PIONEER PROPERTY

Q3

REPORT 2017

COMBINED REPORT FOR PIONEER PROPERTY GROUP ASA AND PIONEER PUBLIC PROPERTIES AS

Highlights of the Q3 report

- Total revenue in the third quarter of 2017 was MNOK 66, compared to MNOK 52 in the third quarter of 2016. The increase is primarily through the acquisition of two portfolios in Finland during the past twelve months.
- Operating profit (EBIT) in the quarter was MNOK 58 and pre-tax profit was MNOK 33, compared to MNOK 47 and MNOK -25 in the third quarter of 2016, respectively.
- At the end of the quarter PPG executed the quarterly dividend to holders of preference shares – in total NOK 1.875 per preference share. The next dividend to preference shareholders is scheduled for the end of the fourth quarter 2017. See the company's website for updated financial calendar information.
- At the end of the quarter PPG had total assets of MNOK 4,616, where Investment Properties were valued at MNOK 4,432, and with a cash balance of MNOK 179. Cash is down from the second quarter primarily due to the acquisition of 14 properties in Finland, as announced in July. Total debt was MNOK 2,826 with total equity of MNOK 1,790.
- In the quarter PPG consolidated the fourteen finish properties acquired in July, which have annual rental income of EUR 2.3. Towards the end of the quarter, PPG also acquired three pre-school properties from Norlandia Care Group which will be consolidated in Q4.

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 approx. 153 properties centrally located in the large cities in Norway, Sweden and Finland. The total portfolio houses a total of over fourteen thousand children. The properties are leased out on long-term triple-net contracts to large kindergarten operators, including Norlandia Care Group, Espira and Touhula.

The company's property portfolio is a result of the acquisition from several independent preschool operators, again driven by these companies' wish to free-up resources and capital to be able to provide the highest quality possible in their primary focus area – preschool operations. Pioneer Property's kindergartens have during the later years played an important role in the improvement of the Norwegian preschool market, through improved capacity, quality and cost-efficiency.

Going forward the company's strategy is to expand its reach into care-services property with similar characteristics as the Norwegian kindergarten market – i.e. long term contracts with solid operators, again backed by government financing, or lease properties directly to municipalities looking for a solid private real estate partner. PPG's kindergartens are well located in central areas, including Stavanger, Bergen, Kristiansand, Gothenburg, Helsinki, and the greater Oslo area.

Key material events during the quarter

At the start of the quarter, PPG acquired fourteen finish pre-school properties for a total property value of MEUR 34.5 with annual rental income of MEUR 2.3. The properties were acquired from Cor Group Oy, Cordis Oy, and Trevian Care Sub Fund IV Ky. Most of the properties are leased out on triple-net contracts to the leading finish pre-school operator Touhula. The portfolio was partly financed with a EUR-loan from Danske Bank at 60% loan-to-value.

During the quarter, existing operations experienced a stable operating quarter with no other events of material significance. At the end of the quarter, PPG executed the third quarter dividend payment to its preference shareholders.

Subsequent events since the end of the quarter

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

Overview of the financial accounts for the third quarter of 2017

Total revenue in the third quarter of 2017 was MNOK 66, compared to MNOK 52 in the third quarter of 2016. The increase is primarily through the acquisition of two portfolios in Finland during the past twelve months.

Operating profit (EBIT) in the quarter was MNOK 58 and pre-tax profit was MNOK 33, compared to MNOK 47 and MNOK -25 in the third quarter of 2016, respectively.

At the end of the quarter PPG executed the quarterly dividend to holders of preference shares – in total NOK 1.875 per preference share. The next dividend to preference shareholders is scheduled for the end of the fourth quarter 2017. See the company's website for updated financial calendar information.

At the end of the quarter PPG had total assets of MNOK 4,616, where Investment Properties were valued at MNOK 4,432, and with a cash balance of MNOK 179. Cash is down from the second quarter primarily due to the acquisition of 14 properties in Finland, as announced in July. Total debt was MNOK 2,826 with total equity of MNOK 1,790.

