment Properties and has not seen any material market developments which would justify any change to the valuation. The change in book value of Investment Properties from the previous quarter is solely attributable to currency changes, primarily EUR-NOK.

In Q3 2018 the company entered into an agreement to acquire eleven properties from Norlandia. The final three of these 11 properties are expected to be taken over in the second half of 2019, finalizing the investment.

<i>NOK thousand</i>	Norway	Sweeden	Finland	Group
Fair value in the beginning of the year	4 183 000	95 943	990 354	5 269 296
Addition:				0
-Investment in subsidiaries /properties				0
Effect of currency exchange differences in foreign operations		-4 075	-28 800	-32 874
Sale				0
Fair value adjustments on investment properties				0
Fair value in the end of the year	4 183 000	91 868	961 554	5 236 422
Net change in unrealized gain	0	0	0	0

Overview of account movements 2018

<i>NOK thousand</i>	Norway	Sweeden	Finland	Group
Fair value in the beginning of the year	4 079 000	47 000	605 780	4 731 779
Addition:				
-Investment in subsidiaries /properties	18 453	47 864	335 778	402 095
Effect of currency exchange differences in foreign operations		-1 362	16 387	15 025
Fair value adjustments on investment properties	85 547	2 441	32 409	120 397
Fair value in the end of the year	4 183 000	95 943	990 354	5 269 296
Net change in unrealized gain	85 547	2 441	32 409	120 397

Note 6: Share capital and shareholder information

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, subject to approval by the Board of Directors on quarterly basis. The Annual General Meeting has given the Board of Directors authorization to approve distribution of dividend on the preference shares.

The company has 9 814 470 ordinary shares and 6 500 000 preference shares.

Note 7: Related-party transactions

<i>NOK thousand</i>	31.03.2019	2018
Rent revenue from Norlandia Care Group AS including subsidiaries	22 711	70 661
Rent revenue from Kidsa Drift including subsidiaries	10 669	42 191
Purchase of shares and properties from related parties	0	163 502

Note 8: Subsequent events

None

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 including its newly acquired subsidiary Pioneer Management AS. 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 2019

Total revenues in the quarter were MNOK 77.6 compared to MNOK 69.7 in the first quarter of 2018. The increase is due to the acquisition of new properties and CPI-adjustments.

Operating profit (EBIT) in the quarter was MNOK 69.4 and pre-tax profit was MNOK 19.0, compared to MNOK 62.2 and MNOK 26.3 in the first quarter of 2018, respectively.

Profitability has not been impacted by net fair value adjustments in this quarter. The company has performed an internal fair value assessment and has not seen any material market developments which would justify any change at this time in the values. The valuation process comprises assessment of CPI-adjusted rent levels and property yield as important input factors in addition to individual factors related to each property. To the extent there is a change in the underlying drivers the company perceives these to be positive.

The change in book value of Investment Properties from the previous quarter is solely attributable to currency changes, primarily EUR-NOK.

In relation to the ongoing strategic assessment initiated by the board of PPG, related non-recurring costs are negligible for the quarter. Depending on the outcome of the process, non-recurring costs may impact the operational expenses for 2019.

At the end of the quarter PPP had total assets of MNOK 5 497.6 where Investment Properties were valued at MNOK 5 236.4, and with a cash balance of MNOK 253.4. Total debt, including certain non-interest-bearing debt, was MNOK 3 561.1 with total equity of MNOK 1 936.4. PPP is in compliance with all bond-related covenants.

The consolidated statement of income and statement of financial position have been drawn up in accordance with International Standards for Financial Reporting (IFRS).

14 May 2019

Anders H. Løken
Chairman

Roger Adolfsen
Board Member

Consolidated Income Statement – Pioneer Public Properties AS

NOK thousand	Q1 2019	Q1 2018	FY 2018
Income from rent	77 580	69 723	288 189
Other income	14	14	57
Total Income	77 594	69 737	288 246
Payroll expenses			
Expenses related to property			
Other operating expenses	8 160	7 580	25 288
Total Expenses	8 160	7 580	25 288
Fair value adjustment on investment properties	-	-	120 397
Operating profit (EBIT)	69 434	62 157	383 355
Finance income	319	21	623
Finance expenses	37 874	31 327	136 698
Currency gain (-) / loss	12 829	4 580	-4 571
Other financial expenses	7	-	7 624
Net Finance	-50 390	-35 886	-139 128
Profit/(loss) before tax	19 043	26 271	244 227
Income taxes	4 190	6 043	49 168
Profit/(loss) for the period	14 854	20 228	195 059
Profit/(Loss) attributable to			
Shareholders of the parent	14 854	20 228	195 059
Non-controlling interests	-32	-	735
Profit/(loss) for the period	14 886	20 228	194 324

Condensed consolidated Statement of Comprehensive Income:

	Q1 2019	Q1 2018	FY 2018
Profit/(loss) for the period	14 854	20 228	195 059
Other comprehensive income			
<i>Items to be reclassified to P&L in subsequent periods:</i>			
Exchange differences, from foreign operations	-642	-2 007	-424
Proposed dividends			
Comprehensive income	14 212	18 221	194 635
Comprehensive income attributable to			
Shareholders of the parent	14 212	18 222	194 635
Non-controlling interests	-	-	-
Comprehensive income	14 212	18 222	194 635

Consolidated Statement of Financial Position – Pioneer Public Properties AS

NOK thousands	31.03.2019	31.12.2018	31.03.2018
Assets			
Investment property	5 236 422	5 269 296	4 952 356
Deferred tax assets			
Other investment	-	-	8 707
Loans to other companies	1 000	1 000	1 000
Total non-current assets	5 237 422	5 270 296	4 962 063
Trade and other receivables	6 675	7 815	3 880
Cash and cash equivalents	253 449	260 265	135 021
Total current assets	260 124	268 080	138 901
Total assets	5 497 546	5 538 376	5 100 964
Equity and liabilities			
Share capital	120 000	120 000	120 000
Share premium	1 264 959	1 264 959	1 264 959
Retained earnings	548 304	573 727	456 205
Non-controlling interest	3 177	3 223	-
Total equity	1 936 440	1 961 909	1 841 164
Borrowings	2 874 717	2 938 340	2 625 666
Deferred tax	188 269	188 269	160 464
Other non-current liabilities	118 334	575	92 984
Total non-current liabilities	3 181 320	3 127 184	2 879 114
Borrowings	330 179	330 044	327 831
Current tax payable	13 696	21 764	24 471
Other current liabilities	35 911	97 475	28 385
Total current liabilities	379 786	449 283	380 687
Total liabilities	3 561 106	3 576 467	3 259 801
Total equity and liabilities	5 497 546	5 538 376	5 100 964

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