QUARTIERS PROPERTIES ANNUAL REPORT 2017

Corp. reg. no 556975-7684

Contents

QUARTIERS PROPERTIES IN BRIEF

Quartiers Properties is a Swedish listed property company with operations on the Spanish Costa del Sol. Over a period of around two and a half years, Quartiers has established a property portfolio valued at the equivalent of SEK 560 million. The portfolio contains both development properties and investment properties, creating a long-term aspect to the portfolio while allowing the company to grow via sales of apartments on the increasingly robust property market in the Malaga region.

The company's focus on investment properties aims to develop a stable base, with cash flow-generating and profitable properties, as well as to increase the value of the properties. The company's primary focus in this segment is holiday apartments such as rental apartments and hotels. One of the reasons for this operational focus is the strength of the tourist industry in the Malaga region, as well as the fact that in times of financial uncertainty, the tourist industry has historically proven more stable than the rest of the Spanish economy[1].

The Malaga region is clearly the brightest star on the Spanish property market today. The region is regarded as holding the top position in Spain on variables such as population growth, transaction value on properties per capita and expected growth in the number of residential properties. The current momentum on the market is beneficial for Quartiers and is expected to contribute to positive growth in the development segment over the next few years.

History and highlights of the year

2015

- The company acquires 58 of the 99 apartments that the company now owns in the joint property Hacienda del Señorio de Cifuentes in Benahavis. The apartments are acquired direct from Aliseda with bank financing from Banco Popular.
- The two uncompleted structures that constitute the 22ByQuartiers project are acquired.
- Work is begun on preparing the company for planned raising of capital and a stock market listing.

2016

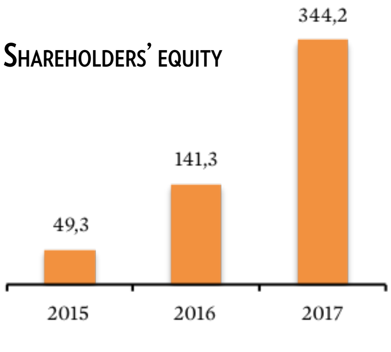
- To strengthen the company's cash position and enable acquisitions, shares are issued at a total value of approximately SEK 86 million during the year.
- The remaining 41 of the 99 apartments in Hacienda del Señorio de Cifuentes are acquired by Aliseda using financing from Banco Popular.
- The Ocean View project is acquired and Quartiers' preference shares are admitted for trading on NGM Nordic MTF.
- The company signs an agreement and pays a deposit for the acquisition of Centro Forestal Sueco.

2017

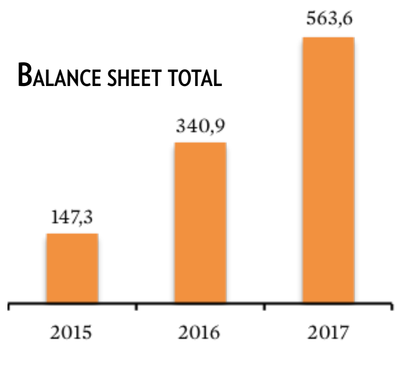
- The company's ordinary and preference shares are listed on Stockholm's Nasdaq First North.
- The company carries out share issues of approximately SEK 200 million during the year.
- Quartiers takes over the Centro Forestal Sueco property in Marbella's Golden Mile district.
- Quartiers acquires part of the Amapura villa project.

Key ratio performance

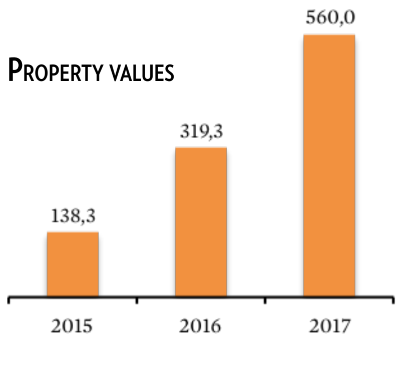
Shareholders' equity



Balance sheet total



Property values



[1]According to Eurostat, the European statistics agency, the financial crises over the last decade have had a limited impact on tourism within the EU. The degree of impact varies considerably between travel for business purposes and leisure travel. The number of journeys carried out for leisure purposes between 2007 and 2015 remained relatively stable throughout the period, at around one billion journeys per year. On the other hand, the number of business trips declined, possibly as a result of company restrictions on travel budgets. Overall, the number of business trips fell by 40 percent during the 2007–2015 period, from 206 million in 2007 to 123 million in 2015. Another possible explanation for the decline in business travel is that business communication has been facilitated in many respects by technical advances.
Source: http://ec.europa.eu/eurostat/web/products-eurostat-news/-/EDN-20170926-1?inheritRedirect=true

QUARTIERS PROPERTIES AS AN INVESTMENT

Quartiers Properties has two outstanding share types in the form of ordinary shares and preference shares. The ordinary and preference shares in Quartiers Properties have been traded on Stockholm's Nasdaq First North since 21 June 2017. The preference share series was previously traded on NGM Nordic MTF.

The two share types allow opportunities for two separate investment approaches. The preference share generates an annual quarterly dividend of around 9.6 percent (based on the share price at 31 December 2017), but has a theoretically limited upside as the company is able to redeem the preference shares at a premium of 20 percent, corresponding to SEK 12 per share.

A direct investment in a property in Spain can in many cases be perceived as complicated and incur significant transaction costs. An investment in Quartiers' ordinary shares is an opportunity to expose your share portfolio to Spain's growing property market, and in particular on the Spanish Costa del Sol, which is the location of the company's existing property portfolio.

Quartiers' long-term ambition is to consolidate its position in the Spanish property market and it is the only Swedish property company operating in Spain with shares that can be traded on one of the Swedish marketplaces, including the Stockholm Stock Market, NGM Nordic MTF, Aktietorget and Nasdaq First North.

The company conducts its business in one of Europe's most attractive markets at the moment as regards property investment. Spain was severely affected by the financial crisis of 2008 and the subsequent debt crisis in Europe. It is now the fastest growing country among Europe's major economies, and the Malaga region has the fastest growing property market in Spain.

As a result of the debt crisis, the Spanish banks have become far stricter when it comes to lending for property purchases compared with before the financial crisis of 2008. Overall, many smaller property developers are finding it harder to finance future property purchases. As one of few listed property companies that are active on the Spanish Costa del Sol, owing to its listing on Nasdaq First North Quartiers has a unique opportunity to raise capital for attractive acquisitions when the opportunity arises. It is a competitive advantage that many other developers lack, and that we believe will enable Quartiers to identify and complete acquisitions quickly and precisely over the coming years.

TEN LARGEST SHAREHOLDERS – 31 DECEMBER 2017

#	Shareholder	Ordinary shares	Preference shares	Capital	Votes
1	Egonomics AB	10,106,340	–	19.2%	20.7%
2	Fastighets Aktiebolag Bränneröd	6,098,740	85,370	11.8%	12.5%
3	Rocet AB	3,847,334	30,000	7.4%	7.9%
4	LMK Companies & Foundation	3,450,714	180,000	6.9%	7.1%
5	Swedbank Robur Funds	2,037,700	–	3.9%	4.2%
6	Bosmac Invest AB	2,000,666	–	3.8%	4.1%
7	Bernt Lundberg Fastigheter Lund AB	1,980,000	100,000	4.0%	4.1%
8	JP Morgan Securities, New York	1,943,000	–	3.7%	4.0%
9	Alden AS	1,430,000	336,780	3.4%	3.0%
10	Leif Edlund	1,333,334	–	2.5%	2.7%
	Other	**14,235,068**	**3,347,920**	**33.4%**	**29.7%**
	Total	**48,462,896**	**4,080,070**	**100%**	**100%**

Source: Euroclear

CORPORATE GOVERNANCE

Quartiers Properties AB (publ) is a Swedish public property company, with registered offices in Stockholm, whose shares are listed on Nasdaq First North in Stockholm. The external framework for corporate governance is the Swedish Companies Act, the Articles of Association and Nasdaq's rules for issuers on First North. Prior to the listing on First North, which took place in June 2017, the company complied with NGM Nordic MTF's rules for issuers. The company complies with internal regulations issued by the Board, the most important of which include the Board's rules of procedure, the CEO instructions and the company's inside information policy. The company is not obliged to apply the Swedish corporate governance code.

Principles of corporate governance within Quartiers Properties

Corporate governance within Quartiers Properties aims to support the Board of Directors and management in ensuring that all operations create long-term value for shareholders and other stakeholders.

Governance involves upholding:

- an efficient organisational structure;
- risk management and internal control systems; and
- transparent internal and external reporting.

Shareholders and the Annual General Meeting

Shareholders' influence in the company is exercised at the AGM, which is the company's highest decision-making body. At the AGM, each shareholder votes by right of the number of votes associated with the share type held. Quartiers Properties has two classes of share: ordinary shares carrying ten votes, and preference shares carrying one vote. At the publication date of the annual report, the company has 48,462,896 ordinary shares corresponding to 484,628,960 votes, and 6,080,070 preference shares corresponding to 6,080,070 votes. There are consequently a total of 54,542,966 shares and a total of 490,709,030 votes in the company. Two shareholder meetings were held in the company in 2017; an extraordinary general meeting on 23 February 2017 at which a decision was made on a split of the company's shares with one share being split into ten shares, and the AGM on 26 May 2017.

Board of Directors

The company's Articles of Association state that the Board of Directors shall comprise a minimum of three and maximum of nine members, including the Chairman. The Board currently consists of four ordinary members, including two members who are independent in relation to both the company and company management, as well as the company's major shareholders. One member is independent in relation to the company and company management, and one member is independent in relation to the company's major shareholders. The company's Board of Directors is elected at the AGM. The election of the Board relates to the period extending up to and including the next AGM. The company does not appoint any special committees for auditing or remuneration

Show apartment at 22ByQuartiers, which is currently for sale.

issues, as the entire Board is engaged in these matters. The Board shall monitor operations and actively support the development of the company. The Board is composed of individuals with expertise and experience in business development, marketing, property and project development, financing and capital market issues.

The Chairman of the Board ensures that the Board performs its duties. The Chairman also monitors operations in consultation with the CEO and is responsible for ensuring that other Board members receive the information required in order to facilitate discussion and decisions of high quality. The Chairman is also responsible for evaluating the work of both the Board and the CEO.

Composition of the Board of Directors in 2017

Name	Role	Independent of largest shareholder	Independent of management
Jörgen Cederholm	Chair	No	Yes
Sten Andersen	Mgmt	Yes	Yes
Jimmie Hall	Mgmt	Yes	Yes
Åke Olofsson	Mgmt	Yes	No

Annual General Meeting 2017
Quartiers Properties' 2017 AGM was held on 26 May at the offices of law firm DLA Piper Sweden KB at Kungsgatan 9 in Stockholm, Sweden. In addition to the mandatory agenda items stipulated in the Articles of Association, decisions were made regarding the following matters:

- The AGM resolved that Board fees of SEK 160,000 shall be paid to the Chairman and SEK 80,000 to each of the other Board members elected by the AGM, with the exception of Board members who have extensive consulting assignments within the Group.
- The Annual General Meeting authorised the Board of Directors up until the next AGM and within the limitations of the Articles of Association, on one or more occasions, with or without deviation from shareholders' preferential rights, to decide on the issue of shares (ordinary shares and/or preference shares), warrants and/or convertible shares. When deciding on the number of preference shares to be issued, the Board of Directors shall ensure that the company is able to fulfil its commitments relating to dividends for preference shares, in accordance with the decision regarding the distribution of profit relating to preference shares that was taken at the AGM. An issue may be made against a cash payment, via assets contributed in kind and/or via offsetting, or otherwise according to conditions.
- Re-election of Jörgen Cederholm as Chairman of the Board. Re-election of Board members Andreas Bonnier, Lars Åke Olofsson, Sten Andersen and Jimmie Hall.
- Re-election of Öhrlings PricewaterhouseCoopers AB as auditor, with Henrik Boman as principal auditor.
- Decision that the Nomination Committee shall consist of representatives of the two largest shareholders in the company in terms of voting rights, Andreas Bonnier and Jörgen Cederholm. The Nomination Committee prepares draft proposals for the AGM regarding the election and remuneration of Board members and auditors.

Nomination Committee
A decision was made at the 2017 AGM that the members of the Nomination Committee prior to the 2018 AGM shall consist of representatives of the two largest shareholders in the company in terms of voting rights at 30 November 2017. The Nomination Committee has been published on the company's website and comprises Andreas Bonnier and Jörgen Cederholm.

Board of Directors


Jörgen Cederholm


Sten Andersen


Jimmie Hall


Åke Olofsson

Duties of the Nomination Committee:
The Nomination Committee shall submit proposals ahead of the AGM concerning:

- the AGM chairman;
- the Chairman of the Board;
- Board members, with justification, and number of members and fees;
- remuneration for committee work;
- election of auditors and remuneration; and
- proposals for decision on Nomination Committee.

Company management
Quartiers Properties is a company that is fuelled by an entrepreneurial spirit. In order to harness exciting ideas and maintain creativity, the company is built around a small core organisation that buys in additional resources as required for each individual project. This allows the organisation the flexibility to adapt to the scope and conditions of each project.

Quartiers Properties has established a network of business partners over the years who have a thorough understanding of the company's approach, as well as its quality requirements. The company's own employees and project managers are highly skilled and have access to a broad network, and they play a key role in the organisation. When recruiting new employees, Quartiers Properties always aims to find people with various specialist skills. This helps build up a broad knowledge base and strengthens the organisation, allowing us to work in a professional and organised manner.