In the preparation of the 2017 quarterly reports, PPG has also identified certain corrections to the 2016 figures. The corrections are not significant and 2016 will not be restated, but are included in the 2016 columns here on a pro-forma basis for information purposes, and adjustments will be made for the full year 2017. The corrections are: Fair value adjustment of investment properties has increased by MNOK 5 from MNOK 242 to MNOK 247, and profit before tax has increased correspondingly from MNOK 285 to MNOK 291. Deferred tax has increased from MNOK 52 to MNOK 70. Total difference in pro-forma and reported 2016 profit after tax is MNOK 13, and equity is MNOK 27.

Accounting policies:

The financial statements have been drawn up in accordance with International Standards for Financial Reporting (IFRS). The consolidated accounts for the quarter were compiled in accordance with IAS 34 - Interim Financial Reporting. This financial report is an update since the last published report, which is the annual report of 2016, and is therefore intended to be read in conjunction with the annual report of 2016.

Responsibility Statement of the Board of Directors

We confirm, to the best of our knowledge, that the set of financial statements for the period ending 30 September 2017 have been prepared in accordance with IFRS, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the financial period and their impact on the set of financial statements, a description of the principal risks and uncertainties, and major related parties' transactions.

14 November 2017

Roger Adolfsen
Chairman

Sandra Henriette Riise
Board Member

Geir Hjort
Board Member

Even Carlsen
Board Member

Nina Hjørdis Torp Høisæter
Board Member

Consolidated Income Statement - Pioneer Property Group ASA

NOK thousand	Note	Q1 17	Q2 17	Q3 17	YTD 2017	2016	Q1 16	Q2 16	Q3 16
Income from rent	2 18	60,333	61,593	66,043	187,969	217,548	52,302	52,302	52,674
Other income	2	1,097	14	14	1,126	193	151	14	14
Total Income		61,431	61,607	66,057	189,095	217,741	52,452	52,316	52,688
Expenses related to property	8								762
Payroll expenses	15	90	113	113	315	450			263
Other operating expenses	8	7,446	6,601	7,655	21,703	27,302	5,962	4,768	4,986
Total Expenses		7,537	6,714	7,768	22,018	27,752	5,962	4,768	6,010
Fair value adjustment on investment properties	12	-	-	-	-	247,795	-	-	-
Operating profit (EBIT)		53,894	54,893	58,289	167,076	437,784	46,490	47,547	46,678
Finance income	13	1,424	741	550	2,715	2,707	631	688	918
Finance expenses	13	29,354	29,320	29,089	87,763	123,891	24,284	22,793	71,068
Other financial expenses	13		-	-		24,672			-
Currency expenses	13	1,615	11,662	-3,187	10,090	812			1,618
Net Finance		-29,545	-40,242	-25,351	-95,138	-146,668	-23,653	-22,105	-71,768
Profit/(loss) before tax		24,348	14,652	32,938	71,938	291,115	22,838	25,443	-25,089
Income taxes	10	5,844	3,516	7,905	17,265	70,281	5,709	6,361	-6,272
Profit/(loss) for the period		18,505	11,135	25,033	54,673	220,834	17,128	19,082	-18,817

Consolidated Statement of Comprehensive Income - Pioneer Property Group ASA

NOK thousand	Note	Q1 17	Q2 17	Q3 17	YTD 2017	2016	Q1 16	Q2 16	Q3 16
Profit/(loss) for the period		18,505	11,135	25,033	54,673	220,834	17,128	19,082	-18,817
Total other comprehensive income, net of tax		-	-	-	-	-	-	-	-
Comprehensive income for the period		18,505	11,135	25,033	54,673	220,834	17,128	19,082	-18,817
Profit or loss for the period attributable to									
All shareholders of Pioneer Property Group ASA		18,505	11,135	25,033	54,673	220,834	17,128	19,082	-18,817
Comprehensive income for the period attributable to									
Ordinary shareholders of Pioneer Property Group ASA		6,317	-1,052	12,845	42,486	172,084	4,941	6,894	-31,005
Earnings per share (NOK)									
Basic earnings per preference share	6	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.88
Basic earnings per ordinary share	6	0.644	-0.107	1.309	4.329	17.534	0.503	0.702	-3.159
Dividend per preference share	6	1.88	1.88	1.88	1.88	1.88	1.88	1.88	1.88
Dividend per ordinary share	6		5.00				-	-	-

