

A photograph of several colorful cardboard boxes (blue, yellow, red, teal) with circular cutouts, arranged in a cluster. The image is tilted and serves as the background for the report cover.

Q3

REPORT 2019

Highlights of the Q3 2019 report

- On 9 October 2019, PPG entered into the Purchase Agreement with Odin Bidco AS regarding the purchase of 100% of the shares in Pioneer Public Properties AS and Pioneer Management from PPG with a total purchase price for the shares of NOK 2,734 million. Closing of the Transaction took place on 24 October 2019.
- A portion of the purchase price was also used to reinvest in Odin Bidco AS, resulting in a 10% equity stake in the company with a preliminary value of NOK 256 million.
- PPG is also entitled to an earn-out of up to NOK 100 million conditional upon the future development of the PPP group.
- Odin Bidco is further owned by a consortium consisting of Australian pension funds managed by Whitehelm Capital and the Whitehelm European Infrastructure Fund I incorporated company.
- Following close of the transaction, the material items on PPG's balance sheet comprises cash of approximately NOK 2 510 million, investments of NOK 256 million and real property of a total value of NOK 10 million.
- The preference shares issued by PPG will not be affected by the transaction and the company will continue to be listed on the Oslo Stock Exchange.
- The company was in compliance with all bank and bond-related financial covenants at the end of the quarter. All of the group's financial liabilities were placed within the PPP group, and transferred to the buyer.
- The sold entities have been classified as being held for sale in the report for the third quarter with a total value of assets held for sale of NOK 5 563 million and liabilities associated with assets held for sale of NOK 3 451 million.
- At the end of the quarter PPG paid quarterly dividend to holders of preference shares in total NOK 1.875 per preference share.

Background for the transaction and strategy going forward

During the past years, the Board of Directors has experienced interest both from institutional investors providing long term debt financing, and from other third parties, with respect to a potential refinancing of, or sale of the assets or shares in, PPG's subsidiaries. Based on this, the Board of Directors initiated a process to evaluate different strategic alternatives for the group. The alternatives included a broad range of options including, but not limited to, a recapitalization of the group including a refinancing of Pioneer Public Properties AS' outstanding bond loan, a continuation of the group's current strategy and/or a sale of all or parts of the shares in PPG's subsidiaries. Based on the interest from potential buyers, the board decided to proceed with a sale of the shares in Pioneer Public Properties AS and Pioneer Management AS.

The PPG group will, following the transaction, consist of two other companies: Kidsa Ospeli Eiendom AS and Pioneer Preschool AS. The previous financial liabilities of the group were all held within the PPP group, and were therefore transferred to the buyer group in connection with completion of the transaction. Hence, the board of directors and the management are of the opinion that PPG will be well-positioned to engage in further development and investments.

The aim of the board of directors is to continue to invest in real property and enter into long-term leases with governmental-backed tenants in Europe. Further, the Board of Directors will evaluate the possibility of establishing a new division within the Group with focus on investments within commercial real estate, such as office buildings and hotels.

The Board has appointed John Ivar Busklein as CEO and Ole-Kristofer Bragnes as CFO as the former management of PPG will continue to manage the operations of the sold entities. The management team will be

expanded as required when the group's activities reach a certain level and scope. PPG has not planned for any amendments in the composition of the board of directors.

Furthermore, two properties were sold over the quarter to an external buyer. These two transactions are considered not material compared to the sale of Pioneer Public Properties AS and Pioneer Management AS.

Subsequent events since the end of the quarter

On 9 October 2019, PPG entered into the Purchase Agreement with Odin Bidco AS regarding the purchase of 100% of the shares in Pioneer Public Properties AS and Pioneer Management from PPG with a total purchase price for the shares of NOK 2,734 million. The tax effect of the transaction is negligible. PPG is also entitled to an earn-out of up to NOK 100 million conditional upon the future development of the PPP group. Closing of the Transaction took place on 24 October 2019. Please see further comments in note 8.

The sale marks the completion of the strategic process that was initiated in the first quarter of 2019.