In order to encourage expansion in the region and link up with essential local capabilities, Quartiers intends to grow partly via joint ventures in the company. One such example that has had an extremely positive start so far is Quartiers Estates, which is being established in cooperation with a local property entrepreneur. The co-owned sales company rents premises in one of the most attractive locations in Puerto Banús, and will act as a marketing base for Quartiers' projects. Both parties are investing equal amounts in the project and the company is led by Ruben Otero, who has over 20 years' experience of construction, property development and property sales in Spain.

Internal controls
Based on policy documents adopted by the Board of Directors, the CEO and company management are responsible for designing and documenting, as well as maintaining and testing the systems and processes required in order to minimise risk in operating activities and financial reporting. In addition to policy documents there are also delegation rules, process descriptions, checklists and job descriptions for each employee detailing their responsibilities and level of authority, as well as standardised reporting procedures.

Information and communication
The annual report, year-end report, interim reports and other regular information are produced according to Swedish law and practice. The disclosure of information is characterised by transparency and reliability. In order to ensure that external information for the equity market is issued correctly, the company has an insider information policy that regulates how information is to be disclosed. The aim is to create understanding and confidence in the business among shareholders, investors, analysts and other stakeholders. Quartiers Properties discloses information to shareholders and other stakeholders via public press releases, year-end and interim reports, annual reports and the company's website. In order to keep Quartiers Properties' shareholders and stakeholders updated about the business and its performance, current information is published regularly on the website. Events that may affect the company's share price are published via press releases. Quartiers Properties also uses other marketing channels such as My Newsdesk for non price-sensitive information.

FINANCING

Quartiers Properties pursues capital-intensive operations and access to capital is a fundamental prerequisite for the continued development of the company. The company uses various sources of financing, including loans from credit institutions and preference shares. In 2017, the company carried out new share issues that raised a total of SEK 198.4 million in equity for the Group before issue expenses. 2017 also saw the listing of both the company's ordinary and preference shares on Stockholm's Nasdaq First North.

Quartiers is continually working to expand its network regarding both bank financing and other alternative financing. This work was intensified in the latter half of 2017. Our efforts proved extremely successful, and in the first half of 2018 the company managed to secure loan financing totalling SEK 35 million. The money will be used to finance new acquisitions and to develop the hotel project at Centro Forestal Sueco.

There was a clear trend in 2017 of banks restricting their lending, and this has presented a challenge for Quartiers as the company has had to finance a large proportion of its development using shareholders' equity. However, our financing successes during the first half of 2018 have considerably fuelled interest in the company among both banks and funds focused on lending operations.

Increasing the proportion of loan financing in the company to a level that is more reflective of market conditions paves the way for a higher return on equity, while the new contacts in Madrid offer the company greater flexibility to raise loan financing in connection with future acquisitions and development projects.

Listing ceremony at Nasdaq in Stockholm. From left: Åke Olofsson, Katri Lind, Marcus Johansson Prakt and Jörgen Cederholm.

MESSAGE FROM THE CEO

During a period of just over two and a half years, Quartiers Properties has established itself on the Spanish Costa del Sol and now has a property portfolio valued at over half a billion Swedish kronor. Such a venture has of course involved substantial investment and expenditure, which has affected earnings during the start-up phase. However, that investment has already generated significant increases in value, although cash flow has yet to be positive. As part of our property development operations we will be generating our first project revenue now in 2018 via the sale of ongoing and completed construction projects. Cash flows from these sales will be invested in new projects, which in turn will produce profit for reinvestment.

We continue to see good opportunities for acquiring objects at attractive prices direct from Spanish banks with associated financing arrangements, although banks are reluctant to provide loans for the purchase of land and development properties for properties that they are not themselves selling. The fact that Quartiers is a property developer listed on Nasdaq First North is an important competitive advantage, which facilitates a more rapid pace of growth compared with competing property companies on the Costa del Sol. Our link to the Nordic capital market means we are able to obtain capital in a way that other local developers cannot.

Quartiers' operations comprise the development, sale and management of property. In simple terms, Quartiers can acquire properties in prime locations to subsequently develop both the property and the area by attracting restaurants, recreational areas, entertainment and other services. Some projects are sold, while others are managed and let, which provides us with cash flow and the opportunity to increase value.

Several exciting projects taking shape

Work has intensified on the hotel project at Centro Forestal, and we have entered into a close collaboration with the concept agency Stylt Trampoli in order to create a unique concept with a strong customer experience in the planned lifestyle hotel with restaurants. The project will continue over the next few years and has considerable development potential consistent with our strategy of creating successful concepts, and developing and improving properties. In the Forestal Residential project we are working proactively with Marbella municipality to create the optimum conditions for a profitable development project.

The investments we have made in the Hacienda de Cifuentes investment property have contributed to the positive value increase for the property, which totalled SEK 39 million for the year (excl. exchange rate effects), corresponding to 15.8 percent.

Our ongoing residential housing projects in Benahavis, Gran Vista and Ocean View are proceeding according to plan. Stage 1 of Gran Vista will be sold in the final phase of completion to enable a higher average price per apartment. The selling process was initiated in Q1 2018, and stage 2 will be sold during the construction period. The estimated sales value is SEK 80 million. The sale is expected to strengthen the company's cash flow by up to SEK 60 million after repayment of existing loans on the properties. It is estimated that the sale of the project will affect earnings by roughly SEK 30 million, corresponding to a profit margin of around 40 percent.

Work has intensified on Ocean View, comprising 60 residential units, and we are currently implementing a number of changes to the planning work, which we expect to contribute to higher sales values compared with the original project. Our objective is to initiate the sale of this project as soon as all the apartments in the Gran Vista project have been sold.

The focus over the next few years will be on carrying out more transactions and consolidating the organisation via a combination of recruitment and partnerships.

Thank you to everyone who has made a contribution thus far. We are now looking ahead to 2018 being the year when we start generating substantial cash flows and creating growth in our development segment.

Katri Lind
Chief Executive Officer

STRONG HOUSING MARKET

THE SPANISH PROPERTY MARKET

Overview

The macroeconomic trend in Spain and key indicators on the property market support continued robust development on the domestic housing market. According to a report published in May 2017 by analysis firm Exane BNP Paribas, the number of construction project start-ups in Spain was around 80 percent below the long-term average, which is a record-low level for new houses and creates potential for growth. While housing construction throughout Spain remains at a low level, the number of households per inhabitant is rising. The increase in the number of households is due to a cultural shift rather than an increase in the population, which is otherwise seeing a slight decline for Spain as a whole. The sociological differences behind the increase in the number of households – despite no increase in the overall population – are partly due to young people increasingly leaving home earlier (which also has a positive correlation to the positive trend on the labour market), an ageing population and a rise in the number of single households. The Spanish statistics agency, INE, predicts that demand for housing in Spain will grow by just over 900,000 over the next 15 years, as a result of this sociological factor alone. The Malaga region, where Quartiers Properties is active, has both a positive population growth and a higher proportion of households for the same reasons mentioned above. Overall, the Malaga region is one of the fastest growing housing markets in Spain.

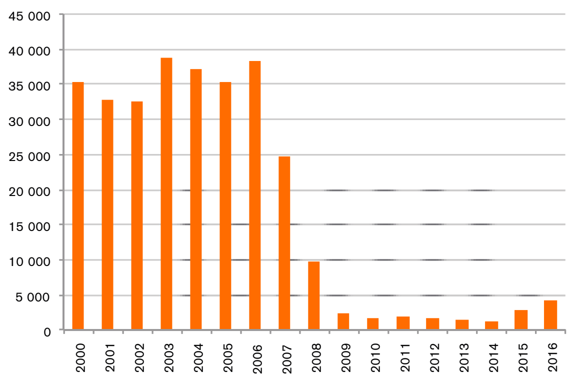
Improved balance sheets for banks

The Spanish banking sector suffered a significant negative effect as a result of the financial crisis of 2008 and the subsequent debt crisis in Europe. Prior to the 2008 crisis, the banks had extremely generous terms and conditions for loans, which helped push up house prices. When the crisis hit, many people had difficulty making repayments, while the banks also experienced problems and became reluctant to lend. As borrowers failed to meet their payment commitments, many properties were repossessed, which led to properties being taken onto the banks' balance sheets, including both good and bad properties.

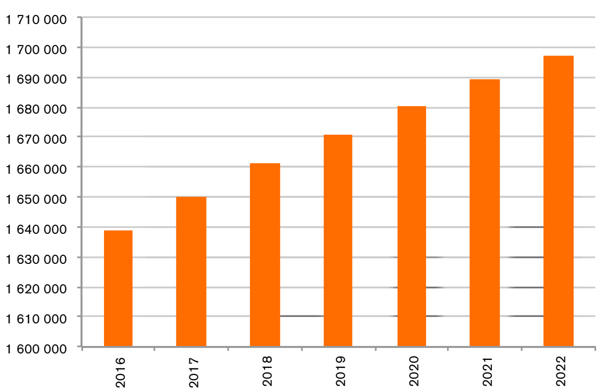
New rules and more stringent central control of banks' lending operations have had a significant impact on their lending. Over a number of years, more banks have refrained entirely from lending to the property sector, or at least new property projects, because they themselves have had a significant number of properties on their own balance sheets. So for growth companies like Quartiers, for some time now it has only been possible to obtain bank financing in cases where the property has been acquired direct from the bank. This was the case when Quartiers Properties acquired its first properties in Benahavis. At the time, Banco Popular offered the company favourable financing terms, as the property was acquired direct from the bank.

Alongside growing international interest in the Spanish property sector, the banks have been able to reduce their balance sheets and sell off substantial portions of their property holdings. One example of such a transaction was Spanish bank BBVA's divestment of a large part of its property portfolio, valued at around EUR 13 billion, to US private equity firm Cerberus. The portfolio was transferred to a joint venture, in which BBVA remained as owner of just 20 percent while Cerberus took over the controlling interest of the remaining 80 percent.

Production starts for new housing in the province of Malaga – current levels are historically low, but rising.



Population figures for province of Malaga – demand for new housing in the region is set to grow as the population rises and the number of households increases in relation to the population as a whole.



Source: INE, Credit Suisse Research.

Cerberus is one of several international companies that have invested in Spain's economic recovery. Another private equity group that has invested heavily in Spain is US company Blackstone. In 2017, Blackstone acquired properties from Banco Popular's internal property company Aliseda. Other examples include UniCredit, which sold a portfolio of loan credits to the investment companies Pimco and Fortress, and Bain Capital, which has purchased loan credits totalling around one billion euros in Spain and Portugal. Another measure that contributed to the recovery of a functioning banking system and property market was the introduction of a 'bad bank', known as SAREB. Many of the banks' crisis loans were transferred here, which has reduced banks' proportion of bad debts to a more EU-harmonised level.

Housing supply failing to keep up with demand

Spain's economic recovery has begun and is exemplified in particular by economic growth, improved domestic finances, greater consumer confidence and an increase in the number of households in relation to the total population. Despite these factors having contributed to a rise in demand for housing, primarily in the Malaga region, housing production has not yet fully taken off

The harbour in Puerto Banús, where Quartiers Properties is currently renovating a sales office and which will form a marketing base for the company's projects.

and is currently a long way away from pre-financial crisis levels. The fact is that the number of homes increased by 17 percent in the seven years leading up to the financial crisis (2001–2008), while the corresponding change during the years following the crisis (2008–2015) amounted to just 4 percent.

Spain is therefore experiencing a national housing need, although it is more noticeable in the regions where growth has taken off in earnest. The brightest star among these regions is Malaga, where Quartiers Properties conducts its operations. In a ranking carried out by Credit Suisse Research in 2017, the province of Malaga comes top in key categories such as highest value per capita on completed property transactions, anticipated increase in the number of new households and population growth. The conditions for property management and development are therefore deemed to be good in the Malaga region, which in addition is benefitting from increasing popularity among international buyers.

Greater demand from foreign buyers

There has been a significant increase in foreign buyers on the Spanish property market over the past decade. As an example, the proportion of foreign buyers rose from around five percent in 2009 to 16.3 percent in 2016.

British buyers account for roughly 19 percent of the market and comprise the largest group of foreign buyers. However, other markets are on the rise, in particular the Swedish market, which with its 7 percent share is fast becoming an increasingly significant target group. The wide range of buyers of different nationalities, particularly in the Malaga region, is regarded as a positive factor for demand, as it makes it easier for the market trend in the region to cope with upswings and downturns on any one of the domestic markets of the individual target groups.

This is illustrated clearly by the fact that activity in the region remains high despite uncertainty around Brexit and the fall in the value of the British pound.

Conclusion

Spain, and in particular the Malaga region, is now entering a recovery phase in earnest, with high activity in the region and rising property prices. The banks' balance sheets have strengthened over the past year, partly owing to growing international interest in acquisitions.

Stronger balance sheets have given the banks a renewed investment appetite. At the same time, it is felt that the more controlled and centralised regulatory framework will contribute to less volatile credit growth than was the case prior to the financial crisis of 2008.

Overall, the market is expected to continue normalising in 2018, which will increase opportunities to obtain loan financing for projects compared with the situation in 2016 and 2017.

In just over two years, Quartiers has established a capital base and an organisation that is well suited to capitalise on growth in the region. Although banks' willingness to invest is growing, smaller operators are still finding it difficult to secure financing for land and property purchases designated for construction or development. Quartiers has demonstrated that the company has the capacity to finance acquisitions both on the equity market and via debt financing from banks and funds. This flexibility is deemed to constitute a competitive advantage compared with other operators of the same size as Quartiers, as the company continues to establish itself as a significant regional operator on Spain's Costa del Sol.

HACIENDA DE CIFUENTES

The property in brief

- Status: Under management.
- Municipality: Benahavis.
- Market value: SEK 290.6 million.
- Average value per apartment: SEK 2.9 million.
- Taken over and paid for in full.
- Purchase price: SEK 157.6 million.
- Purchase price per apartment: SEK 1.6 million.