Consolidated Statement of Financial Position - Pioneer Property Group ASA

NOK thousands	**Note**	**30-09-17**	**31-12-16**	**30-09-16**
Assets				
Investment property	12	4,431,592	4,042,640	3,486,143
Other non-current assets		1,000	6,492	-
Total non-current assets		4,432,592	4,049,132	3,486,143
Trade and other receivables	16	4,436	9,574	99,027
Cash and cash equivalents	7	178,922	349,733	341,681
Total current assets		183,359	359,307	440,709
Total assets		4,615,951	4,408,439	3,926,851
Equity and liabilities				
Share capital	17	16,314	16,314	16,314
Share premium	17	1,499,513	1,548,585	1,560,773
Retained earnings		274,260	256,944	53,556
Total equity		1,790,088	1,821,844	1,630,643
Borrowings	9	2,620,936	2,416,177	2,001,409
Deferred tax	10	78,287	78,287	21,641
Other non-current liabilities		734	9,339	32,623
Total non-current liabilites		2,699,957	2,503,804	2,055,674
Borrowings	9	62,101	38,391	192,090
Current tax payable	10	17,454	7,891	7,339
Other current liabilities		46,351	36,508	41,105
Total current liabilities		125,906	82,790	240,534
Total liabilities		2,825,863	2,586,594	2,296,208
Total equity and liabilities		4,615,951	4,408,438	3,926,851

Consolidated Statement of Changes in Equity - Pioneer Property Group ASA

	Attributable to owners of the parent			
NOK thousands	**Share capital**	**Share premium**	**Retained earnings**	**Total Equity**
Balance at 1 January 2016	16,314	1,585,201	36,110	**1,637,625**
Profit/(loss) for the period			220,834	**220,834**
Total comprehensive income for the period	0	0	220,834	**220,834**
Reduction of share capital				0
Divided		(36,616)		(36,616)
Transactions with owners	0	(36,616)	0	(36,616)
Balance at 31 December 2016	**16,314**	**1,548,585**	**256,944**	**1,821,844**
Profit/(loss) for the period			54,673	**54,673**
Divided		(49,072)	-36,563	**(85,635)**
Other changes			(795)	**(795)**
Total comprehensive income for the period	0	(49,072)	17,316	**(31,757)**
Balance at 30 June 2017	**16,314**	**1,499,513**	**274,260**	**1,790,088**

Consolidated Statement of Cash Flows - Pioneer Property Group ASA

NOK thousands	Note	Q1-Q3 2017	2016	Q1-Q3 2016
Cash flows from operating activities:				
Profit before income tax		71,938	291,115	23,191
Adjustments for:				
Fair value adjustments on investment property			-247,795	-
Finance expense net		87,763	145,857	0
Taxes paid		-7,760		-24
Profit/loss on sale of fixed assets			70	70
Changes in working capital:				
Trade receivables	16	442	225	-2,328
Trade payables		9,843	2,722	7,056
Other accruals		10,245	-68,892	19,467
Cash generated from operations		172,471	123,301	47,431
Interest received			2,707	-
Interest paid		-87,763	-123,891	-
Income tax paid		-	-7,279	-
Net cash generated from operating activities		**84,708**	**-5,162**	**47,431**
Cash flows from investing activities:				
Proceeds from sale of properties			1,237	1,237
Purchase of property	12	-389,747	-368,185	-74,205
Proceeds from sale of shares and bonds			-70	-70
Net cash used in investing activities		**-389,747**	**-367,018**	**-73,038**
Cash flows from financing activities:				
Proceeds from debt to financial institutions	9	260,979	1,676,110	1,000,000
Repayments of debt to financial institutions	9	-41,116	-1,112,963	-803,666
Dividends paid to owners of the parent	6	-85,635	-36,563	-24,375
Net cash from financing activities		**134,228**	**526,584**	**171,959**
Net change in cash and cash equivalents		**-170,811**	**154,404**	**146,352**
Cash and cash equivalents at beginning of period	7	349,733	195,329	195,330
Exchange gains/(losses) on cash and cash equivalents				
Cash and cash equivalents at period end	**7**	**178,922**	**349,733**	**341,682**

Notes to the Financial Statements - Pioneer Property Group ASA

Note 1: Accounting Principles

1.1 General information

Pioneer Property Group ASA (the 'Company') and its subsidiaries (together, the 'Group') invests in kindergarten, preschool properties and retirement homes and rent the properties out on long term leases. The Group holds investment properties in Norway, Sweden and Finland.

