

A photograph of colorful play blocks, including blue, yellow, and red blocks, arranged on a red carpet. The image is tilted and serves as the background for the report cover.

# Half-yearly report

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2020

## Highlights of the half-yearly 2020 report

- Total revenue from continued operations for the first half of 2020 was MNOK 6.0 compared to MNOK 0.2 for the first half of 2019
- Operating profit (EBIT) for the first half of 2020 was a negative MNOK 1.3 compared to a negative MNOK 2.4 for the first half of 2019
- PPG received the full earn-out consideration from the sale of PPP and PM of MNOK 100
- PPG purchased 987,966 preference shares in PPG in March 2020 at a price of NOK 102 per preference share
- PPG acquired bonds in Norlandia Health & Care Care Group ASA (NHC01 and NHC02) and Hospitality Invest AS (HOIN02) with par values of MNOK 196.0 (NHC01), MSEK 134.0 (NHC02) and MNOK 50.0 (HOIN02)
- PPG paid two quarterly dividends to the holders of preference shares in total NOK 3.75 per preference share and an extraordinary dividend to the holders of the ordinary shares in total of NOK 20.38 per ordinary share charged to the company's share premium reserves

## Background and strategy

Pioneer Property Group ASA (PPG) is an investment company with a real estate focus. The current real estate portfolio consists of a total of 13 preschool properties located in Norway, Sweden, Netherlands and Poland. The properties are mainly leased out at long-term triple-net contracts to Norlandia. Further, PPG holds a 10% stake in Odin Bidco AS which owns a real estate portfolio of ~200 preschools at mainly long-term triple-net contracts in the Nordics. PPG is however entitled to 20% of the economic distributions from Odin Bidco AS after a 6% IRR hurdle.

The focus area for PPG will be to continue to invest in real properties and enter into long-term leases with government-backed tenants in Europe. Further PPG may establish a new division within the Group with focus on investments within commercial real estate, such as office buildings and hotels in addition to development projects.

Based on the cash balance in PPG following the sale of PPP and PM, the general meeting changed the company's objective in the articles of association in 2019 to include investments in securities and other assets in order to allow for more flexible capital management. PPG's main business will continue to be investments in real property and related activities, but PPG now has greater flexibility for capital management. When managing the capital, PPG will take into account the need for sufficient liquidity reserves to meet PPG's financial obligations.

## Key material events during the first half of 2020

COVID-19 represents an extraordinary situation that has materialised during 2020, and it is uncertain how the pandemic will impact society as a whole and thus how it may affect the group going forward. The overall material risk factors for the group is estimated to be a potential reduction of rent income and change in interest rate affecting borrowing costs, interest rate income as well as it may change the yield levels affecting real estate valuations. PPGs lease agreement are triple-net and not linked to preschool utilisation. The company has at present not received any COVID -19 related tenant inquiries and does not expect a reduction in rental income due to the pandemic. Further it is difficult to estimate the current financial impact at present with regards to interest rate effects as both the macro economic consequences and the duration of COVID-19 are uncertain. Management assess thus that currently, the values of the preschool portfolio in local currency is

at the same level as per year end 2019 and not effected by COVID -19. The situation is closely being monitored by the management and the Board of Directors.

During Q4'19, Pioneer Public Properties AS (which has changed its name to Kinland AS) entered into a share purchase agreement to acquire a property portfolio. A completion of said transaction would trigger a payout of the entire earn-out consideration of MNOK 100 to PPG. PPG subscribed in December 2019 in a share capital increase in Odin Bidco AS in order for the company to be capitalized to close the transaction, increasing its investment with MNOK 23 in Odin Bidco AS and maintaining a 10% ownership. The transaction since closed, and PPG has received the full earn-out consideration of MNOK 100 in January 2020.

During the first half of 2020 PPG acquired bonds in Norlandia Health & Care Care Group ASA (NHC01 and NHC02) and Hospitality Invest AS (HOIN02) with par values of MNOK 196.0 (NHC01), MSEK 134.0 (NHC02) and MNOK 50.0 (HOIN02). A majority of the bonds were bought during the Covid-19 financial downturn in March 2020, resulting in significant unrealised gains per 30.06.2020 showing the flexibility of PPGs balance sheet and liquidity position. Per 30.06.2020 PPG holds bonds with the following par values: NHC01: MNOK 196, NHC02: MSEK 163.5, HOIN02: MNOK 50. Further PPG subscribed in 1H'2020 for a total of MNOK 100 divided between two separate reputable Nordic high yield funds. The two high yield funds have started to recover following the rapid decrease in the high yield market in March, however PPG are still carrying unrealised losses since the subscription date.