Overview of the financial accounts for the third quarter of 2019

The sold entities have been classified as being held for sale in the report for the third quarter, and thus the financials for the sold entities are not material for the future development of the PPG group.

Total revenue for the third quarter of 2019, adjusting for discontinued operations, was NOK 89k, while operating profit (EBIT), adjusting for discontinued operations, in the second quarter was NOK 133k.

Further comments to the financial development of the remaining entities will be commented upon in the next quarterly report. In relation to the transaction the group has incurred non-recurring costs that will impact the operational expenses for 2019. This will be described in the Q4 report.

Responsibility statement

The interim financial statements for the period have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial positions and profit and loss of the Group.

We also confirm that, to the best of our knowledge, the interim financial statements give a true and fair reflection of important events that have occurred during the first nine months of the financial year and their impact on the financial statements, as well as a description of the principal risks and uncertainties facing the Group.

12 nov 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	Q3 2019	YTD 2019	Q3 2018	YTD 2018	FY 2018
Continuing operations						
Income from rent		89	269	87	260	347
Other income		-	0	-	-	0
Total Income		89	269	87	260	348
Payroll expenses		-	548	140	419	559
Other operating expenses		-43	2,558	119	1,436	2,232
Total Expenses		-43	3,105	259	1,855	2,791
Fair value adjustment on investment properties		-	549	-	-	1,500
Operating profit (EBIT)		133	-2,287	172	1,595	-943
Interest income		-	-	3	3	44
Interest expenses		0	1	0	-	34
Currency gain (-) / loss		0	-	0	1	30
Other financial expenses		0	4	-	-	-
Net Finance		-1	-4	3	2	-20
Profit/(loss) before tax, continuing operation	4	132	-2,292	169	1,593	-963
Income taxes		548	317	177	779	2,658
Profit/(loss) for the period, continuing operations		-416	-2,608	347	2,372	-3,621
Profit/(loss) discontinued operations, net of tax	9	30,688	114,393	61,421	102,361	198,730
Profit/(loss) for the period, total operations		30,272	111,785	61,074	99,989	195,109

Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

Exchange differences, from translation of foreign operations		2,290	1,089	342	-1,811	-424
Total comprehensive income		32,562	112,874	61,416	98,177	194,685
Total comprehensive attributable to						
Shareholders of the parent		32,562	112,874	60,480	97,292	193,950
Non-controlling interests		-	-	936	885	735
Profit/(loss) for the period		32,562	112,874	59,544	96,407	194,685
Earnings per share (NOK), continuing operations						
Basic earnings per preference share		1.88	5.63	1.88	5.63	7.5
Basic earnings per ordinary share		-1.28	-3.99	-1.28	-3.97	-5.34
Dividends per preference share		1.88	5.63	1.88	5.63	7.5
Dividends per ordinary share		0	0	0	0	0
Earnings per share (NOK), total operations						
Basic earnings per preference share		1.88	5.63	1.88	5.63	7.5
Basic earnings per ordinary share		1.84	7.66	4.98	6.46	14.91
Dividends per preference share		1.88	5.63	1.88	5.63	7.5
Dividends per ordinary share						

Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	30/09/2019	31/12/2018	30/09/2018
Assets				
Investment property	5	10,500	5,269,296	5,097,792
Other investment		-	-	23,051
Loans to other companies		-	1,000	1,000
Total non-current assets		10,500	5,270,296	5,121,843
Income tax		5,464		
Trade and other receivables		2,494	6,269	5,675
Cash and cash equivalents	8	16,992	283,271	361,471
Total current assets		24,951	289,541	367,146
Assets in disposal groups classified as held for sale	9	5,563,401		
Total assets		5,598,851	5,559,837	5,488,989
Equity and liabilities				
Share capital		16,314	16,314	16,314
Share premium		1,487,326	1,487,326	1,487,326
Retained earnings		631,414	553,652	492,577
Non-controlling interest		-	-	3,346
Total equity		2,135,054	2,057,292	1,999,563
Borrowings	3	-	2,911,291	2,890,163
Deferred tax		45	188,269	172,306
Other non-current liabilities		-	575	1,119
Total non-current liabilities		45	3,100,135	3,063,587
Borrowings		-	330,044	332,773
Current tax payable		-	24,323	28,290
Other current liabilities		12,677	48,042	64,776
Total current liabilities		12,677	402,409	425,838
Liabilities directly associated with assets in disposal groups classified as held for sale	9	3,451,075		
Total liabilities		3,463,797	3,502,544	3,489,426
Total equity and liabilities		5,598,851	5,559,837	5,488,989