Property description

Hacienda de Cifuentes is a completed apartment complex in the municipality of Benahavis, which is fully let to an external operator. The operator rents out apartments on both a short- and long-term basis.

The property has incurred above-average property expenses during the year. This is due to the fact that all apartments are now in operation and the fee that is paid to the joint association has been higher owing to an ongoing renovation programme in the area. However, the initiatives and investments that have been undertaken during the year, combined with a positive market trend, have contributed to an increase in value (excluding exchange rate effects) of 15.8 percent, corresponding to SEK 39 million.

Source: Google maps

BOHO CLUB

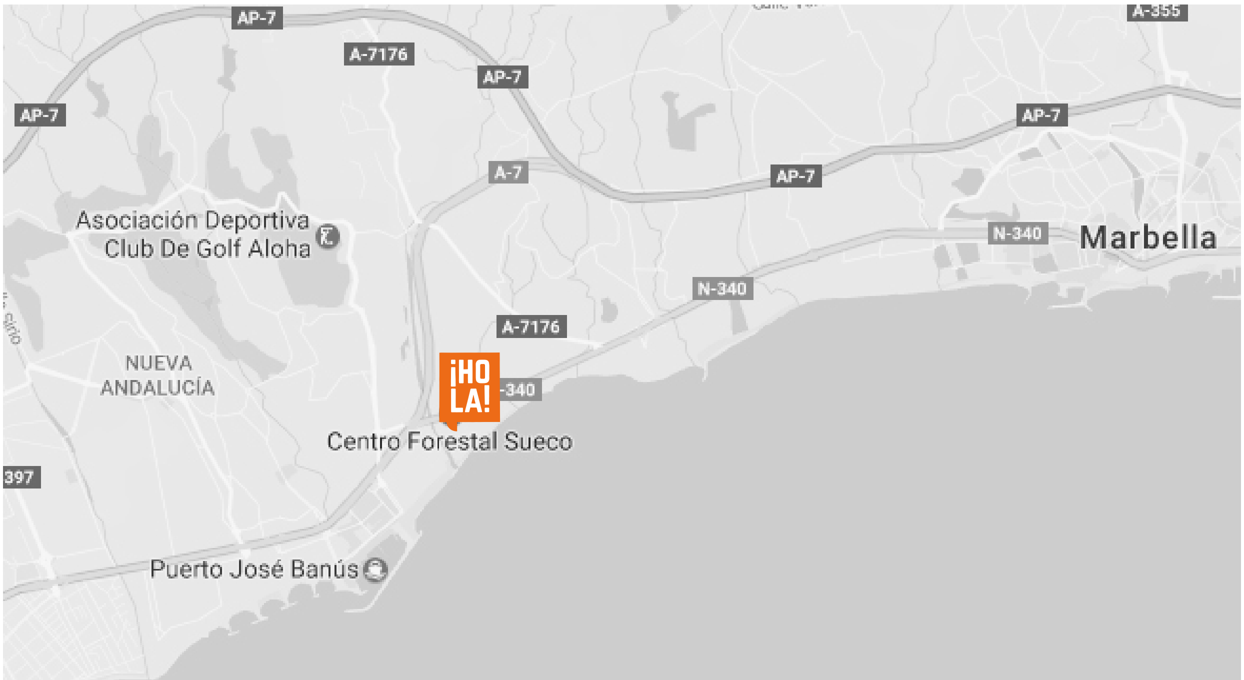
The property in brief

- Status: Under development.
- Municipality: Marbella.
- Buildable area: awaiting new detailed plan.
- Area of existing buildings: 4,954 square metres.
- Plot area: 21,959 square metres.
- Purchase price: SEK 89.8 million.
- Valuation: SEK 100.5 million.
- Number of units: approx. 50–80.
- Hotel opening: 2019 (estimated).
- Taken over and paid for in full.

Property description

The project previously known as the Foundation Hotel is continuing to develop and has now been renamed BOHO Club. The hotel project in Marbella's Golden Mile district will be a landmark in the vicinity of the promenade and popular Puerto Banús marina.

The project comprises bungalows and hotel rooms with restaurants, bars, lounge areas and recreational spaces. The concept for the project is being developed in close partnership with award-winning concept agency Stylt Trampoli. Discussions are ongoing with an operator regarding operation of the hotel and restaurant business.



Source: Google maps

22BYQUARTIERS

The property in brief

- Status: Under development.
- Municipality: Benahavis.
- Buildable area: 3,226 square metres.
- Number of units: 24.
- Purchase price: SEK 12.4 million.
- Valuation: SEK 40.4 million.
- Taken over and paid for in full.

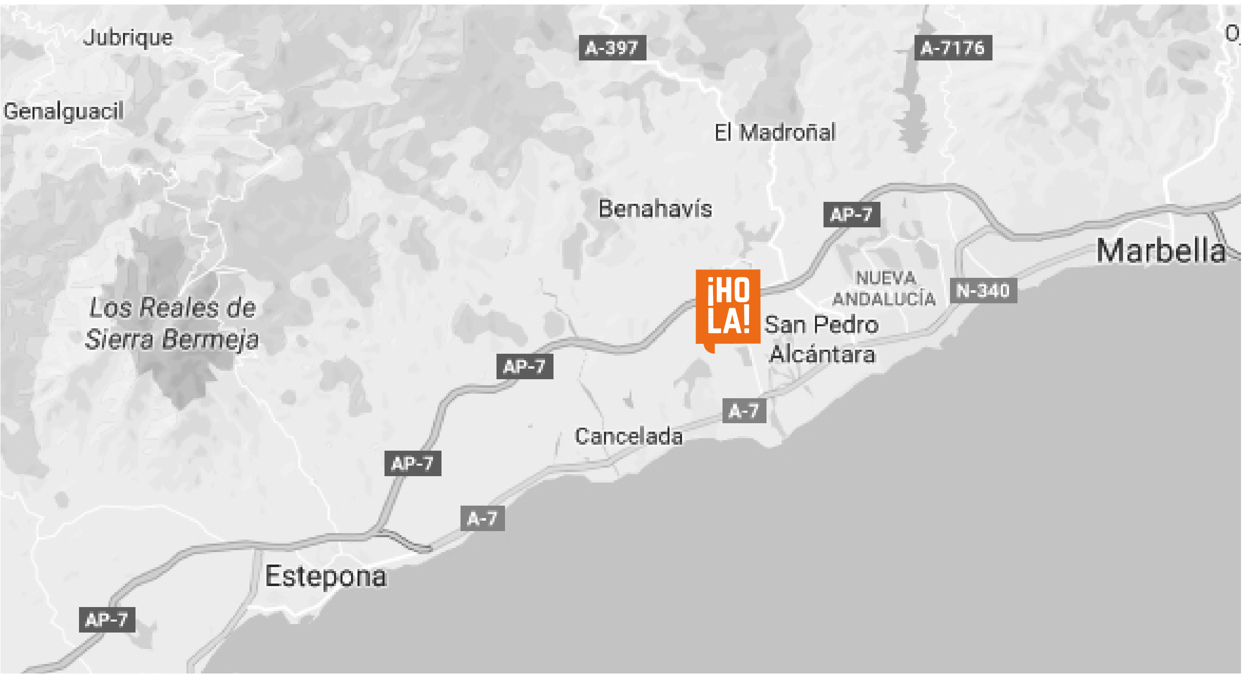
Property description

The project, which was previously called Gran Vista, has been renamed 22ByQuartiers and has been launched for sale on the market.

Next to Hacienda de Cifuentes in the municipality of Benahavis, Quartiers Properties is building the 22ByQuartiers project; a spectacular apartment complex boasting expansive views of the sea and natural environment.

22ByQuartiers includes 22 residential units featuring plenty of light and exclusive design. Large glass partitions and stunning sea views bring nature and light closer. All the apartments have spacious balconies with sea views. The apartment complex also houses a reception, lounge and communal area. The apartments will be included in the joint property Hacienda de Cifuentes and have access to its range of services.

The project will be completed in two stages, with the first involving the completion of 12 apartments in Q3 2018. The second stage was launched in January 2018 and is expected to be completed in the fourth quarter of 2018.



Source: Google maps

OCEAN VIEW

The property in brief

- Status: Under development.
- Municipality: Benahavis.
- Buildable area: 8,064 square metres.
- Number of units: 60.
- Purchase price: SEK 27.2 million.
- Valuation: SEK 64.0 million.
- Taken over and paid for in full.

Property description
In the Hacienda de Cifuentes district in stunning Benahavis, featuring expansive views of La Concha, the Mediterranean and Gibraltar, close to nature and just 15 minutes away from Puerto Banús, work is under way on structure and a detailed plan for Ocean View.

The project comprises 60 units, and Quartiers Properties is currently working on a number of changes to the planning work, which are expected to help boost the sales value and make a positive contribution to the value of the apartments in Hacienda de Cifuentes.


Artist's impression


Artist's impression

Source: Google maps

FORESTAL RESIDENTIAL

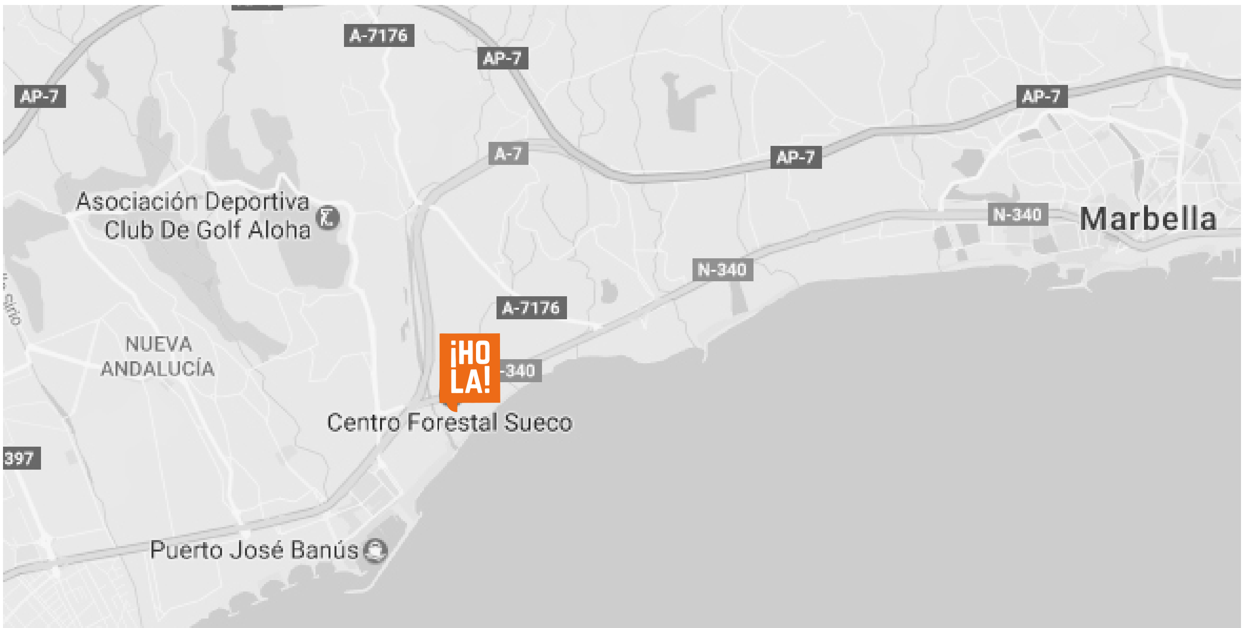
The property in brief

- Status: Work under way on plan changes.
- Municipality: Marbella.
- Buildable area: Awaiting new construction plan.
- Area of existing buildings: 2,329 square metres.
- Plot area: 13,730 square metres.
- Purchase price: SEK 39.4 million.
- Valuation: SEK 59.1 million.
- Taken over and paid for in full.

Property description

In Marbella's Golden Mile district, work is under way on the development of a detailed plan for Forestal Residential. The company is holding discussions with Marbella municipality to find a solution that will enable Quartiers to develop the plot sooner than initially planned, which was in conjunction with the adoption of a new detailed plan by the municipality.

As part of the project, Quartiers Properties is planning to develop the plot to create a gated community with exclusive villas and townhouses. The company will issue a separate press release regarding any progress in this process but does not expect a decision before 2019.