In January 2020 the general meeting in PPG passed a resolution to decrease the share capital of NOK 1,631,447 in order to redeem the 1,631,447 preference shares in PPG that was owned by PPG. Further, PPG purchased 987,966 preference shares in PPG in March 2020 at a price of NOK 102 per preference share. Following the transaction, PPG holds no ordinary shares and 987,966 preference shares in PPG (approximately 6.73% of the share capital), which represents 0.96% of the votes.

During the first half of 2020, PPG paid two quarterly dividends to the holders of preference shares in total NOK 3.75 per preference share. As per the articles of association §5, the annual preferred dividend to the holders of preference share will increase by NOK 1 per preference share from 01. July 2020. Further PPG paid an extraordinary dividend to the holders of the ordinary shares in total of NOK 20.38 per ordinary share charged to the company's share premium reserves.

In June 2020, PPG made a minor acquisition of a land plot near Evenes Airport in the northern part of Norway together with local developers. PPG acquired indirectly ~51% of the shares in Evenes Tomteslskap AS through an 53% owned SPV, and thus the financials are consolidated into PPGs consolidated accounts.

#### **Subsequent events since the end the first half of 2020**

In July 2020 PPG made a minor acquisition of a commercial property outside Ålesund in Norway with approximately a 9-year lease agreement to Ferda, a leading motorhome dealer in Norway.

The general meeting passed a resolution to distribute to the holders of PPG's ordinary shares of NOK 101.89 per ordinary share by way of a combination of a repayment of paid-in capital and dividend, in total approximately NOK 999,996,348. The distribution was paid by PPG in July 2020.

#### **Overview of the financial accounts for the first half of 2020**

Total revenue from continued operations from the first half of 2020 was MNOK 6.0 compared to MNOK 0.2 for the first half of 2019. The increase is related to the acquisition of new properties from NHC.

Operating profit (EBIT) for the first half of 2020 was a negative MNOK 1.3 compared to a negative MNOK 2.4 for the first half of 2019. Profitability for the first half of 2020 was affected by negative fair value adjustments related mainly to transaction costs of new acquisitions, in addition to a negative re-evaluation of book values in

Evenes Tomteselskap to the acquisition value. Net finance for the first half of 2020 amounted to MNOK 42.4 compared to MNOK 0 for the first half of 2019. Net finance was mainly positively impacted by a fair value revisions of the acquired bonds in NHC and HI, a MNOK 8.2 in income from the associated company Odin Bidco AS and currency gains from NHC02 bonds and the international portfolio. On the negative side net finance was mainly impacted by negative fair value revisions of the two high yield funds in addition to a negative NOK/EUR future contract related to the international properties. Further PPG booked a positive fair value revision of MNOK 9.8 from the received earn-out as discontinued operations related to the sale of PPP and PM in 2019.

At the end of the first half of 2020 PPG had total assets of MNOK 2,158.9 where MNOK 516.5 were related to investment property and shares in the associated company, Odin Bidco AS, and with a cash balance of MNOK 1,157.2 The estimated fair value of the bonds and high yield funds amounted MNOK 439.7. Total equity amounted to MNOK 2,150.3. At the end of the first half total borrowings amounted to MNOK 11.8, related to the Evenes plot.

### **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 financial period and their impact on the financial statements, as well as a description of the principal risks and uncertainties facing the Group.

13 August 2020

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	1H 2020	1H 2019	FY 2019
<b>Continuing operations</b>				
Income from rent		6,046	179	1,184
Other income			0	319
<b>Total Income</b>	3	<b>6,046</b>	<b>179</b>	<b>1,503</b>
Payroll expenses		1,152	548	5,765
Expenses related to property		127	-	
Other operating expenses		3,409	2,601	5,141
<b>Total Expenses</b>		<b>4,687</b>	<b>3,149</b>	<b>10,907</b>
Fair value adjustment on investment properties	4	-2,650	549	-2,632
<b>Operating profit (EBIT)</b>		<b>-1,292</b>	<b>-2,420</b>	<b>-12,036</b>
Profit from associated company		8,172	0	-2,647
Interest income		2,961	0	8,476
Other financial income		30,031	0	5,473
Interest expenses		1	1	261
Currency gain (-) / loss		-13,221	0	3,239
Other financial expenses		11,975	3	-342
<b>Net Finance</b>		<b>42,409</b>	<b>-4</b>	<b>8,144</b>
<b>Profit/(loss) before tax, continuing operation</b>		<b>41,117</b>	<b>-2,425</b>	<b>-3,892</b>
Income taxes		5,183	-232	-158
<b>Profit/(loss) for the period, continuing operations</b>		<b>35,934</b>	<b>-2,193</b>	<b>-3,734</b>
<b>Profit/(loss) discontinued operations, net of tax</b>	2	<b>9,831</b>	<b>83,705</b>	<b>846,100</b>
<b>Profit/(loss) for the period, total operations</b>		<b>45,765</b>	<b>81,512</b>	<b>842,366</b>

## Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

Other comprehensive income				
Exchange differences, from translations of foreign operations				1,437
Exchange differences, from translation of foreign operations from associated companies				
<i>Items to be reclassified to P&amp;L in subsequent periods:</i>				
Exchange differences associated company		3,143		-17
Exchange differences, from translation of foreign operations		2,170	-1,200	-1,089
<b>Total comprehensive income</b>		<b>51,078</b>	<b>80,312</b>	<b>842,697</b>
<b>Total comprehensive attributable to</b>				
Shareholders of the parent		52,185	80,312	842,697
Non-controlling interests		-1,106		-
<b>Profit/(loss) for the period</b>		<b>51,078</b>	<b>80,312</b>	<b>842,697</b>
<b>Earnings per share (NOK), continuing operations</b>				
Basic earnings per ordinary share		2.10	-2.71	-5.35
Dividends per ordinary share		20.38	0	27.74
<b>Earnings per share (NOK), total operations</b>				
Basic earnings per ordinary share		3.10	5.82	86.21
Dividends per ordinary share		20.38	0	27.74

## Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	Note	30/06/2020	31/12/2019
<b>Assets</b>			
Investment property	4	228,301	191,453
Associated companies		288,180	276,865
Other investment		7,541	
<b>Total non-current assets</b>		<b>524,023</b>	<b>468,318</b>
Trade and other receivables		65,004	116,198
Other investments	8	439,686	23,258
Cash and cash equivalents		1,157,225	1,860,813
<b>Total current assets</b>		<b>1,661,915</b>	<b>2,000,269</b>
<b>Total assets</b>		<b>2,185,938</b>	<b>2,468,587</b>
<b>Equity and liabilities</b>			
Share capital		14,683	16,314
Own shares		- 988	- 1,631
Share premium		1,005,925	1,202,885
Retained earnings		1,126,597	1,194,215
Non-controlling interest		4,062	
<b>Total equity</b>	<b>5</b>	<b>2,150,279</b>	<b>2,411,782</b>
Borrowings		-	-
Deferred tax		756	756
Other non-current liabilities		227	-
<b>Total non-current liabilities</b>		<b>983</b>	<b>756</b>
Borrowings	6	11,750	-
Current tax payable		5,077	143
Other current liabilities		17,849	55,906
<b>Total current liabilities</b>		<b>34,676</b>	<b>56,049</b>
<b>Total liabilities</b>		<b>35,659</b>	<b>56,804</b>
<b>Total equity and liabilities</b>		<b>2,185,938</b>	<b>2,468,587</b>

## Consolidated Statement of Changes in Equity - Pioneer Property Group ASA

NOK thousands	Note	Attributable to owners of the parent				Total	Non-controlling interests	Total Equity
		Share capital	Treasury shares	Share premium	Retained earnings			
<b>Balance at 1 January 2019</b>		16,314		1,487,325	553,652	2,057,292		<b>2,057,292</b>
Profit/(loss) for the period					842,366	842,366		<b>842,366</b>
Exchange differences reclassified to income statement on disposal					-1,089	-1,089		<b>-1,089</b>
Exchange differences fraom associated company					-17	-17		<b>-17</b>
Exchange differences from foreign operations					1,437	1,437		<b>1,437</b>
Total comprehensive income for the period					842,697	842,697	0	<b>842,697</b>
Acquisition of treasury shares			-1,631		-165,573	-167,204		<b>-167,204</b>
Dividends on ordinary shares				-272,253		-272,253		<b>-272,253</b>
Dividends on preference shares				-12,188	-36,562	-48,750		<b>-48,750</b>
Transactions with owners		0	-1,631	-284,441	-202,135	-488,207	0	<b>-488,207</b>
<b>Balance at 31 December 2019</b>		<b>16,314</b>	<b>-1,631</b>	<b>1,202,885</b>	<b>1,194,215</b>	<b>2,411,782</b>	<b>0</b>	<b>2,411,782</b>
Profit/(loss) for the period					46,871	46,871	-1,106	<b>45,765</b>
Exchange differences fraom associated company					3,143	3,143		<b>3,143</b>
Exchange differences from foreign operations					2,170	2,170		<b>2,170</b>
Comprehensive income for the period				0	52,185	52,185	-1,106	<b>51,078</b>
Acquisition of treasury shares				-988	-100,081	-101,069		<b>-101,069</b>
Capital reduction			-1,631	1,631		0		<b>0</b>
Transactions with non-controlling interests					-5,168	-5,168	5,168	<b>0</b>
Dividends on ordinary shares	5			-200,019		-200,019		<b>-200,019</b>
Dividends on preference shares	5			3,059	-14,552	-11,493		<b>-11,493</b>
Transactions with owners		-1,631	643	-196,960	-119,802	-317,750	5,168	<b>-312,581</b>
<b>Balance at 30 June 2020</b>		<b>14,683</b>	<b>-988</b>	<b>1,005,925</b>	<b>1,126,597</b>	<b>2,146,217</b>	<b>4,062</b>	<b>2,150,279</b>