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	1,935,357	
Profit/(loss) for the period				194,374	194,374	735	195,109
Exchange differences from foreign operations				-446	-446	21	-424
Total comprehensive income for the period				193,928	193,928	756	194,685
Sale of shares to non-controlling interests				124	124	2,467	2,591
Purchase of shares from non-controlling interests				-23,367	-23,367	-3,223	-26,590
Dividends	6			-48,750	-48,750		-48,750
Transactions with owners				-71,993	-71,993	-756	-72,749
Balance at 31 December 2018		16,314	1,487,325	553,653	2,057,293	0	2,057,293
Profit/(loss) for the period				111,785	111,785	0	111,785
Exchange differences from foreign operations				1,089	1,089		1,089
Comprehensive income for the period				0	112,874	0	112,874
Other changes				1,450	1,450		1,450
Transactions with non-controlling interests							0
Dividends	6			-36,562	-36,562		-36,562
Transactions with owners				0	-35,112	0	-35,112
Balance at 30 September 2019		16,314	1,487,325	631,414	2,135,054	0	2,135,054

Consolidated Statement of Cash Flows - Pioneer Property Group ASA

<i>NOK thousands</i>	Note	YTD 30/09/2019	2018	YTD 30/09/2018
Cash flows from operating activities:				
Profit before income tax total operation (including discontinued operations)	10	143,350	246,834	128,022
<i>Adjustments for:</i>				
Fair value adjustments on investment property		-48,899	-120,397	-57,627
Interest net		109,262	137,993	101,631
Borrowing cost				
Taxes paid		-16,971	-20,781	-6,618
Exchange gains/(losses)		6,628	-4,571	12,157
Profit/loss on sale of fixed assets		744		
Changes in working capital:				
Trade receivables		219	-3,326	-2,597
Trade payables		558	-4,656	5,109
Other accruals		-16,126	-8,282	-2,098
Generated from operations		178,764	222,813	177,979
Interest received		48	651	39
Interest paid		-106,290	-134,137	-89,118
Interest received				
Cash generated from operating activities		72,521	89,327	88,900
Cash flows from investing activities:				
Proceeds from sale of properties		-		
Purchase of subsidiaries / properties	5		-346,367	-350,453
Purchase of shares				
Other long term receivables				
Proceeds from sale of shares and bonds				
Cash from investing activities		-	-346,367	-350,453
Cash flows from financing activities:				
Proceeds from debt to financial institutions			955,021	951,212
Proceeds from other borrowings				
Repayments of debt to financial institutions	3	-56,068	-487,756	-426,554
Repayments to other borrowings				
Proceeds from shares issued				
Repayment of shares issued				
Dividends		-36,562	-48,750	-36,563
Dividends paid to non-controlling interests				
Transactions with non-controlling interests			-15,787	2,591
Cash from financing activities		-92,631	402,729	490,686
Change in cash and cash equivalents		-20,109	145,689	229,133
Cash and cash equivalents at beginning of period		283,271	138,815	138,815
Exchange gains/(losses) on cash and cash equivalents		37	-1,233	-6,477
Cash and cash equivalents at period end		263,199	283,271	361,471

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 12 Nov 2019. The figures in the statements have not been audited.

The interim condensed consolidated financial statements for the third quarter 2019, ending 30 Sept 2019, were prepared in accordance 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. Assets in disposal group and liabilities directly associated with assets in disposal groups classified as held for sale has been presented in the accounts in accordance with IFRS 5.