Pioneer Property Group ASA is a public limited company incorporated and domiciled in Norway. The address of the Company's registered office is Rådhusgata 23, 0158 Oslo.

The Company was incorporated 5 January 2015. The Group was formed 12 May 2015 after the acquisitions of Pioneer Public Properties I AS, Pioneer Public Properties II AS, Pioneer Public Properties III AS and Pioneer Public Properties IV AS. See note 11. In 2016 an additional subsidiary, Pioneer Public Properties V AS, was established.

The consolidated interim financial statements covers the period from 1 April 2017 to 30 September 2017 (YTD 2017 column).

1.2 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated quarterly reports quarter are prepared in accordance with IAS 34 Interim Financial Reporting.

The third quarter report represents an update on new circumstances arising after the annual report of 2016, and is therefore intended to be read in connection with this report.

The third quarter report has not been audited.

Note 2: Financial Risk

2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by management under guidance by the Board of Directors. Management identifies, evaluates and act upon financial risks.

a) Market risk

Market risk is the risk that future cash flows in the form of interest payments change as a result of changes in market interest rates. Management and the Board of Directors agree on an acceptable level of interest rate exposures, which are monitored continuously by management. The level of interest rate exposure is determined based on an assessment of existing cash flows, general assessment of financial condition and available liquidity.

(i) Fair value interest rate risk

The Group holds interest bearing assets in terms for cash deposits. Fluctuations in interest would yield a higher or lower interest income. At the current level of cash deposits a change in interest rate of +/- 1 % would not be material for the financial statements.

The Group's interest rate risk arises from long-term borrowings. The Group holds several types of borrowings. Borrowings at fixed rates expose the Group to fair value interest rate risk.

(ii) Cash flow interest rate risk

Exposure to cash flow interest rate risk is assessed continuously. The need for a fixed rate is under constant review in relation to the Group to withstand adverse fluctuations in profit due to higher interest rates. Management's assessment is that the Group's current financial position does not indicate a further need for fixed interest rates.

If the interest rate had been +/- 1 % in Q3 2017 the result after tax would be +/- MNOK 6.7 million, all other conditions unchanged and assuming a floating interest rate on 100% of the Company's borrowings.

b) Credit risk

Credit risk is the risk of loss when a party is unable to redeem their obligations to the Group, and credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, and credit exposures customers, including outstanding receivables and committed transactions. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on ratings. The utilization of credit limits is monitored regularly.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Exposure to credit risk at the end of the period:	30-09-17	31-12-16	30-09-16
Accounts receivable	139	582	179
Other Short term receivable	4,297	8,992	98,849
Cash balance	178,922	349,733	341,681
Total exposure	**183,359**	**359,307**	**440,709**

The credit risk related to outstanding to related parties and banks is considered to be low.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations at maturity without incurring a significant increase in finance cost or not being able to meet its obligations at all. The risk also includes that the Group must forfeit investment opportunities. Cash flow forecasting is performed at Group level. Group management monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom to avoid breaches in covenants on relevant borrowing facilities as well as capability to pay out quarterly dividends to holders of preference shares. The monitoring takes into account the Group's debt financing plans and covenant compliance.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Maturity of financial liabilities at the end of the period: 30-09-17	< 3mnths	3m-1y	1y-2y	2y-5y	>5y
Borrowings (bank)	10,456	52,165	69,068	877,522	684,362
Interest on borrowings (bank)	12,689	39,285	50,406	124,794	181,370
Bond loans	-	-	-	1,000,000	-
Interest on bond loans	16,000	48,000	64,000	104,000	-
Other liabilities		47,085			

d) Currency risk

Currency risk is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company. Currency risk also exists when the foreign subsidiary of a firm maintains financial statements in a currency other than the reporting currency of the consolidated entity. The risk is that there may be an adverse movement in the exchange rate of the denomination currency in relation to the base currency before the date when the transaction is completed.

As the Group has subsidiaries in Sweden and Finland where the currencies are SEK and EUR, respectively, the company is exposed to currency risk as the Group's consolidated financial statements are reported in NOK.

2.2 Capital management

The group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders holding ordinary shares, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet plus net debt.