Source: Google maps

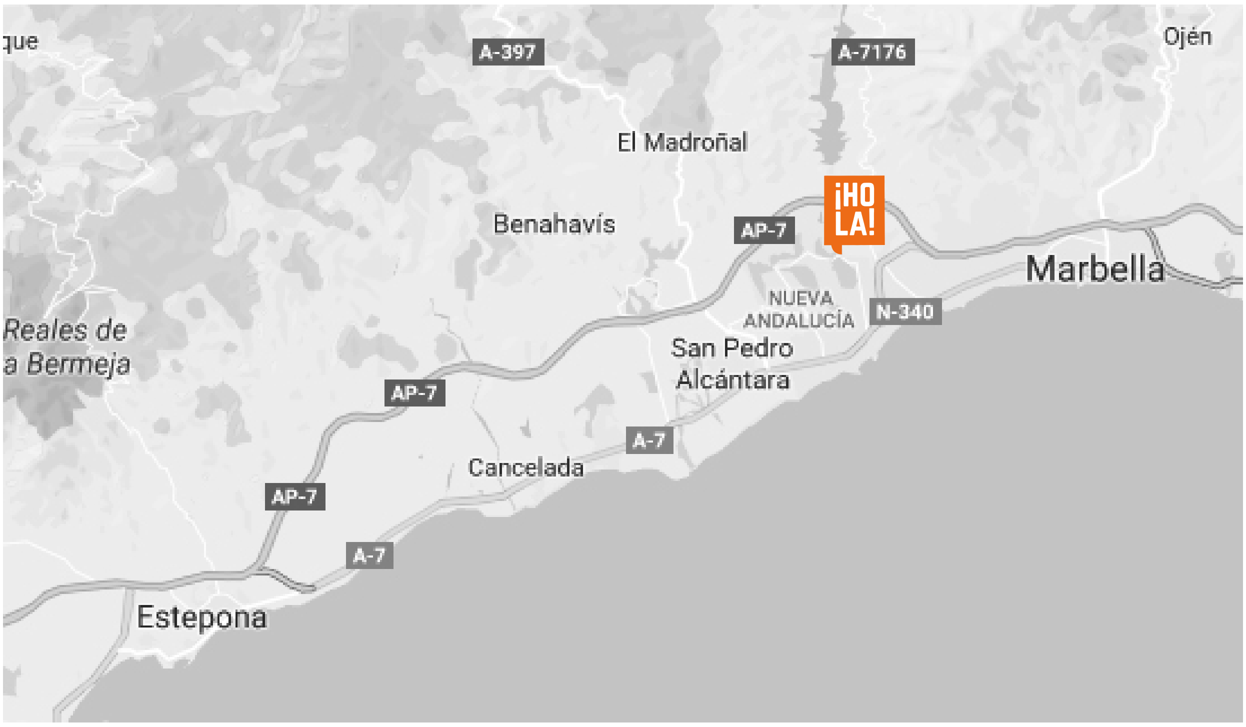
AMAPURA

The property in brief

- Project type: Detached villa, turnkey project.
- Municipality: Marbella.
- Plot: 831 sqm, acquired with deeds.
- Buildable area: 605 square metres.
- Number of units: 1.
- Acquisition price (plot plus project): SEK 11.0 million.
- Est. selling price: SEK 18.0 million.
- Taken over. Part of the purchase price outstanding.

Property description
Quartiers Properties is planning to build a villa project in the popular Nueva Andalucia area, boasting views of the Mediterranean and the town of Marbella. The plot is located high up in an attractive location.

Detailed planning work is under way and the project will be up for sale as soon as a licence is obtained.



Source: Google maps

Financial statements

The Board of Directors and Chief Executive Officer of Quartiers Properties AB (publ) hereby submit the annual accounts and consolidated accounts for the 2017 financial year.

DIRECTORS' REPORT

Background
Quartiers Properties AB (publ) is a Swedish limited company that, via Spanish subsidiaries, owns, develops and manages properties on the Costa del Sol in southern Spain. The company was established in July 2014. In October 2014, the Spanish subsidiary Flexshare España S.L. was acquired. Operations began in July 2015. At 31 December 2017, the Group consisted of six legal units, including five wholly owned Spanish subsidiaries.

THE BUSINESS

Business concept, objectives and strategy
Quartiers' business concept is to develop residential properties and holiday properties on the Spanish Costa del Sol. The target group for the company's operations is tourists and people looking for a second home.

Quartiers' objective is to actively identify properties with development potential and build up a property portfolio on the Spanish Costa del Sol, in order to become an established regional operator. In the long term, Quartiers will achieve high profitability and manage a broad project portfolio on an ongoing basis. Rental operations shall primarily be conducted via long-term contracts with independent operators.

Investments in property portfolio
In 2017, Quartiers completed the acquisition of three properties known as Centro Forestal Sueco and located in the Golden Mile district in Marbella. The purchase price was EUR 13.5 million. In addition, February saw the acquisition of part of a villa project in Marbella for a total purchase price of EUR 1.15 million.

Rental income
Quartiers' sales in 2017 amounted to SEK 9,494 thousand (SEK 4,242 thousand). Revenue is chiefly derived from the company's letting of apartments to an independent operator.

Financing
Quartiers has financed property acquisitions via loans from the Spanish bank, Banco Popular, and via new share issues. The company's bank loans total EUR 16,040 thousand (16,933), which corresponds to SEK 157,990 thousand (161,996). Borrowings in 2017 amounted to SEK 0 thousand (83,380). Three new share issues were carried out in 2017 totalling SEK 198.4 million. As of the second quarter of 2018, the sale of project properties will be an additional source of financing. Together with any financing secured during the first four months of 2018, no further financing will be required during the coming 12-month period in order to implement projects that have been started. See also 'Events after balance sheet date' below.

Group and employees
In addition to the Parent Company Quartiers Properties AB (publ), the Group comprises the wholly owned subsidiaries Flexshare España S.L., corp. reg. no B19567130, and Quartiers Properties Holding S.L., corp. reg. no B93528750. Both have registered offices in Benhavis, Spain. Quartiers Properties Holding S.L. has in turn four wholly owned Spanish subsidiaries. The Parent Company employs a Chief Executive Officer and a Chief Financial Officer. At the balance sheet date, the subsidiaries in Spain had no permanently employed office-based staff.

Risk
Quartiers is continually exposed to various risks that may have a significant impact on the company's earnings and financial position. The risk factors below have not been detailed in order of importance and are by no means comprehensive. See also Note 4, Financial risk management.

Dependency on tenants/operators
Quartiers' business is dependent on its ability to attract and find new tenants/operators for the properties in which the company invests. If the company fails to attract tenants for the projects in which the company may invest in the future, this may have a substantial negative impact on the company's earnings and financial position.

Running and maintenance costs
Running costs mainly comprise public utility costs such as heating, electricity, water and cleaning costs, but also costs relating to property maintenance, property tax, insurance and administration. To the extent that any cost increases are not compensated for by adjustments to rental/cooperation agreements or rent increases via renegotiation of rental/cooperation agreements, the company's earnings may be negatively affected.
Maintenance costs are attributable to measures aimed at retaining the standard of the buildings in the long term. Unforeseen and extensive renovation requirements, as well as increased costs for such renovations, may lead to a temporary decline in the property portfolio's combined operating income. This may in turn adversely impact the company's operations, financial position and earnings.

Risk in property acquisition process
Acquiring properties is part of the company's strategy. Property acquisitions are associated with a certain degree

of inherent risk and uncertainty, including the risk that company management's time and other resources will be used to attempt to bring about acquisitions that are not completed, the risk of paying too much for assets, the risk of erroneous measures with regard to future operating income for the acquired property, and the risk of taking over rental/cooperation agreements that are unfavourable for the company, as well as the risk that company management's focus is diverted from current operations.

In order to reduce the risk when making property acquisitions, the company carries out individual analyses of each acquisition, examining legal, financial and commercial aspects.

Organisational risk
The company has a relatively small organisation, which means it is dependent on the performance of individual employees and the company's ability going forward to identify, recruit and retain qualified and experienced management personnel. Quartiers' ability to recruit and retain such individuals depends on a number of factors, some of which are to some extent beyond the company's control, including competition on the labour market. Various types of incentive programme will be offered in order to retain management personnel in the long term.

The loss of one senior or key individual due to that person resigning or retiring, for example, may mean the loss of a key area of expertise, that it is not possible to achieve established objectives or that the implementation of the company's business strategy is negatively affected. If current key individuals leave, or if the company is unable to recruit or retain qualified and experienced senior individuals, this may have a significant negative impact on the company's operations, financial position and position in general.

Refinancing
Refinancing risk refers to the risk that it is not possible to obtain financing at all, or only at significantly increased cost. A low loan-to-value ratio and long credit commitments limit this risk while reducing the company's interest sensitivity. The borrowing requirement may refer to refinancing of existing loans or new borrowing. To minimise the risk of it not being possible to refinance existing loans, Quartiers works proactively to maintain good relationships with banks and other capital providers. The company's operations are capital-intensive, which means that issues relating to refinancing are given high priority and are continually followed up by the company's management team. There is a risk that future refinancing on reasonable terms may not be possible at all, or may be only partly possible, which would have a significant negative impact on the company's operations, financial position and earnings.

Legal risk
Property operations are highly dependent on laws and other regulations, as well as decisions by authorities with regard to the environment, safety and renting. New laws or regulations, or changes to the application of existing laws or regulations that are relevant to the company's operations or customers' operations may have an adverse effect the company's operations, financial position and earnings.

Exchange rate fluctuations
The company conducts operations in Spain and is therefore exposed to the risk of exchange rate fluctuations having a negative impact on Quartiers' income statement, balance sheet and/or cash flow. The company's reporting currency is SEK and its most important operating currency is EUR. Foreign currency exposure arises every time the company's operating subsidiary participates in a transaction in which it uses a currency other than the one the company normally uses in its operations. At present, the single largest exposure is EUR/SEK. In addition, exchange rate fluctuations occur when the earnings and financial position of the foreign subsidiary are translated from EUR to SEK. See also Note 4, Financial risk management.

Price risk
Quartiers' investment properties are recognised at fair value in the balance sheet and changes in value are recognised in profit or loss. There is a risk that the valuation of the properties means their estimated value will not be redeemed in the event of a sale, which would have a significant negative impact on the company's earnings, operations and financial position. The company's project properties are recognised at cost. There is a risk that in the event of a sale, the fair value may fall short of the purchase cost.

Environmental risk
According to Spanish environmental legislation, the polluter is the party with primary responsibility for remediation of contaminated land. The owner or occupant of the property may also be held responsible if the polluter cannot be identified. This therefore brings a risk that under certain conditions, Quartiers may be subject to requirements as regards investigation measures relating to suspicion of contaminated land, areas of water or groundwater, to restore the property to a state that complies with Spanish environmental legislation.

Decontamination requirements for older buildings on a property may also be directed at Quartiers, particularly as a result of inappropriate building materials being used from an environmental or health perspective for previous constructions or conversions. Should such requirements be directed at Quartiers, they may have a negative effect on the company's operations, financial position and earnings.

Parent Company
The Parent Company's operations mainly consist of managing the company's investments in subsidiaries. The Parent Company's earnings for the financial year amounted to SEK -4,445 thousand (SEK -4,188 thousand). At the balance sheet date, equity totalled SEK 263,489 thousand (SEK 84,360 thousand). The company's equity/assets ratio was 97 percent (88).

Significant events during the period
On 30 June, the Centro Forestal Sueco properties were taken over, and shortly afterwards work began on developing a new hotel and restaurant concept for the area. Construction work on the 22ByQuartiers project (previously Gran Vista) began in the spring.

In May, the company carried out an issue of new ordinary shares in the Parent Company, for a total of SEK 151.4 million. In September, the company's warrants were exercised, the proceeds of which raised approximately SEK 27 million for the company. The new share issues were fully paid by the end of the period.

The company's ordinary and preference shares were listed for trading on Nasdaq First North Stockholm on 21 June 2017.

In December, an issue of preference shares was carried out via private placement, the proceeds of which raised roughly SEK 22 million for the company. The proceeds from the issue were paid in January 2018.

Events after balance sheet date
On 8 March, the company entered into an agreement to start a joint venture together with Ruben Otero, involving the establishment of a sales office in Puerto Banús, Marbella. The joint company, 50 percent of which is owned by Quartiers, will manage the sales and marketing process for both parties' projects and offer equivalent services to other developers and property owners.

On 27 March, the company signed an agreement with the major Spanish bank BBVA regarding an unsecured corporate loan of EUR 1.0 million. The loan was granted to Quartiers Properties Holding S.L. The loan has a maturity of 36 months and carries a fixed annual interest rate of 3.5 percent.

On 4 April 2018, the company signed an agreement with the Madrid-based property fund Frux Capital regarding a credit line of EUR 2.5 million. The loan carries a fixed annual interest rate of 13.0 percent on the capital received for the period. The CFS Residential property has been pledged as collateral for the loan, together with shares in the subsidiary that owns the property, CFS Residential Property SL. The subsidiary Flexshare España SL has also pledged a company guarantee for the loan. No other assets exist in CFS Residential Property SL besides the property that has been pledged as collateral.

On 5 April 2018, the company entered into an agreement on the acquisition of a plot of 3,781 square meters next to the company's existing property Centro Forestal Sueco. The agreement means that Quartiers has a call option, which the company intends to exercise by 1 October 2018. Quartiers made a payment of EUR 200,000 thousand in connection with the signing of the option agreement. The total purchase price amounts to EUR 1,788 thousand, and it will be paid via annual instalments up until May 2022.

Proposed distribution of profits
The following funds are at the disposal of the AGM:

Share premium reserve	279,852,112
Retained earnings	-13,281,052
Profit/loss 2017	-4,445,168
Total available funds	262,125,892

The Board of Directors proposes that a dividend be paid on the company's existing preference shares and preference shares that may be issued, for a total maximum amount of SEK 12,000,000. The remaining amount, i.e. SEK 250,125,892, shall be carried forward.

The dividend shall be distributed in the amount of 24 öre per preference share and quarter, and the standard record dates for dividends shall be 29 June 2018, 28 September 2018, 28 December 2018, 29 March 2019 and 28 June 2019 (provided these dates fall before the 2019 Annual General Meeting). Payment of the dividend shall be made on the third business day following the record date. Dividends for preference shares that have not yet been issued by the date the AGM has resolved on the dividend are conditional on the preference share having been registered with the Swedish Companies Registration Office (Bolagsverket) and entered into the share register maintained by Euroclear Sweden AB prior to the record date. Any remaining distributable funds following payment of the dividends as detailed above shall be carried forward.