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.

For the implementation of IFRS 16 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 2019.

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 in disposal group

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 Sept 2019:

<i>NOK thousand</i>	30/09/2019	31/12/2018	30/09/2018
Non-current			
Commercial bank loans	1,164,758	1,189,672	1,157,363
Husbank loans (state bank)	695,722	728,470	740,336
Bonds in Pioneer Public Properties AS	995,205	993,149	992,464
Total	2,855,684	2,911,291	2,890,163

<i>NOK thousand</i>	30/09/2019	31/12/2018	30/09/2018
Current			
Commercial bank loans	289,892	292,318	297,037
Husbank loans (state bank)	37,815	37,726	35,736
Bonds in Pioneer Public Properties AS			
Total	327,707	330,044	332,773

<i>NOK thousand</i>	30/09/2019	31/12/2018	30/09/2018
Total non-current and current			
Commercial bank loans	1,454,650	1,481,990	1,454,400
Husbank loans (state bank)	733,537	766,196	776,072
Bonds in Pioneer Public Properties AS	995,205	993,149	992,464
Total	3,183,391	3,241,335	3,222,936

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:

<i>NOK thousand</i>	30/09/2019				Total
	<1y	1y-2y	2y-5y	>5y	
Borrowings (bank)	327,705	68,229	607,562	1,184,690	2,188,186
Interest on borrowings (bank)	67,085	58,977	153,339	146,928	426,329
Bond loans	-	1,000,000	-	-	1,000,000
Interest on bond loans	69,102	43,189	-	-	112,291
Other current liabilities	-	-	-	-	-
Total	463,892	1,170,395	760,901	1,331,618	3,726,806

<i>NOK thousand</i>	31/12/2018				Total
	<1y	1y-2y	2y-5y	>5y	
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	-	-	1,000,000	-	1,000,000
Interest on bond loans	65,670	65,750	24,645	-	156,065
Other current liabilities	-	-	-	-	-
Total	460,095	194,381	1,761,985	1,488,115	3,904,576

<i>NOK thousand</i>	30/09/2018				Total
	<1y	1y-2y	2y-5y	>5y	
Borrowings (bank)	332,772	76,302	953,540	532,732	1,895,346
Interest on borrowings (bank)	52,745	44,733	111,338	115,069	323,885
Bond loans	-	-	1,000,000	-	1,000,000
Interest on bond loans	63,200	63,200	86,900	-	213,300
Other current liabilities	56,416	1,119	-	-	57,535
Total	505,133	185,354	2,151,778	647,801	3,490,066

Note 4: Segment Summary for PPG before the transaction

The Group's business prior to the transaction 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. After the transaction the company has one property with a value of NOK 10.5 million.

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

	Norway Q3 19	Sweden Q3 19	Finland Q3 19	Group Q3 19	Norway YTD	Sweden YTD	Finland YTD	Group YTD 19
Total Income	60,030	1,319	14,403	75,753	180,035	4,255	46,320	230,609
Fair Value Adjustment	-	-	-	-	42,156	953	5,790	48,899
Operating profit (Ebit)	63,054	314	7,333	70,701	216,495	3,221	39,523	259,239
Investment Properties	4,186,576	92,463	990,988	5,270,026				
Cash and Cash equivalents	210,290	4,112	48,797	263,199				

Note 5: Investment Properties of PPG before the transaction

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. The real estate portfolio was over the third quarter evaluated using the same principles as in the earlier quarters, which did not yield material value deviations. The sale of Pioneer Public Properties AS shows that there are additional values in the portfolio, but PPG does not possess insights into how this was evaluated. After the transaction PPG holds the property in Kidsa Ospeli AS in Norway with an estimated market value of NOK 10.5 million.