Gearing ratio at the end of the period	30-09-17	31-12-16	30-09-16
Total borrowings	2,683,037	2,454,569	2,193,500
Less: Cash and cash equivalents	178,922	349,733	341,681
Net debt	2,504,115	2,104,836	1,851,819
Total equity	1,790,088	1,821,844	1,630,643
Total capital	4,294,203	3,926,680	3,482,462
Gearing ratio	58%	54%	53%

Note 3: Segment Summary

The Group's business is to own and manage investment properties in Norway, Sweden and Finland and rent them out to operators of pre-schools. There is no material difference in risk and margins in the different investment properties. The Group is therefore considered to operate in one business area and in three geographical areas

The Group have seven customers: Norlandia Barnehagene, Kidsa Barnehager, Espira Barnehagene, Suomen Tenava Päiväkodit, Norlandia Förskolor, Touhula and Casparssons Vårdhem. A geographical split of revenues for the quarter is as follows:

NOK thousand	Norway	Sweden	Finland	Group
Income from rent	169,055	2,244	16,669	187,969
Other income	42	-	1,083	1,126
Total Income	169,098	2,244	17,753	189,095

Note 4: Critical accounting estimates and judgement

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of items in the statement of financial position within the next financial year are addressed below.

a) Fair value of Investment Properties.

The fair value of investment Properties is assessed quarterly by management. The Investments Properties are on a regular basis subject to on-site inspections and technical evaluations. On an annual basis, in conjunction with preparation of the Annual Accounts, the Company commissions an external valuation report for the portfolio to support managements own estimates. This valuation report is commissioned from a well know and reputable company, and for the last financial year 2016 a valuation report was commissioned from Newsec. There are no changes in the value of the properties in the third quarter 2017. The fair value adjustment in the second quarter is based on an adjusted purchase price for properties acquired in December 2016.

Note 5: Contingencies and commitments

The group entered into an agreement with NCG to buy two properties in Finland and one in Norway. The agreement was signed 29 Sept, and the properties will be consolidated in the Q4 report.

Note 6: Earnings per share

a) Basic

The Group's preference shares are entitled to a fixed dividend of NOK 7.50 per annum, if the General Assembly approves payment of dividends. To calculate the earnings per share the entitled dividend to the preference shares is deducted from comprehensive income for the period. The earnings per ordinary share is the remaining comprehensive income deducted the preference share dividend divided by the weighted average number of shares in issue during the period.

Calculation of earnings per share for the period	Q3 2017	Q3 2016
Net profit	25,032,927	-18,817,066
Less pref share dividends	-12,187,500	-12,187,500
Profit attributable to ord shares	12,845,427	-31,004,566
Weighted avg ord shares	9,814,470	9,814,470
EPS to ord shares	1.31	-3.16

b) Diluted

As per 30 September 2017 no rights are issued which cause diluted earnings per share to be different to basic earnings per share.

Refer to note 17 for information related to the classes of shares.

In the second quarter there was paid out NOK 49 072 350 in an extraordinary dividend to the ordinary shareholders. This was done partly by repaying some of the share premium.

Note 7: Cash and cash equivalents

Cash and cash equivalents	30-09-17	30-09-16
Bank deposits	178,922	341,681
Total	178,922	341,681

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

Note 8: Expenses

Specification of other operating expenses	30-09-17	30-09-16
Management fee	10,959	9,036
Other operating expenses including management fee	10,743	6,680
Total other operating expenses	**21,702**	**15,716**

Note 9: Borrowings

Interest-bearing liabilities and available cash and cash equivalents constitute the capital of the Group. The Group's main source of financing are bank loans, bond loans in the Norwegian bond market and shareholder loans. Summary of external bank- and bond loans by tranche as of 30 September 2017:

NOK thousand	30-09-17	31-12-16	30-09-16
Non-current			
Commercial bank loans	870,457	659,395	255,574
Husbank loans (state bank)	760,756	769,113	758,852
Bonds in Pioneer Public Properties AS	989,724	987,669	986,984
Total	**2,620,936**	**2,416,177**	**2,001,410**

NOK thousand	30-09-17	31-12-16	30-09-16
Current			
Commercial bank loans	29,349	7,356	159,320
Husbank loans (state bank)	32,751	31,036	32,770
Bonds in Pioneer Public Properties AS	-	-	-
Total	**62,101**	**38,391**	**192,090**