## Consolidated Statement of Cash Flows - Pioneer Property Group ASA (including discontinued operations)

<i>NOK thousands</i>	Note	30/06/2020	30/06/2019	2019
Cash flows from operating activities:				
Profit before income tax total operation (including discontinued operations)		50,948	20,316	872,658
<i>Adjustments for:</i>				
Fair value adjustments on investment property		2,650		-46,064
Profit from associated companies	-	8,172		2,647
Other adjustment	-	18,055		-5,473
Interest net	-	2,961	35,821	-8,654
Borrowing cost	6			118,083
Taxes paid	-	103	-16,954	-16,971
Exchange gains/(losses)	-	18,017	12,829	10,413
Profit/loss on sale of fixed assets	-	9,831		-733,508
Changes in working capital:				
Trade receivables	-	91	-882	-23,978
Trade payables	-	39,271	10,432	45,583
Other accruals		11,238	-2,116	-30,468
<b>Generated from operations</b>		<b>-31,665</b>	<b>59,445</b>	<b>184,269</b>
Interest received		5,812	324	8,654
Interest paid	-	3,277	-35,461	-115,064
<b>Cash generated from operating activities</b>		<b>-29,130</b>	<b>24,308</b>	<b>77,859</b>
Cash flows from investing activities:				
Proceeds from sale of Subsidiaries/properties		99,831	-	2,173,467
Purchase of subsidiaries / properties	-	12,030	-	-52,793
Purchase of shares	-	30,736	-	-
Purchase of bonds	-	279,708	-	-23,491
Purchase of financial assets	-	100,000	-	-
Purchase of receivables		-	-	-135,315
Other long term receivables	-	49,150	-	82,054
<b>Cash from investing activities</b>		<b>-371,793</b>	<b>-</b>	<b>2,043,922</b>
Cash flows from financing activities:				
Repayments of debt to financial institutions		-	-16,833	-56,068
Purchase of own shares	-	101,069		-167,204
Dividends on ordinary shares	5	200,019		-272,253
Dividends on preference shares	5	16,405	-12,188	-48,750
<b>Cash from financing activities</b>		<b>-317,493</b>	<b>-29,020</b>	<b>-544,276</b>
<b>Change in cash and cash equivalents</b>		<b>-718,416.850</b>	<b>-4,712</b>	<b>1,577,505</b>
Cash and cash equivalents at beginning of period		1,860,814	283,271	283,271
Purchase of cash		63		
Exchange gains/(losses) on cash and cash equivalents		14,765	-972	37
<b>Cash and cash equivalents at period end</b>		<b>1,157,225</b>	<b>277,587</b>	<b>1,860,814</b>



## 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 13 August 2020. The figures in the statements have not been audited.

The interim condensed consolidated financial statements for the first half of 2020, ending 30 Jun 2020, 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 2019 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 2019.

### Note 2: Discontinued operations

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. The earn-out received from the transaction is measured at fair value at the balance sheet per 31.12.2019 at MNOK 90, before it was paid in January 2020. This resulted in a gain of MNOK 10 per 30 June 2020.

### Note 3: Segments

The Group's main business is to own and manage Investment Properties and rent them out. 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 four geographical areas.

A geographical split of revenues for the first half of 2020 is as follows:

	Norway 1H 2020	Sweden 1H 2020	Polen 1H 2020	Netherland 1H 2020	Group 1H 2020
Total Income	182	435	3,818	1,611	6,046
Fair Value Adjustment	-1,530	-85	-729	-306	-2,650
Operating profit (Ebit)	-7,011	426	3,738	1,556	-1,292
Investment Properties	34,344	14,719	124,679	54,560	228,301
Cash and Cah equivalents	1,148,879	910	5,403	2,032	1,157,225

### Note 4: Investment Properties

The fair value of Investment Properties is assessed quarterly by management. The Investment Properties are also subject to on-site inspections and/or technical evaluations. At the end of 2019 a valuation report was commissioned from external valuation party for the property in Norway and the fair value was adjusted in the fourth quarter based on the new aggregate market value of the Investment Property from this report. The remaining part of the portfolio were acquired at the end of 2019 and management concluded that transaction values were to fair value. In the first half year, management assessed that currently, the fair values of the international portfolio in local currency is at the same level as per year end 2019 and not effected by COVID -19.