No dividend shall be paid on ordinary shares. The dividend adopted by the 2017 AGM with a record date of 31 March 2018 has been taken into account within the framework of the annual accounts for the 2017 financial year and has thus already been deducted from the amount at the disposal of the AGM.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts are stated in SEK thousand	Note	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Rental income	5	9,494	4,242
Other income		463	38
Total		**9,956**	**4,280**
Property expenses		-11,531	-4,716
Total operating expenses		**-11,531**	**-4,716**
Gross earnings		**-1,574**	**-436**
Central administration	7,8,9	-9,105	-7,393
Unrealised change in value of investment properties	10	39,042	49,188
Operating profit/loss		**28,363**	**41,359**
Other interest income and similar profit/loss items	12	78	1,384
Interest expenses and similar profit/loss items	13	-4,395	-6,459
Profit/loss from financial items		**-4,317**	**-5,075**
Profit/loss before tax		24,045	36,284
Deferred income tax	14	-9,761	-12,297
Profit/loss for the period		**14,285**	**23,987**
OTHER COMPREHENISVE INCOME			
Profit/loss for the period		14,285	23,987
Items that have been or may be transferred to profit/ loss for the year		–	
Translation differences on translation of foreign operations		4,966	966
Total comprehensive income		**19,251**	**24,973**
Earnings and comprehensive income for the period attributable to:			
Parent Company shareholders		15,334	22,654
Basic earnings per ordinary share, SEK*		0.40	0.89
Diluted earnings per ordinary share, SEK*		0.40	0.82
Average no. of ordinary shares before dilution*		38,520,134	25,442,580
Average no. of ordinary shares after dilution*		38,520,134	27,729,360

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31/12/2017	31/12/2016
ASSETS			
Subscribed but not paid in capital		20,000	–
Non-current assets			
Property, plant and equipment			
Investment properties	10	290,241	245,027
Operating properties	11	94,502	–
Equipment, tools and installations	15	8,235	7,915
Non-current financial assets			
Other long-term securities holdings	16	5,003	5,814
Other non-current receivables	16	38	38
Total non-current assets		**398,019**	**258,794**
Current assets			
Project properties	18	111,284	50,373
Trade receivables	19	6,767	7,885
Other receivables	20	7,161	13,191
Prepaid expenses and accrued income	21	14,288	297
Financial investments		0	263
Cash and cash equivalents		6,131	10,117
Total current assets		**145,631**	**82,126**
TOTAL ASSETS		**563,649**	**340,920**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2017	31/12/2016
SHAREHOLDERS' EQUITY	**22**		
Share capital		1,314	868
Ongoing new share issue		20,000	–
Other contributed capital		259,902	92,856
Reserves, translation differences		6,485	1,519
Retained earnings incl. profit/loss for the period		56,457	46,089
Total shareholders' equity		**344,157**	**141,333**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	14	33,979	22,333
Liabilities to credit institutions	23	147,338	152,690
Other non-current liabilities	24	13,297	–
Total non-current liabilities		**194,613**	**175,023**
Current liabilities			
Liabilities to credit institutions	23	13,030	12,203
Trade payables		2,010	1,301
Other current liabilities	25	8,453	9,607
Accrued expenses and deferred income	26	1,296	1,453
Total current liabilities		**24,879**	**24,564**
TOTAL EQUITY AND LIABILITIES		**563,649**	**340,920**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts are stated in SEK thousand	Share capital	Other contributed capital	Reserves, translation differences	Other equity incl. profit/loss for the period	Total shareholders' equity
Opening balance, 01/01/2016	**500**	**24,950**	**-619**	**24,421**	**49,252**
Comprehensive income					
Profit/loss for the period	–	–	–	23,987	23,987
Translation differences	–	–	2,138	–	2,138
Total comprehensive income	**0**	**0**	**2,138**	**23,987**	**26,126**
Transactions with shareholders					
New share issue	368	73,121			73,489
Dividend paid, preference shares				-580	-580
Change in expensed unpaid dividend, preference shares				-1,739	-1,739
Share issue expenses		-5,215			-5,215
Total transactions with shareholders	368	67,906		-2,319	65,595
Closing balance, 31/12/2016	**868**	**92,856**	**1,519**	**46,089**	**141,333**
Opening balance, 01/01/2017	**868**	**92,856**	**1,519**	**46,089**	**141,333**
Comprehensive income					
Profit/loss for the period				14,285	14,285
Translation differences			4,966		4,966
Total comprehensive income	**–**	**–**	**4,966**	**14,285**	**19,251**
Transactions with shareholders					
Ongoing new share issue	50	19,950			20,000
New share issue	446	177,968			178,414
Dividend paid, preference shares	–	–	–	-2,937	-2,937
Change in expensed unpaid dividend, preference shares	–	–	–	-979	-979
Share issue expenses	–	-10,920			-10,922
Total transactions with shareholders	495	186,996	0	-3,916	183,575
Closing balance, 31/12/2017	**1,364**	**279,850**	**6,485**	**56,458**	**344,157**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts are stated in SEK thousand	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Cash flow from operating activities		
Operating profit/loss	28,363	41,359
Depreciation, amortisation and impairment	1,829	1,088
Other non-cash items	-38,947	-53,131
Profit/loss from trading with financial instruments	78	831
Interest paid (attributable to financing activities)	-3,393	-2,637
Cash flow from operating activities before changes in working capital	**-12,070**	**-12,491**
Changes in working capital		
Increase/decrease in trade receivables	1,118	-7,885
Increase/decrease in financial investments	263	-263
Increase/decrease other current receivables	-7,961	-7,295
Increase/decrease trade payables	709	423
Increase/decrease other current liabilities	-242	5,097
Cash flow from operating activities	**-18,183**	**-22,214**
Cash flow from investing activities		
Investments in property, plant and equipment	-87,270	-60,039
Investments in project properties	-53,707	-50,373
Increase/decrease in other non-current receivables		-9,674
Cash flow from investing activities	**-140,978**	**-120,086**
Cash flow from financing activities		
New share issue	167,491	68,274
Loan repayments	-9,483	-1,869
Dividend paid, preference shareholders	-2,937	-580
Cash flow from financing activities	**155,071**	**149,205**
Cash flow for the period	**-4,090**	**6,905**
Cash and cash equivalents at start of period	10,117	3,212
Exchange rate differences in cash and cash equivalents	104	–
Cash and cash equivalents at end of period	6,131	10,117

PARENT COMPANY INCOME STATEMENT

Amounts are stated in SEK thousand	Note	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Net sales		6,453	0
Total operating income		**6,453**	**0**
Operating expenses			
Other external expenses	7	-11,185	-4,743
Employee expenses	8, 9	-2,501	-1,980
Depreciation/amortisation		-1,104	
Operating profit/loss		**-8,337**	**-6,723**
Other interest income and similar profit/loss items	12	4,978	3,408
Interest expenses and similar profit/loss items	13	-1,086	-873
Profit/loss from financial items		**3,892**	**2,535**
Profit/loss before tax		-4,445	-4,188
Profit/loss for the period		**-4,445**	**-4,188**
STATEMENT OF COMPREHENSIVE INCOME			
Profit/loss for the period		-4,445	-4,188
Total comprehensive income		**-4,445**	**-4,188**

PARENT COMPANY BALANCE SHEET

Amounts are stated in SEK thousand	Note	31/12/2017	31/12/2016
ASSETS			
Subscribed but not paid in capital		20,000	0
Non-current assets			
Property, plant and equipment			
Equipment, tools and installations	15	3,361	4,465
Non-current financial assets			
Investments in Group companies	28	219,709	19,480
Non-current receivables from Group companies	29	19,233	48,105
Other non-current receivables	16	638	838
Total non-current assets		**242,942**	**72,888**
Current assets			
Current receivables			
Trade receivables	19	18	3,623
Other receivables	20	204	13,063
Prepaid expenses and accrued income	21	4,335	497
Financial investments		0	263
Cash and cash equivalents		3,794	6,390
Total current assets		**8,352**	**23,836**
TOTAL ASSETS		**271,294**	**96,724**

EQUITY & LIABILITIES	**22**		
Restricted shareholders' equity			
Share capital		1,314	868
Unregistered share capital		50	0
Total restricted shareholders' equity		**1,364**	**868**
Unrestricted shareholders' equity			
Other contributed capital		279,852	92,856
Retained earnings		-13,281	-5,176
Profit/loss for the year		-4,445	-4,188
Total unrestricted shareholders' equity		262,126	83,492
TOTAL SHAREHOLDERS' EQUITY		**263,489**	**84,360**
LIABILITIES			
Current liabilities			
Trade payables		1,246	2,317
Other current liabilities	24	5,567	9,103
Accrued expenses and deferred income	25	992	944
Total current liabilities		7,805	12,364
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**271,294**	**96,724**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts are stated in SEK thousand	Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	Total shareholders' equity
Opening balance, 01/01/2016	**500**	**24,950**	**-2,858**	**22,592**
Comprehensive income				
Profit/loss for the period	–	–	-4,188	-4,188
Total comprehensive income	**0**	**0**	**-4,188**	**-4,188**
Transactions with shareholders				
New share issue	368	73,121	–	73,489
Dividend paid, preference shares			-580	-580
Expensed unpaid dividend, preference shares			-1,739	-1,739
Share issue expenses				-5,215
Total transactions with shareholders	**368**	**67,906**	**-2,319**	**65,955**
Closing balance, 31/12/2016	**868**	**92,856**	**-9,365**	**84,359**
Opening balance, 01/01/2017	**868**	**92,856**	**-9,365**	**84,359**
Comprehensive income				
Profit/loss for the period			-4,445	-4,455
Total comprehensive income			**-4,445**	**-4,455**
Transactions with shareholders				
Ongoing new share issue	50	19,950		20,000
New share issue	446	177,968		178,413
Dividend paid, preference shares	–	–	-2,937	-2,937
Expensed unpaid dividend, preference shares			-979	-979
Share issue expenses	–	-10,922		-10,922
Total transactions with shareholders	**495**	**186,996**	**-3,916**	**183,575**
Closing balance, 31/12/2017	1,364	279,852	-17,726	263,489

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts are stated in SEK thousand	**01/01/2017 31/12/2017**	**01/01/2016 31/12/2016**
Cash flow from operating activities		
Operating profit/loss	-8,337	-6,723
Adjustments for non-cash items		
Reversal of depreciation	1,104	1,055
Interest received	4,978	3,408
Interest paid	-1,086	-873
Cash flow from operating activities before changes in working capital	**-3,341**	**-3,133**
Changes in working capital		
Increase/decrease in trade receivables	3,605	-3,623
Increase/decrease other current receivables	9,021	-56,065
Increase/decrease trade payables	-1,071	1,439
Increase/decrease other current liabilities	-4,007	6,324
Cash flow from operating activities	**4,207**	**-55,058**
Cash flow from investing activities		
Investments in subsidiaries	-200,229	0
Investments in property, plant and equipment	0	-5,520
Decrease in non-current receivables from subsidiaries	28,872	
Purchase of non-current financial assets	0	-838
Cash flow from investing activities	**-171,357**	**-6,358**
Cash flow from financing activities		
New share issue	167,491	68,274
Dividends paid to Parent Company shareholders	-2,937	-580
Cash flow from financing activities	**164,554**	**67,694**
Cash flow for the period	-2,596	6,278
Cash and cash equivalents at start of period	6,390	112
Cash and cash equivalents at end of period	3,794	6,390

ACCOUNTING POLICIES AND NOTES

NOTE 1 GENERAL INFORMATION

Quartiers Properties AB (publ) (Parent Company) and its subsidiaries (see Directors' Report), referred to below as "Quartiers Properties" or "the Group", acquire and carry out residential projects in southern Spain. The Parent Company is a public limited company registered in Sweden, with registered offices in Stockholm. The head office address is Östermalmstorg 5, 114 42 Stockholm, Sweden.

The annual accounts and consolidated financial statements were approved by the Board of Directors on 8 May 2018 and submitted for adoption at the Annual General Meeting on 30 May 2018.

All amounts are recognised in SEK thousand, unless otherwise stated.

NOTE 2 SUMMARY OF KEY ACCOUNTING POLICIES

The most important accounting policies applied in the preparation of these consolidated accounts are detailed below.

2.1 BASIS FOR PREPARATION OF THE ACCOUNTS

The consolidated accounts for Quartiers Properties AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups, as well as the Swedish Annual Accounts Act.

The consolidated accounts have been prepared according to the cost method, with the exception of investment property valuations, which are recognised at fair value. The most important accounting policies applied in the preparation of these consolidated accounts are detailed below. These policies have been applied consistently for all the periods presented, unless otherwise stated.

The Parent Company accounts have been prepared according to RFR 2 Accounting for Legal Entities, and the Swedish Annual Accounts Act. For situations where the Parent Company applies accounting policies that differ from those of the Group, separate details are provided at the end of this note.

The preparation of financial statements in compliance with IFRS requires the use of significant estimates for accounting purposes. Furthermore, management is required to make certain assessments when applying the Group's accounting policies; see Note 4.

2.2 NEW STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

Several new standards and interpretations have entered into force for financial years starting after 1 January 2017 that have not been applied in the preparation of this financial report.

IFRS 9 Financial Instruments
IFRS 9 applies as of 1 January 2018 and relates to the classification, measurement and reporting of financial assets and liabilities, and introduces new rules for hedge accounting.

During the year, Quartiers analysed the effects of introducing the standard. The company's assessment is that IFRS 9 is not expected to have any material impact on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 applies as of 1 January 2018 and is the new standard for revenue recognition.

During the year, Quartiers analysed the effects of introducing the standard. The company's assessment is that current operator agreements are not covered by IFRS 15 but are instead classified as operating leases according to IAS 17.

IFRS 16 Leases
IFRS 16 applies as of 1 January 2019 and is a new standard pertaining to the reporting of lease transactions.

During the year, Quartiers analysed the effects of introducing the standard. The company's assessment is that IFRS 16 is not expected to have any material impact on the Group's financial statements.

None of the other IFRS or IFRIC interpretations that have yet to enter into force are expected to have any material impact on Quartiers.

2.3 CONSOLIDATED ACCOUNTS AND CONSOLIDATION PRINCIPLES

Subsidiaries
Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed to, or is entitled to a variable return from its holding in the company, and has the opportunity to affect such return via its influence in the company. Subsidiaries are included in the consolidated accounts as of the date that the controlling influence is transferred to the Group. They are excluded from the consolidated accounts from and including the date that the controlling influence ceases.