<i>NOK thousand</i>	Norway	Sweden	Finland	Group
Fair value in the beginning of the year	4,183,000	95,943	990,354	5,269,296
Addition:				
-Investment in subsidiaries /properties	-	-	-	-
Effect of currency exchange differences in foreign	-	-4,433	-5,157	-9,589
Sale	-38,580	-	-	-38,580
Fair value adjustments on investment properties	42,156	953	5,790	48,899
Fair value in the end of the year	4,186,576	92,463	990,987	5,270,026
Net change in unrealized gain	42,156	953	5,790	48,899

Overview of account movements 2018

<i>NOK thousand</i>	Norway	Sweden	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	-	-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

NOK in thousand	30/09/2019	2018
Rent revenue from Norlandia Care Group AS including subsidiaries	67,921	70,661
Rent revenue from Kidsa Drift including subsidiaries	32,007	42,191
Sale of shares and properties to related parties	39,375	-
Purchase of shares and properties from related parties	-	163,502

Transactions made between the related parties are made on terms equivalent to those that prevail in the market at arm length.

Note 8: Subsequent events

The table below highlights the key material balance sheet items for the group following the sale of Pioneer Public Properties AS and Pioneer Management AS. The cash and cash equivalent item is preliminary, and there may be adjustments related to further transaction cost analysis. The net gain on the sale of shares in Pioneer Public Properties AS and Pioneer Management AS is under review, and will be reflected in the Q4 2019 report.

NOK thousands	24/10/2019
Investment property	10,500
Other investment	256,333
Total non-current assets	266,833
Cash and cash equivalents	2,509,002

Note 9: Condensed discontinuing operations, assets and liabilities of disposal group classified as held for sale

As of Q3 2019 it was deemed likely Pioneer Public Properties AS and Pioneer Management AS were going to be sold according to IFRS 5, and thus the assets and liabilities in the following table were reclassified as held for sale as of 30 September 2019. Furthermore, see the following table for a consolidated income statement for discontinuing operations.

NOK thousands	30/09/2019
Investment property	5,259,526
Loans to other companies	1,000
Trade and other receivables	56,668
Cash and cash equivalents	246,207
Total assets	5,563,401
Borrowings	3,183,391
Deferred tax	197,916
Other non-current liabilities	532
Current tax payable	33,366
Other current liabilities	35,870
Total liabilities	3,451,075

Condensed consolidated Income Statement

Discontinuing operations	Q3 2019	YTD 2019	Q3 2018	YTD 2018	FY 2018
NOK thousand					
Continuing operations					
Income from rent	76,829	231,458	72,589	214,476	287,842
Other income	14	64	14	42	386
Total Income	76,843	231,522	72,604	214,518	288,227
Payroll expenses	1,244	3,838	-	-	952
Other operating expenses	5,031	14,506	13,288	28,741	24,974
Total Expenses	6,275	18,344	13,288	28,741	25,926
Fair value adjustment on investment properties	-	48,697	57,627	57,627	118,897
Operating profit (EBIT)	70,568	261,875	116,942	243,405	381,199
Interest income	-287	48	6	36	632
Interest expenses	32,469	108,844	39,564	101,670	138,635
Currency gain (-) / loss	-1,237	6,628	-268	12,157	-4,601
Other financial expenses	335	808	-	-	-
Net Finance	-31,855	-116,231	-39,289	-113,790	-133,402
Profit/(loss) before tax	38,713	145,644	77,653	129,614	247,797
Income taxes	8,026	31,248	16,232	27,254	49,067
Profit/(loss) for the period	30,688	114,395	61,421	102,361	198,730

Note 10: Consolidated Statement of Cash Flows from discontinued operations

NOK thousands	YTD 30/09/2019	2018	YTD 30/09/2018
Generated from operations	199,963	244,469	190,190
Cash generated from operating activities	93,900	110,414	101,108
Cash from investing activities	10,762	-522,498	-350,453
Cash from financing activities	-124,237	561,425	498,518
Change in cash and cash equivalents	-19,575	149,341	249,173
Cash and cash equivalents at beginning of period	265,744	117,636	104,280
Exchange gains/(losses) on cash and cash equivalents	37	-1,233	-6,297
Cash and cash equivalents at period end	246,207	265,744	347,157