In June 2020, PPG made a minor acquisition of a land plot near Evenes Airport in the northern part of Norway together with local developers. PPG acquired indirectly ~51% of the shares in Evenes Tomteslskap AS through an 53% owned SPV, and thus the financials are consolidated into PPGs consolidated accounts.

Management has concluded that the acquired company were acquired at fair value, and due to the short passage of time it is the management evaluation that purchase price also represents the fair value at the end of the period. The negative fair value adjustments relate to transaction costs incurred in relation to the transaction, in addition to a negative re-evaluation of book values in Evenes Tomteselskap to the acquisition value.

#### Overview of account movements 30.06.2020

NOK thousand	Norway	Sweden	Finland	Polen	Netherland	Group
Fair value in the beginning of the year	10800	13187	0	118858	48608	191453
Addition:						0
-Investment in subsidiaries /properties	25074					25074
Effect of currency exchange differences in foreign operations		1625		6534	6266	14425
Sale						0
Fair value adjustments on investment properties	-1530	-81		-725	-314	-2651
<b>Fair value in the end of the year</b>	<b>34344</b>	<b>14731</b>	<b>0</b>	<b>124667</b>	<b>54560</b>	<b>228301</b>
Net change in unrealized gain	-1530	-81	0	-725	-314	-2651

#### Overview of account movements 30.06.19

NOK thousand	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 operations		-5,182	-25,335	-30,517
Sale				-
Fair value adjustments on investment properties	42,156	953	-	43,109
<b>Fair value in the end of the year</b>	<b>4,225,156</b>	<b>91,714</b>	<b>965,019</b>	<b>5,281,888</b>
Net change in unrealized gain	42,156	953	-	43,109

## Note 5: 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. As per the articles of association §5, the annual preferred dividend to the holders of preference share will increase by NOK 1 per preference share from 01. July 2020.

Over the first half of 2020 PPG paid a total dividend to holders of preference shares in total NOK 3.75 per preference share and an extraordinary dividend to the holders of ordinary shares of NOK 20.38 per ordinary share charged to the companies share premium reserves.

In January 2020 the general meeting in PPG passed a resolution to decrease the share capital of NOK 1,631,447 in order to redeem the 1,631,447 preference shares in PPG that was owned by PPG. Further, PPG purchased 987,966 preference shares in PPG in March 2020 at a price of NOK 102 per preference share. Following the transaction, PPG holds no ordinary shares and 987,966 preference shares in PPG (approximately 6.73% of the share capital), which represents 0.96% of the votes.

The company has 9,814,470 ordinary shares and 4,868,553 preference shares.

## Note 6: Borrowings

Interest-bearing liabilities and available cash and cash equivalents constitute the capital of the Group. At 30.06.2020 PPG had external borrowings of ~MNOK 12 on a fully

consolidated basis from Evenes Tomteselskap AS with a maturity of under 1 year.

## Note 7: Related-party transactions

<i>NOK in thousand</i>	<b>30/06/2020</b>	<b>30/06/2019</b>
Rent revenue from Norlandia Preschools AS including subsidiaries	5,863	45,403
Rent revenue from Kidsa Drift including subsidiaries		21,338
Success fee M&A services and Management fee from Hospitality Invest AS	82	
Purchase of shares and properties from related parties	6,061	

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

All the bonds acquired in the related parties Hospitality Invest AS and Norlandia Health & Care Group AS were acquired from external parties through independent brokers.

## Note 8: Fair value adjustments financial assets

The earn-out described in note 2 are measured at fair value at the balance sheet per 31.12.2019 at MNOK 90, before it was paid in January 2020. This resulted in a gain of ~MNOK 10 per 30 June 2020.

The NHC01, NHC02 and HOIN02 bonds were valued at the 30.06.2020 mid-price quoted by Pareto Securities AS.

## Note 9: Subsequent events

Subsequent to the first half of 2020 PPG acquired 100% of the shares in Håhjem AS, and passed a resolution to distribute to the holders of PPGs ordinary shares of NOK 101.89 by way of a combination of a repayment of paid-in capital and as dividend.