NOK thousand	30-09-17	31-12-16	30-09-16
Total non-current and current			
Commercial bank loans	899,806	666,751	414,894
Husbank loans (state bank)	793,507	800,149	791,622
Bonds in Pioneer Public Properties AS	989,724	987,669	986,984
Total	**2,683,037**	**2,454,569**	**2,193,500**

a) Bank borrowings

The Group's major bank loans are with Husbanken, DnB, Swedbank and Danske Bank. The bank borrowings mature until 2035. Of the total bank borrowings per 30 September 2017 NOK 461 million is on a fixed rate and the remaining debt is on floating rates.

b) Bond loans

The Group has one issued bond:

Pioneer Public Property (ticker PPU01) at Oslo Børs amounting to NOK 1,000 million with maturity in May 2021. The bond is a senior secured callable bullet bond with voluntary redemption at specified premiums up until maturity. Summary of bond loans:

Bonds	Book value 30-09-17	Marked value 30-09-17	Coupon	Term
PPP	1,000,000	1,010,000	OR + 5,25 %	2016/2021
Transaction costs	-13,701			
Amortization	3,425			
Total bond	**989,724**	**1,010,000**		
Whereof current	-	-		

The PPU01 bond agreement has certain limitations on the borrower, including: (i) maintain an equity of minimum 25% on a consolidated basis for the PPP-group. (ii) Maintain cash and cash equivalents of min MNOK 75, and (iii) maintain a minimum ratio between unsecured debt to total financial indebtnes of 30%.

The recognized value of assets pledged as security for bank borrowings as per 30 September 2017:

	30-09-17	31-12-16	30-09-16
Investment property	4,431,592	4,042,640	3,486,143
Total pledged assets	4,431,592	4,042,640	3,486,143

Note 10: Income Tax

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to date 30 September 2017 income tax expense is 24%.

Note 11: Changes in Group structure, acquisitions during the year and subsidiaries

The following subsidiaries were purchased in 2017

Company	Location	Percent
Vardefjellet Barnehageeiendom AS	Norway	100%
Kiinteistö Oy Ulvila Hanhikkite 1	Finland	100%
Ylöjärvem Pisaratie Koy	Finland	100%

Note 12: Investment Property

Valuation

The Group rents out the investment properties on long term triple net contracts, with an exception on the properties leased to Espira, one of the Group's four main customers. On average, there are 16 years remaining on the lease agreements. All agreements are fully CPI-adjusted annually. The Group does not have any material future maintenance capital expenditure on properties as all maintenance is carried by the tenant as agreed upon in the lease agreements. The properties are primarily located in the greater Oslo area, Bergen, the greater Stavanger area, Bodø, Tromsø, and certain locations in Sweden and Finland. See the Company's web site for a full list and map of all the properties. The investment properties are valued in accordance with the fair value method and all have been valued in accordance with valuation Level 3. The yield level of the properties has been determined on the basis of their unique risk and transactions made at the respective location according to the location price method. At the end of 2016, PPG commissioned an external cash-flow valuation for all the individual properties from Newsec. Newsec has in this report valuated each property on an individual basis using a combination of discounted cash-flow analysis and property yield level. The prime-yield used as a benchmark for individual yield assumptions in Newsec's analysis was 5.25%, and a number of individual factors for each property were applied to assess the individual yield for the respective property/location. During the third quarter the Company has not experienced or seen any developments that should have a material impact on the total valuation levels of the properties.

Sensitivity analysis

A property analysis is an estimate of the value that an investor is willing to pay for the property at a given time. The valuation is made on the basis of generally accepted models and certain assumptions on different parameters. The market value of the properties can only reliably be established in a transaction between two independent parties. An uncertainty interval is stated in the property values and is between +/– 5 per cent in a normal market. A changed property value of If yield is changed by 1 per cent the book value of the properties change with MNOK -637, and with -0,5 MNOK 406.