The Group's acquisitions are recognised in accordance with the purchase method. The purchase price for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as they arise.

Intra-Group transactions and balance sheet items, as well as unrealised gains and losses on transactions between Group companies, are eliminated on consolidation. The accounting policies for subsidiaries have been amended, where appropriate, to ensure consistent application of the Group's policies.

2.4 SEGMENT REPORTING

The company has had three operating segments since 1 July 2017: Property Development, Property Management, and Hotel Operations. This assessment is based on differences in the nature of the businesses. Up until 30 June 2016, the company had two operating segments: Property Development and Property Management.

The Hotel Operations segment has been conducted to a limited extent during the second half of 2017 via the subsidiary Quartiers Management SL and relates to former hotel operations at Centro Forestal Sueco. A new hotel and restaurant concept was developed in autumn 2017. Following implementation in 2018, the Hotel Operations segment will expand.

The company's properties are located exclusively in Spain and revenue derives in all material respects from rentals.

2.5 FOREIGN CURRENCY TRANSLATION

Functional currency and reporting currency

The various divisions in the Group use the local currency as their functional currency, as the local currency has been defined as the currency that is used in the primary financial environment in which the respective division chiefly operates. The Swedish krona (SEK), which is the Parent Company's functional currency and the Group's reporting currency, is the currency used in the consolidated accounts.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency according to the prevailing exchange rates on the transaction date. Exchange rate gains and losses arising on payment of such transactions and when translating monetary assets and liabilities into foreign currency at the balance sheet date rate are recognised in profit or loss under 'Operating profit/loss'. The translation difference for equity is recognised in equity in the balance sheet.

2.6 FINANCE LEASES

Agreements in which the economic risks are in all material respects transferred from the lessor to the lessee are recognised as finance leases. See also Note 2.21 for information about how the Group's finance leases are recognised.

2.7 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is recognised at cost less depreciation. Cost includes expenditure that can be directly attributed to the acquisition of the asset.

Depreciation to reduce the asset's cost down to its estimated residual value over its useful life is carried out on a straight-line basis as follows: Equipment, tools and installations – 5 years.

The recoverable amount and useful life of an asset is reviewed on each balance sheet date and adjusted as required. The carrying amount of an asset is immediately written down to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on divestment are established via a comparison between the sales revenue and the carrying amount, less selling costs, and recognised in profit or loss under 'Other operating income' and 'Other operating expenses'.

2.8 INVESTMENT PROPERTIES

The company has acquired investment properties for the purposes of generating rental income and an appreciation in value. Properties acquired for rental purposes are classified as investment properties and initially recognised at cost, including any directly attributable transaction expenses.

Following initial recognition, investment properties are recognised at fair value. Fair value is in the first instance based on prices in an active market, and the amount for which it would be possible to transfer the asset in the event of a sale. In order to establish the fair value, a market-based valuation of all properties is carried out at least once a year. Changes in fair values are recognised in profit or loss as changes in value.

When a property is sold, the difference between the carrying amount and the selling price, less overheads and plus capitalisation since the latest report, is recognised in profit or loss as a change in value.

Additional expenses are only capitalised when it is likely that future economic benefits associated with the asset will be received by the Group and the expense can be reliably determined, and that the measure concerns the replacement of an existing, or introduction of a new identified component. Other repair and maintenance costs are recognised in profit or loss on an ongoing basis in the period in which they arise.

2.9 OPERATING PROPERTIES

The properties in the Group's holdings that are classed as operating properties are properties where Quartiers is also a hotel operator. Operating properties are recognised at cost less any depreciation and potential impairment losses.

The operating properties consist of several components with varying useful lives. The primary classification is buildings and land. There is no depreciation on land components that are deemed to have an unlimited useful life. The buildings comprise several components with varying useful lives. Additional expenses are added to the cost only if it is likely that the future economic benefits associated with the asset will be received by the company, and the cost can be reliably determined. All other additional expenses are recognised as a cost in the period in which they arise.

The hotel is not yet ready to go into operation. In light of the extensive refurbishments that are expected to be carried out on the company's operating property in 2018, no depreciation on individual components has occurred in 2017. Depreciation will begin following completed refurbishment. Depreciation will be carried out on the components that have been identified.

2.10 PROJECT PROPERTIES

The portion of the Group's property holdings that relates to project properties is recognised as inventories, as the intention is to sell the properties on completion. Project properties are measured at the lower of cost and net realisable value.

The cost of project properties includes expenses relating to the acquisition of land and project planning/property development and expenses pertaining to new construction, extensions and/or refurbishment. The net realisable value is the estimated sales value in operating activities less estimated completion and selling costs.

2.11 FINANCIAL INSTRUMENTS

Financial instruments can be found in various balance sheet items and are described under sections 2.11–2.15.

Financial instruments recognised in the balance sheet include among the assets other long-term securities holdings, cash and cash equivalents, trade receivables and other receivables. Among the liabilities, they include trade payables, loans and other liabilities. Financial instruments are initially recognised at cost plus transaction expenses, with the exception of the categories financial asset or liability measured at fair value via profit or loss. Reporting is subsequently carried out in different ways depending on how the financial instruments have been classified as detailed below.

Classification

The Group classifies its financial assets and liabilities into the following categories: other long-term securities holdings, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets and liabilities measured at fair value in profit or loss

Financial assets and liabilities measured at fair value in profit or loss are financial instruments held for trading. A financial asset or a financial liability is classified in this category if it is acquired primarily for the purpose of selling within a short period of time. Financial assets are recognised as financial investments in the balance sheet.

Other long-term securities holdings

Other long-term securities holdings are financial assets held as a long-term financial investment.

Loans and receivables

Loans and receivables are financial assets that are not derivatives, that have established or ascertainable payments and that are not listed on an active market. They are included in current assets, with the exception of items with a maturity exceeding 12 months after the balance sheet date. Such items are classified as non-current assets. Loans and receivables are recognised in the balance sheet as other receivables. Cash and cash equivalents are also included in this category. An impairment loss of other receivables is recognised in profit or loss.

Other financial liabilities

The Group's liabilities to credit institutions, trade payables and the portion of other current liabilities that relates to financial instruments are classified as other financial liabilities. See description of accounting policies in section 2.16 below.

2.12 OTHER LONG-TERM SECURITIES HOLDINGS

Other long-term securities holdings are financial assets held as a long-term financial investment and recognised at fair value.

At the balance sheet date, other long-term securities holdings consisted exclusively of compensation bonds in Banco Santander, which were received as compensation for shares in Banco Popular. A valuation was made of the fair value of the bonds on the conversion date.

2.13 TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables are initially recognised at fair value and subsequently at accrued cost, applying the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables and other receivables is made when there is objective evidence that the Group will be unable to receive all amounts due according to the original terms of the receivables.

The carrying amounts of trade receivables and other receivables, less any impairment, is presumed to correspond to their fair values, since this item is of a short-term nature.

2.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are financial instruments and include, in both the balance sheet and the statement of cash flows, bank deposits with maturities falling due within three months of the date of acquisition.

2.15 TRADE PAYABLES

Trade payables are financial instruments and concern obligations to pay for goods and services that have been acquired in operating activities from suppliers. Trade payables are classified as current liabilities if they fall due within one year. Otherwise they are recognised as non-current liabilities. Trade payables are initially recognised at fair value and subsequently at accrued cost, applying the effective interest rate method. The carrying amounts of trade payables are presumed to correspond to their fair values, since this item is of a short-term nature.

2.16 BORROWINGS

Liabilities to credit institutions are financial instruments and are initially recognised at fair value, net after transaction expenses. Borrowings are subsequently recognised at accrued cost and any difference between the amount received (net after transaction expenses) and the repayment amount is recognised in profit or loss over the period of the loan, applying the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to delay payment of the liability for at least 12 months after the end of the reporting period. Borrowing costs are recognised in profit or loss in the period to which they refer. Accrued interest is recognised as the short-term portion of current liabilities from credit institutions, in cases where the interest is expected to be settled within 12 months of the balance sheet date.

2.17 SHARE CAPITAL AND CALCULATION OF EARNINGS PER SHARE

Ordinary shares are classified as equity. Transaction expenses that are directly attributable to the issue of new shares are recognised, gross before tax, in equity as a deduction from the issue proceeds. Transaction expenses are recognised as a deduction item under the equity category 'Other contributed capital'. In the Parent Company, preference shares have also been issued. The preference shares are classified as equity. Dividends on preference shares are recognised as a liability in the consolidated financial statements in the period in which the dividend was adopted by the AGM.

2.18 CURRENT AND DEFERRED TAX

The tax expense for the period includes current and deferred tax. Current tax is calculated on the basis of the tax rules enacted or substantively enacted at the balance sheet date in those countries in which the Parent Company and its subsidiaries operate and generate taxable revenue.

Deferred tax is recognised according to the balance sheet method on all temporary differences arising between the taxable value of the assets and liabilities and their carrying amounts in the consolidated accounts. If the temporary difference arises on initial recognition of an asset acquisition, however, deferred tax is not recognised. Deferred income tax is calculated using the tax rates enacted or substantively enacted at the balance sheet date and that are expected to apply when the deferred tax claim in question is realised, or the deferred tax liability is settled.

Deferred tax claims relating to loss carryforwards or other tax deductions are recognised to the extent it is likely that future profits will be available, against which the loss carryforwards can be offset.

2.19 EMPLOYEE BENEFITS

Short-term benefits comprise salary, social security charges, paid holiday, paid sick leave, healthcare and bonuses. Short-term benefits are recognised as a cost and a liability when there is a legal or informal obligation to pay out a benefit.

Pension obligations

Besides monthly remuneration in the form of a salary, the Group also pays fees for defined contribution pension schemes to publicly or privately managed pension insurance schemes on a compulsory, contractual or voluntary basis. The Group has no other payment obligations once such fees have been paid. The fees are recognised as employee expenses when they fall due for payment.

Termination benefits
Termination benefits are paid when an employee's contract is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for such benefits.

2.20 REVENUE RECOGNITION

Rental income
Income comprises the fair value of what is received or what will be received from rental income. Income is recognised exclusive of VAT and discounts, and after elimination of intra-Group sales. Rental income and significant rental discounts are recognised on an accrual basis during the year.

Property revenue and rental discounts are recognised on a straight-line basis in profit or loss, based on the terms of the rental agreement. Advance rent is recognised as prepaid property revenue.

Interest income
Interest income is recorded as income allocated over the term, applying the effective interest rate method.

2.21 LEASES

The Group has entered into a leasing agreement with regard to non-current assets. The agreement is classified as a finance lease in the Group. The asset is recognised at the present value of future lease payments, less depreciation. On the liability side, the present value of remaining future lease payments is recognised as liabilities to credit institutions. The asset is depreciated over its useful life, which corresponds to the lease term.

The lease payments are allocated between interest and repayment of the liability.

The rental agreement with the operator is classified in its entirety as an operating rental agreement. Leasing agreements in which the risks and benefits associated with ownership of the assets are in all material respects borne by the lessor are classified as operating leases. Based on the above, all of the Group's rental agreements are classified as operating leases. Properties that are let under operating leases are included in the item 'Investment properties'. Property revenue and rental discounts are recognised on a straight-line basis in profit or loss, based on the terms of the rental agreement. Advance rent is recognised as prepaid property revenue. Payments made regarding operating leases in which the Group is the lessee are expensed in profit or loss on a straight-line basis over the term of the lease.

2.22 CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with the indirect method. This means that operating earnings are adjusted to take account of transactions that have not resulted in deposits or payments during the period, as well as any income and expenditure attributable to the cash flows of investment or financing activities.

2.23 PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company applies RFR 2 Accounting for Legal Entities. The Parent Company applies accounting policies that differ from those of the Group in the situations detailed below.

Format
The income statement and balance sheet follow the format stipulated in the Swedish Annual Accounts Act. The statement of changes in equity also follows the Group's format, but must include the columns stated in the Swedish Annual Accounts Act. This means there are differences in item names compared with the consolidated accounts, primarily regarding finance income and costs and equity.

Investments in subsidiaries
Investments in subsidiaries are recognised at cost less any impairment. Cost includes acquisition-related expenses and any contingent consideration.

When there is an indication that investments in subsidiaries have declined in value, a calculation is carried out of the recoverable amount. If this is lower than the carrying amount, an impairment is made.

Financial instruments
IAS 39 is not applied in the Parent Company and financial instruments are measured at cost.

Leases
The Parent Company recognises financial lease agreements as operating leases. Lease payments are expensed as an operating expense on a straight-line basis over the term of the lease. Variable rents are expensed in the periods in which they arise.

NOTE 3 SIGNIFICANT JUDGEMENTS AND ESTIMATES

Estimates and judgements are regularly reviewed and are based on historical experience and other factors, including the expected outcomes of future events that are considered reasonable under the circumstances.

Significant estimates and assessments for accounting purposes
The Group makes estimates and assumptions about the future. By definition, the resulting accounting estimates will rarely correspond to the actual outcome. The estimates and assumptions that represent a significant risk of material adjustments to the carrying amounts of assets and liabilities during the coming financial period are presented below.

Classification of investment properties and project properties
When a property is acquired, an assessment is made of whether the property will be retained, sold or developed for the company's own operations. The analysis considers such issues as market development, the company's organisational resources and consolidated cash flow. The assessment has an impact on the Group's earnings and financial position, as the various types of property are treated differently in accounting terms. Investment properties are properties that are held for the purposes of generating rental income and an appreciation in value. Investment properties are recognised at fair value. Properties acquired for the purposes of running a business, primarily hotel operations, are classified as operating properties and recognised at cost.

Valuation of investment properties
Investment properties are recognised at fair value, which is established by the Board of Directors based on the properties' market value. The properties are valued by an external party; a valuer with knowledge of the area and the market. Several factors are taken into account, including sales, market conditions and the location of individual apartments in the property, current condition, size of the terrace, etc., all of which are based on the valuer's experience and interpretations. A valuation certificate is received from the valuer and the Board then makes a decision on the market value of the properties. See Note 10 for further information and sensitivity analysis.

Valuation of trade receivables
The company has receivables on the operator of the operating property that are recognised at nominal value.

NOTE 4 FINANCIAL RISK MANAGEMENT

4.1 FINANCIAL RISK FACTORS

Through its operations, the Group is exposed to a number of different financial risks. These include interest rate risk and liquidity risk. The Group is also exposed to foreign exchange risk, as the Group owns properties in Spain which have mainly been financed via loans in EUR.

A) Interest rate risk – the risk that changes in interest rate levels will have a negative impact on the Group's net profit or loss. The Group's interest rate risk arises primarily via long-term borrowings, the majority of which carry a variable rate. Loans raised with variable rates expose the Group to interest rate risk with regard to cash flow. Most of the Group's loans are in EUR. The company's interest rate risk follows EURIBOR.

Inflation expectations determine the rate and therefore affect the company's net interest income/expense. The interest expense for liabilities comprises a significant cost item for Quartiers. This means that interest rate changes in the longer term may affect Quartiers' earnings and cash flow to a significant extent. Moreover, inflation impacts Quartiers' expenses via, for example, higher running and maintenance costs. In addition, a change in interest rate levels in the economy affects the market's yield requirements for properties, which in turn impacts the market value of the company's property portfolio.

At the balance sheet date, liabilities to credit institutions with variable rates totalled SEK 157,990 thousand (EUR 16,040 thousand) (SEK 161,996 thousand), and the Group's cash and cash equivalents amounted to SEK 6,131 thousand (SEK 10,117 thousand). A change in EURIBOR 12M of +/- 1 percent would affect net interest revenues by +/- SEK 1,580 thousand.

B) Liquidity risk – the risk that the Group lacks cash and cash equivalents to pay its commitments with regard to financial liabilities. The Group's operations, primarily property acquisitions, are mostly financed via loans from external lenders. Interest expenses represent a significant cost and borrowings comprise a substantial portion of the balance sheet total. The Group is involved in project managing property development, which can be delayed or affected by unforeseen or increased costs due to factors that may be within or beyond the Group's control. In such cases, it may mean that projects cannot be completed before loans fall due for payment, or that the costs are not entirely covered by the credits granted. If Quartiers receives loans on unfavourable terms or unnecessary credits, it would have a negative impact on the Group's operations.

The objective of the company's liquidity management is to minimise the risk of the Group having insufficient cash and cash equivalents to fulfil its commercial obligations. Cash flow forecasts are regularly prepared for management. The Board of Directors and management use such forecasts to assess the need to adjust credit facilities and loan terms, as well as the need for various equity instruments such as new share issues or the issue of preference shares.

Future drain on liquidity relates to payment of trade payables and other current liabilities, financing of acquisitions and loan repayments. The first loan repayments began at the end of August 2016. The table below examines the Group and Parent Company's financial liabilities broken down by the time remaining at the balance sheet date, up until the contractual maturity date. The amounts stated in the table are the contractual, undiscounted cash flows.

Group, 31 December 2017	<1 year	1–2 years	2–5 years	>5 years
Liabilities to credit institutions	12,612	11,957	57,861	75,561
Leasing liability	553	586	1,239	
Liability purchase price		13,297		
Trade payables	2,010			
Other current liabilities	9,839			

Group, 31 December 2016	<1 year	1–2 years	2–5 years	>5 years
Liabilities to credit institutions	9,312	12,249	33,659	106,782
Leasing liability	553	586	1,759	
Trade payables	1,301			
Other current liabilities	11,053			

Parent Company, 31 December 2017	<1 year	1–2 years	2–5 years	>5 years
Trade payables	1,246			
Other current liabilities	6,559			

Parent Company, 31 December 2016	<1 year	1–2 years	2–5 years	>5 years
Trade payables	2,317			
Other current liabilities	10,048			

C) Foreign exchange risk – the company conducts property management in Spain and is therefore exposed to the risk of exchange rate fluctuations having a negative impact on the Group's profit or loss, balance sheet and/or cash flow. The company's reporting currency is SEK and its most important operating currency is EUR. At present the only and most significant exposure is EUR/SEK, and it comprises the translation risk arising when the earnings and financial position of the foreign subsidiary are translated from EUR to SEK. Furthermore, fluctuations in the EUR/SEK exchange rate can affect the translation of property valuations made in EUR. The properties owned by the Spanish subsidiaries are mainly financed using bank borrowings. The bank loan for the Spanish properties is in EUR. At 31 December 2017 (2016), the Group's interest-bearing liabilities in EUR corresponded to SEK 157,990 thousand (SEK 161,996 thousand). On the same date, the Spanish properties' market values amounted to SEK 560,500 thousand (SEK 319,267 thousand). This means that the Parent Company's shareholding in the foreign Group company is exposed to exchange rate fluctuations.

Sensitivity analysis
The purpose of this sensitivity analysis is to demonstrate in terms of effects and risks the impact of exchange rate fluctuations on the company's earnings and equity. The analysis illustrates the effect of a 10-percent decline in the value of the Swedish krona for the current financial year, assuming other risk factors remain constant. The impact has only been included for key currency flows, for the current financial year and chiefly in EUR.

Group, SEK thousand	2017	2016
Effect on profit for the year:	-3,617	-6,059
Effect on equity:	-5,007	-7,941

D) Credit risk – The company has receivables on the operator that leases the company's investment properties. At the balance sheet date, the claim amounted to SEK 6,584 thousand. The claim was due on the balance sheet date. According to the established amortisation schedule, the claim is to be repaid in its entirety by 31 December 2018.

4.2 CAPITAL RISK MANAGEMENT
The Group's objective with regard to its capital structure is to ensure the Group's ability to continue operations, so that it can continue to generate a return for its shareholders and benefit for other stakeholders, and maintain an optimal capital structure to keep capital costs to a minimum.

Quartiers Properties assesses capital on the basis of its debt/equity ratio, as do other companies in the same industry. This key ratio is calculated by dividing net debt by total capital. Net debt is calculated as total borrowings (including short- and long-term borrowings in the consolidated balance sheet), less cash and cash equivalents. Total capital is calculated as equity in the consolidated balance sheet plus net debt.

	31/12/2017	31/12/2016
Total borrowings (Note 22)	177,195	164,893
Deduct: Cash and cash equivalents	-6,131	-10,117
Net debt	171,064	154,776
Shareholders' equity	344,157	141,333
Total capital	498,395	296,109
Debt/equity ratio	34%	52%

The current debt/equity ratio is significantly below the range for the Board's target debt/equity ratio. The Board's target is for the debt/equity ratio to be within the range 55–70 percent to achieve yield requirements on equity.

NOTE 5 RENTAL INCOME
Rental income relates to long-term letting to an operator. The rental contract has been classified as an operating lease.

NOTE 6 SEGMENT REPORTING

Quartiers Properties has had three operating segments since 1 July 2017: Property Development, Property Management, and Hotel Operations. This assessment is based on differences in the nature of the businesses. Following the transfer of ownership of the hotel property, the Hotel Operations segment has been temporarily limited. Extensive refurbishments are planned for 2018.

The company's investment properties are located exclusively in Spain and 100 percent of the revenue is derived from the letting of investment properties to an external operator.

Project properties (SEK thousand)	Project Development	Property Management	Hotel Operations	Group items and eliminations	Total	Project Development	Property Management	Hotel Operations	Group items and eliminations	Total
	01/01/2017 to 31/12/2017					01/01/2016 to 31/12/2016				
Operating revenue	–	–	–	–	–	–	–	–	–	–
Rental income	–	9,494	–	–	9,494	–	4,242	–	–	4,242
Other income				463	463				38	38
Net sales	**–**	**9,494**		**463**	**9,956**		**4,242**		**38**	**4,280**
Operating expenses										
Production expenses	–									
Property expenses	–	-11,531			-11,531		-4,716			-4,716
Central administration	–			-9,105	-9,105				-7,393	-7,393
Other operating expenses	–									
Total operating expenses	**–**	**-11,531**		**-9,105**	**-20,636**		**-4,716**		**-7,393**	**-12,109**
Other significant operating items										
Change in value investment properties	–	39,042			39,042		49,188			49,188
Other	–									
Total other significant operating expenses	**–**	**39,042**			**39,042**		**49,188**			**49,188**
Operating profit/loss		**37,005**		**-8,643**	**28,363**		**48,714**		**-7,355**	**41,359**
Finance income				78	78				1,384	1,384
Finance costs	-315	-1,764		-2,317	-4,395		-1,764		-4,695	-6,459
Profit/loss from financial items	**-315**	**-1,764**		**-2,238**	**-4,317**		**-1,764**		**-3,311**	**-5,075**
Income tax		-9,761			-9,761		-12,297			-12,297
Profit/loss for the period	**-315**	**25,481**		**-10,881**	**14,285**		**34,653**		**-10,666**	**23,987**
Assets										
Investment properties		290,241			290,241		**245,027**			**245,027**
Operating properties			94,502		94,502					–
Other property, plant and equipment	631	7,400	203		8,235		7,915			7,915
Project properties	111,284				111,284	50,373				50,373

NOTE 7 FEES TO AUDITORS

Group

Auditing assignments pertain to the auditing of the annual accounts and accounting records, as well as the administration of the Board and the CEO, other tasks required of the company's auditors and advisory services and representation occasioned by observations during such audits or such other tasks.

	01/01/2017 31/12/2017	01/01/2016 31/12/2016
PwC		
Audit assignment	658	243
Audit activities in addition to the audit assignment	135	89
	793	**332**

Parent Company

Auditing assignments pertain to the auditing of the annual accounts and accounting records, as well as the administration of the Board and the CEO, other tasks required of the company's auditors and advisory services and representation occasioned by observations during such audits or such other tasks.

	01/01/2017 31/12/2017	01/01/2016 31/12/2016
PwC – Öhrlings Pricewaterhousecoopers AB		
Audit assignment	368	243
Audit activities in addition to the audit assignment	135	89
	503	**332**

NOTE 8 EMPLOYEE BENEFITS

Group	**01/01/2017 31/12/2017**	**01/01/2016 31/12/2016**
Average no. of employees		
Men	1.5	0.5
Women	1	1
Total	**2**	**1.5**
Salaries and other remuneration		
Board members, CEO	1,379	1,914
Other employees	729	109
Total salaries and other remuneration	**2,108**	**2,023**
Social security contributions		
Pension costs	99	204
Other social security charges according to law and agreements	561	391
Total social security contributions	**660**	**595**
Total salaries, remuneration, social security contributions and pension costs	**2,768**	**2,618**

NOTE 9 REMUNERATION AND BENEFITS TO BOARD MEMBERS AND SENIOR EXECUTIVES

Group 2017, SEK thousand	Fee/salary	Pension	Total
Jörgen Cederholm, Chairman of the Board	160		160
Andreas Bonnier, Board member *)	0		0
Åke Olofsson, Board member	399		399
Sten Andersen	80		80
Jimmie Hall	80		80
Katri Lind, CEO	660	90	750
Other senior executives (1)	528	26	554
Total	**1,907**	**116**	**2,023**

Group 2016, SEK thousand	Fee/salary	Pension	Total
Jörgen Cederholm, Chairman of the Board	510	0	510
Andreas Bonnier, Board member	80	0	80
Åke Olofsson, Board member	332	0	332
Jeremy Hoffmann, CEO	598	65	663
Katri Lind, CEO	394	139	533
Other senior executives (0.25)	109	0	109
Total	**2,023**	**204**	**2,227**

*) Andreas Bonnier resigned from the Board of Directors in July 2017.

Board of Directors
Fees are paid according to a resolution by the AGM to the Chairman of the Board and other Board members elected by the AGM. No pensions are paid to the Board.

The 2017 AGM resolved that Board fees of SEK 160,000 shall be paid to the Chairman and SEK 80,000 to each of the other Board members elected by the AGM, with the exception of Board members who have extensive consulting assignments within the Group.

See also information under Note 31 Transactions with related parties.

CEO and Group management
Remuneration to the CEO comprises fixed remuneration and a pension. In 2017, the CEO received remuneration corresponding to SEK 660 thousand (SEK 1,260 thousand). The Board of Directors received remuneration corresponding to SEK 320 thousand (SEK 922 thousand). In addition to the fixed Board fee of SEK 160 thousand plus social security contributions, the Chairman of the Board invoiced the company for travel and other expenses in the amount of SEK 4 thousand. Payments have been made to Board member Åke Olofsson in 2017 according to a consultancy contract, in the amount of EUR 3,500 per month, corresponding to approximately SEK 300 thousand (SEK 332 thousand).

Since October, Group management has consisted of two individuals: the CEO and the company's CFO.

Group management has no variable remuneration agreement for 2017.

None of the company's employees have agreements regulating severance pay in the event of the company giving notice.

NOTE 10 INVESTMENT PROPERTIES

The company's investment properties are recognised in the balance sheet at fair value. Fair value, also known as market value, is the estimated price that would likely be paid/received for the company's properties at a given time were they to be offered on a free and open market with sufficient marketing time, without party relationships or coercion.

The company's investment properties have been valued by a certified valuer from CBRE Valuation Advisory S.A. The valuation has been carried out in accordance with RICS international property measurement guidelines (RICS Valuation – Professional Standards, The Red Book).

All fair value changes for investment properties have been implemented using unobservable data. The valuation is classed as Level 3 according to the fair value hierarchy, IFRS 13.