If the rent changed by +/- 5 per cent value of the properties change with MNOK 220

Note 13: Net financial items

NOK thousands	Q3 17	Q3 16
Interest income	550	918
Currency expense	-3,187	1,618
Interest expense	29,089	71,068
Net financial items	**25,352**	**71,768**

Note 14: Related-party transactions

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

Transactions with related partie	Q1 17	Q2 17	Q3 17	Q1 16	Q2 16	Q3 16
Rent revenue from NCG	18,284	19,111	19,111	14,845	14,845	14,845
Rent revenue from Kidsa Drift	10,220	10,220	10,220	9,775	9,775	9,775
Management fee to PCP	3,487	3,566	3,907	2,830	2,830	2,830

Receivables from related parties	30-09-17	31-12-16
Kidsa Barnehager AS	0	29,535
Kidsa Drift AS including subsidiaries	0	0

Other transactions made between the related parties are made on terms equivalent to those that prevail in the market at arms length

Note 15: Payroll

The company does not have any employees. Refer to Note 8 for information regarding management fee to Pioneer Management AS, a fully owned subsidiary of Pioneer Capital Partners AS. The Board of Directors receives an annual compensation based on the total number of board-meetings attended during the year.

Note 16: Trade receivables

	30-09-17	31-12-16	30-09-16
Trade Receivables	139	583	179
Other Receivables	4,297	8,991	98,849
Total Receivables	4,436	9,574	99,028

None of the receivables are due.

Note 17: Share capital and shareholder information

million	Ordinary shares	Preference shares
At 30 September 2017	9.81	6.50

The Company has two classes of shares - ordinary shares and preference shares. The face value per share for both ordinary and preference shares classes is NOK 1.

About the shares

The differences between the share classes are differing voting rights and differing rights to the Company's profit. Besides voting rights, the difference between the Company's share classes is that the preference shares entail a preferential right to the Company's profit through a preferential right over ordinary shares to dividends. The regulations on voting rights and dividends are decided upon by the Shareholders' Meeting and can be found in the Articles of Association.

The ordinary share

The Company's ordinary share confers one vote unlike the preference shares that confer one-tenth of a vote.

The preference share

The Company's preference shares confer a preferential right over ordinary shares to an annual dividend of NOK 7.50 per preference share. Dividend payments are made quarterly with NOK 1.875 per preference share, if approved by the General Assembly. The preference share does not otherwise confer a right to dividend. If the general meeting decided not to pay dividends or to pay dividends that fall below NOK 1.875 per preference share during a quarter, the difference between paid dividends

Top 10 shareholder 30.09.17	Ord shares	Pref shars
Hospitality Invest AS	32.62%	0.00%
HI Capital AS	2.34%	0.00%
Eidissen Consult AS	18.07%	11.98%
Grafo AS	18.07%	5.02%
Klevenstern AS	14.45%	1.63%
Mecca Invest AS	14.45%	1.78%
Avanza Bank AB	0.00%	10.11%
Skandinaviska Enskilda bank AB	0.00%	9.54%
J.P. Morgan bank Luxembourg SA	0.00%	6.60%
J.P. Morgan Securities LLC	0.00%	2.98%
Other minority shareholders	0.00%	50.36%
Total	**100%**	**100%**
Related party:		
Norlandia Care Group AS	0.00%	1.53%
Acea Properties AS	0.00%	0.56%
Northstar Properties AS	0.00%	0.29%

Note 18: Operational leases

Properties are leased out on long term triple-net or double-net contracts to solid pre-school operators (Espira, Norlandia Preschools and Kidsa Drift, Norlandia förskolor) of which all have lease guarantees from Norlandia Care Group.

Future payments under non-cancellable operating leases are as follows in nominal amounts excluding CPI adjustments

	30-09-17	31-12-16	30-09-16
Within 1 year	284,355	228,696	219,287
Between 1 and 5 years	1,195,440	961,445	922,640
After 5 years	3,820,379	3,072,581	4,190,318

Note 19: Subsequent events

The group entered into an agreement with NCG to buy two properties in Finland and one in Norway. The agreement was signed 29 Sept, and the properties will be consolidated in the Q4 report.

PIONEER PUBLIC PROPERTIES AS

Background

The Pioneer Public Properties AS (PPP) group of companies was established towards the end of 2015 and comprise all the operational companies in Pioneer Property Group ASA. The reason for establishing this subset group of companies was in preparation for the issuance of the PPP unsecured bond of MNOK 1,000, which was issued in the third quarter of 2016. The financial statements of Pioneer Public Properties AS are therefore very closely related to the financial statements of Pioneer Property Group ASA, with the key difference being the exclusion of the mother company of the PPG group. All operational discussions will be identical for the two groups, and discussions of financial accounts will be similar, with a few exceptions. The comments below are to be read in conjunction with the report for the PPG Group, as also presented in this document.

Discussion of the financial accounts for the third quarter of 2017

Total revenues in the quarter were MNOK 66, which was increased in the quarter as a result of the consolidation of fourteen finish properties acquired in the quarter. Operating profit (EBIT) was MNOK 58 in comparison to MNOK 47 in the third quarter of 2016.

At the end of the quarter PPP had total assets of MNOK 4,569, where Investment Properties were valued at MNOK 4,432, and with a cash balance of MNOK 133. Total debt was MNOK 2,914 with total equity of MNOK 1,655.

In the preparation of the 2017 quarterly reports, PPP has also identified certain corrections to the 2016 figures. The corrections are not significant and 2016 will not be restated, but are included in the 2016 columns here on a pro-forma basis for information purposes, and adjustments will be made for the full year 2017. The corrections are: Fair value adjustment of investment properties has increased by MNOK 5 from MNOK 242 to MNOK 247, and profit before tax has increased correspondingly from MNOK 282 to MNOK 288. Deferred tax has increased from MNOK 35 to MNOK 69. Total difference in pro-forma and reported 2016 equity is MNOK 39.

The financial statements have been drawn up in accordance with International Standards for Financial Reporting (IFRS).

Responsibility Statement of the Board of Directors

We confirm, to the best of our knowledge, that the set of financial statements for the period ending 30 September 2017 have been prepared in accordance with IFRS, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim report includes a fair review of important events that have occurred during the financial period and their impact on the set of financial statements, a description of the principal risks and uncertainties, and major related parties' transactions.

14 November 2017

Runar Rønningen
Chairman

Roger Adolfsen
Board Member

Consolidated Income Statement – Pioneer Public Properties AS

NOK thousand	**Q1 2017**	**Q2 2017**	**Q3 2017**	**YTD 2017**	**2016**	**Q1 2016**	**Q2 2016**	**Q3 2016**
Income from rent	60,333	61,593	66,043	187,969	217,548	52,302	52,302	52,674
Other income	1,097	14	14	1,126	193	151	14	14
Total Income	61,431	61,607	66,057	189,095	217,741	52,452	52,316	52,688
Payroll expenses								
Expenses related to property							-	762
Other operating expenses	6,553	5,802	7,597	19,952	25,627	5,304	4,016	4,462
Total Expenses	6,553	5,802	7,597	19,952	25,627	5,304	4,016	5,224
Fair value adjustment on investment properties	-	-		-	247,795		-	-
Operating profit (EBIT)	54,877	55,805	58,460	169,143	439,909	47,149	48,300	47,465
Finance income	1,109	538	443	2,090	944	265	143	682
Finance expenses	29,862	29,837	29,983	89,681	127,125	24,716	19,840	76,641
Currency expenses	1,615	11,759	-3,052	10,322	811		-	1,618
Other financial expenses		-97	-135	-232	24,672			
Net Finance	-30,367	-40,961	-26,353	-97,681	-151,664	-24,450	-19,697	-77,577
Profit/(loss) before tax	24,510	14,844	32,108	71,461	288,246	22,698	28,603	-30,113
Income taxes	5,882	3,563	7,706	17,151	69,179	5,675	7,151	-7,528
Profit/(loss) for the period	18,628	11,281	24,402	54,311	219,066	17,024	21,452	-22,584

Consolidated Statement of Financial Position – Pioneer Public Properties AS

NOK thousands	30-09-17	31-12-16
Assets		
Investment property	4,431,592	4,042,640
Loans other companies	1,000	
Loans to group companies		6,492
Total non-current assets	4,432,592	4,049,132
Trade and other receivables	3,744	9,416
Cash and cash equivalents	132,814	163,812
Total current assets	136,558	173,228
Total assets	4,569,150	4,222,360
Equity and liabilities		
Share capital	120,000	120,000
Share premium	1,264,959	1,264,959
Retained earnings	270,259	235,242
Total equity	1,655,218	1,620,201
Borrowings	2,620,936	2,416,177
Deferred tax	78,287	78,287
Other non-current liabilities	89,398	26,115
Total non-current liabilites	2,788,621	2,520,579
Borrowings	62,101	38,391
Current tax payable	17,340	7,149
Other current liabilities	45,870	36,039
Total current liabilities	125,311	81,580
Total liabilities	2,913,932	2,602,159
Total equity and liabilities	4,569,150	4,222,360

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