Hacienda de Cifuentes

The company's 99 apartments in Hacienda de Cifuentes have been classified as investment properties and recognised accordingly at fair value in the balance sheet. The valuation at 31 December 2017 amounted to EUR 29.5 million (SEK 290.2 million), corresponding to an average of EUR 298 thousand (SEK 2,931 thousand) per apartment. Compared with year-end at 31 December 2016, the values of the apartments have been adjusted upwards by 18.4 percent, corresponding to SEK 45.2 million, of which SEK 7.2 million relates to exchange rate fluctuations. The increase in value, excluding exchange rate fluctuations, is reflected in the income statement under the item 'Change in the value of investment properties'.

Each apartment constitutes a single property and has been valued separately in accordance with the comparable sales method. The comparable sales method involves the examination of comparable transactions, taking account of location, standard and size, and making adjustments to achieve an assessment of the actual market value that is as precise as possible. In order to standardise the price per square metre in the comparison analysis, 30 percent of the terrace/balcony area has been included in the assessment. Including part of the terrace/balcony area in the analysis allows the valuer to check the effect that a larger or smaller terrace/balcony may otherwise have on the total sales price, and on a price per square metre that does not take account of the size of the terrace/balcony.

Group	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Opening fair value	**245,027**	**138,267**
Cost of properties acquired during the year	–	74,066
Investments	521	
Exchange rate differences	6,858	5,498
Changes in value	39,042	49,187
Reclassifications	-1,207	-21,991
Closing fair value	**290,241**	**245,027**
Details about investment properties		
Cost	169,647	165,771
Carrying amount	290,241	245,027

Sensitivity analysis

If the assumed average price per square metre goes up or down by 10 percent, the total value of the properties will change to the equivalent extent. A 10 percent increase would mean the total value of the properties would be SEK 319.3 million. A corresponding decline would mean the total value of the properties would be SEK 261.2 million.

NOTE 11 OPERATING PROPERTIES

The company's operating properties are recognised at cost less any depreciation and potential impairment losses.

The operating properties consist of several components with varying useful lives. The primary classification is buildings and land. No depreciation is carried out on the land component, which is deemed to have an unlimited useful life. The buildings comprise several components with varying useful lives. Additional expenses are added to the cost only if it is likely that the future economic benefits associated with the asset will be received by the company, and the cost can be reliably determined.

All other additional expenses are recognised as a cost in the period in which they arise. In light of the extensive refurbishments that are to be carried out on the company's operating property in 2018, and the currently very limited hotel operations being conducted at the property, no depreciation on individual components has occurred in 2017. Depreciation will begin following completed refurbishment. Depreciation will be carried out on the components that have been identified.

Group	**01/01/2017 31/12/2017**	**01/01/2016 31/12/2016**
Opening cost	0	0
Cost of properties acquired during the year	92,848	0
Investments	121	0
Exchange rate differences	1,533	0
Reclassifications		0
Closing accumulated costs	**94,502**	**0**

NOTE 12 OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

Group	**01/01/2017 31/12/2017**	**01/01/2016 31/12/2016**
Earnings from short-term investments	78	830
Exchange rate differences		554
Total	**78**	**1,384**

Parent Company	**01/01/2017 31/12/2017**	**01/01/2016 31/12/2016**
Earnings from short-term investments	78	830
Interest income	4,900	2,578
Total	**4,978**	**3,408**

NOTE 13 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

Group	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Impairment of non-current financial assets	1,005	3,823
Interest expenses	3,393	2,636
Total	**4,395**	**6,459**

Parent Company	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Interest expenses	1,086	873
Total	**1,086**	**873**

NOTE 14 INCOME TAX/TAX ON EARNINGS FOR THE PERIOD

Group	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Tax on earnings for the period		
Deferred tax with regard to temporary differences	-9,761	-12,297
Total recognised tax	**-9,761**	**-12,297**
Reconciliation of effective tax		
Recognised profit/loss before tax	24,045	36,284
Tax according to current tax rate, 22%	-5,290	-7,982
Non-deductible costs	-244	-856
Tax losses for which no deferred tax asset is recognised	-5,913	-2,465
Effect of foreign tax rate, 25% (25%)	1,686	-993
Recognised effective tax 40.6 (33.9)%	-9,761	-12,297

Deferred tax on temporary differences 01/01/2017–31/12/2017

Temporary differences	Deferred tax assets	Deferred tax liabilities	Net
Surplus values, properties	0	-33,979	-33,979
	0	**-33,979**	**-33,979**

Change in deferred tax	Recognised in profit/loss	Amount at end of period
Deductible temporary differences	-9,761	-33,797

01/01/2016–31/12/2016

Temporary differences	Deferred tax assets	Deferred tax liabilities	Net
Surplus values, properties	0	-22,233	-22,233
	0	**-22,233**	**-22,233**

Change in deferred tax	Recognised in profit/loss	Amount at end of period
Deductible temporary differences	-12,297	-22,233
	-12,297	**-22,233**

Earnings are in principle attributable to the change in the value of the investment properties in Spain. At the balance sheet date the subsidiary, Flexshare España, S.L., which owns the market valued investment properties, has an income tax rate of 25 percent (25). An income tax rate of 25 percent has therefore been used in the Group. The Group has loss carryforwards of SEK 40,788 thousand (SEK 15,287 thousand), of which SEK 15,287 thousand (SEK 12,283 thousand) is attributable to the Parent Company. No deferred tax asset on loss carryforwards is recognised.

Parent Company	31/12/2017	31/12/2016
Reconciliation of effective tax		
Recognised profit/loss before tax	-4,455	-4,188
Tax according to current tax rate, 22%	978	921
Non-deductible costs	-22	-14
Share issue expenses recognised in equity	2,433	1,147
Tax losses for which no deferred tax asset is recognised	3,388	2,054
Recognised effective tax	**0**	**0**

NOTE 15 EQUIPMENT, TOOLS AND MACHINERY

Group	31/12/2017	31/12/2016
Opening carrying amount	7,916	0
Purchases	1,491	9,004
Reclassification	285	0
Exchange rate differences	372	0
Depreciation/amortisation	-1,829	-1,088
Closing carrying amount	**8,235**	**7,916**

Of the closing carrying amount, SEK 2,319 thousand (SEK 2,898 thousand) relates to leased assets. Depreciation is recognised in profit or loss as property expenses.

Parent Company	31/12/2017	31/12/2016
Opening carrying amount	4,465	0
Purchases	0	5,520
Depreciation/amortisation	-1,104	-1,055
Closing carrying amount	**3,361**	**4,465**

Depreciation is recognised in the income statement as other external expenses.

NOTE 16 NON-CURRENT FINANCIAL ASSETS

Group	31/12/2017	31/12/2016
Bonds		
Cost	9,636	9,636
Impairment	-4,633	-3,822
Carrying amount	**5,003**	**5,814**
Other non-current receivables	38	38
Total non-current financial assets	**5,041**	**5,852**

The cost is made up of the acquisition of shares in Spanish bank Banco Popular. The company received bonds in Banco Santander in December 2017. This took place after Banco Santander took over operations in Banco Popular in June 2017. The bonds are subject to trading and the asset has been recognised at market value, which comprises the market rate on the balance sheet date. The valuation is classed as Level 1 according to the fair value hierarchy, IFRS 13.

Parent Company	31/12/2017	31/12/2016
Prepaid leases	600	800
Other non-current receivables	38	38
Total other non-current receivables	638	838
Other	38	38

NOTE 17 FINANCIAL INSTRUMENTS BY CATEGORY

Group, SEK thousand 31/12/2017	Financial assets measured at fair value in profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Assets in the balance sheet				
Other long-term securities holdings	5,003	0	0	5,003
Other non-current receivables	0	38	0	38
Trade receivables	0	6,767	0	6,767
Other receivables	0	7,161	0	7,161
Cash and cash equivalents	0	6,131	0	6,131
Total	**5,003**	**20,097**	**0**	**25,100**

Group, SEK thousand 31/12/2017	Other financial liabilities	Total
Liabilities in the balance sheet		
Long-term borrowings from credit institutions	147,338	147,338
Short-term borrowings from credit institutions	13,030	13,030
Trade payables	2,010	2,010
Other liabilities	8,453	8,453
Total	**170,831**	**170,831**

Group, SEK thousand 31/12/2016	Financial assets measured at fair value in profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Assets in the balance sheet				
Other long-term securities holdings	5,814	0	0	5,814
Other non-current receivables	0	38	0	38
Trade receivables	0	7,885	0	7,885
Other receivables	0	13,191	0	13,191
Financial investments	0	263	0	263
Cash and cash equivalents	0	10,117	0	10,117
Total	**0**	**31,494**	**0**	**37,308**

Group, SEK thousand 31/12/2016	Other financial liabilities	Total
Liabilities in the balance sheet		
Long-term borrowings from credit institutions	152,690	152,690
Short-term borrowings from credit institutions	12,203	12,203
Trade payables	1,301	1,301
Other liabilities	9,607	9,607
Total	**177,254**	**177,254**

Parent Company, SEK thousand 31/12/2017	Financial assets measured at fair value in profit or loss	Loans and receivables	Total
Assets in the balance sheet			
Other non-current receivables	0	638	638
Receivables from Group companies	0	19,233	19,233
Other receivables	0	417	417
Financial investments	0	0	0
Cash and cash equivalents	0	3,794	3,794
Total	**0**	**24,082**	**24,082**

Parent Company, SEK thousand 31/12/2017	Other financial liabilities	Total
Liabilities in the balance sheet		
Trade payables	1,246	1,246
Other liabilities	5,567	5,567
Total	**6,813**	**6,813**

Parent Company, SEK thousand 31/12/2016	Financial assets measured at fair value in profit or loss	Loans and receivables	Total
Assets in the balance sheet			
Other non-current receivables	0	838	838
Receivables from Group companies	0	48,105	48,105
Other receivables	0	13,063	13,063
Financial investments	0	263	263
Cash and cash equivalents	0	6,390	6,390
Total	**0**	**68,659**	**68,659**

Parent Company, SEK thousand 31/12/2016	Other financial liabilities	Total
Liabilities in the balance sheet		
Long-term borrowings from credit institutions	0	0
Trade payables	2,317	2,317
Other liabilities	9,104	9,104
Total	**12,365**	**12,365**

The carrying amount, less any impairment, of trade receivables and other receivables and trade payables and other liabilities, is presumed to correspond to their fair values, since these items are of a short-term nature.

The carrying amount of long-term securities holdings consists of the cost, adjusted for non-temporary changes in value.

The loan from the credit institution is valued at amortised cost according to Level 2 in the fair value hierarchy, IFRS 13. Liabilities to credit institutions carry variable interest and the refinancing terms are not deemed to have changed appreciably since the loans were raised, which means that the carrying amount is considered to be consistent with the fair value.

NOTE 18 PROJECT PROPERTIES

Group	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Opening fair value	**50,373**	**0**
Cost of properties acquired during the year	49,704	26,405
Investments in properties	8,057	937
Exchange rate differences	2,228	1,040
Reclassifications	922	21,991
Closing carrying amount	**111,284**	**50,373**

NOTE 19 TRADE RECEIVABLES

Group	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Trade receivables	6,767	7,885
Less: provision for doubtful receivables	0	0
Total	**6,767**	**7,885**

The Group’s trade receivables relate in all material respects to receivables on the operator of the company’s investment properties.

Parent Company	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Trade receivables	18	3,623
Less: provision for doubtful receivables	0	0
Total	**18**	**3,623**

NOTE 20 OTHER RECEIVABLES

Group	31/12/2017	31/12/2016
Deposits and down payments	4,910	13,000
VAT-related receivables	1,764	84
Other items	487	107
Total	**7,161**	**13,191**

Parent Company	31/12/2017	31/12/2016
Deposit paid	0	13,000
VAT-related receivables	177	0
Other items	27	63
Total	**204**	**13,063**

NOTE 21 PREPAID EXPENSES AND ACCRUED INCOME

Group	31/12/2017	31/12/2016
Advance payments to suppliers	14,164	246
Prepaid rent	33	51
Prepaid leases	64	0
Other	27	0
Total	**14,288**	**297**

Parent Company	31/12/2017	31/12/2016
Prepaid leases, short-term component	200	200
Prepaid rent	33	51
Costs to be charged on	3,800	0
Advance payments to suppliers	212	246
Other	90	0
Total	**4,335**	**497**

NOTE 22 SHAREHOLDERS' EQUITY

A specification of changes in equity can be found in the statement of changes in equity, which follows immediately after the balance sheet.

Share capital in the Parent Company, Quartiers Properties AB (publ), amounts to SEK 1,314 thousand and is allocated across 52,542,966 shares. Of these shares, 48,462,896 are ordinary shares and 4,080,700 are preference shares. Unregistered share capital amounts to SEK 50 thousand and is allocated among 2,000,000 preference shares. The company's ordinary and preference shares are subject to trading on Nasdaq First North.

The shares have a quota value of SEK 0.025 per share. Ordinary shares carry ten votes and preference shares carry one vote each. All shares registered at the balance sheet date are fully paid.

The company has no outstanding warrants at the balance sheet date.

CHANGES IN SHARE CAPITAL

Year	Event	Increase in number of shares	Number of shares	Issue amount	Comparable subscription price per share[1]	Change Share capital	Registered
2017	New share issue	350,000	54,542,966	SEK 3,500,000	SEK 10.00 (P)	8,750.00	16/01/2018
2017	New share issue	1,650,000	54,192,966	SEK 16,500,000	SEK 10.00 (P)	41,250.00	15/01/2018
2017	Exercise of share options	2,531,340	52,542,966	SEK 8,859,690	SEK 3.50 (O)	63,283.00	03/10/2017
2017	Exercise of share options	3,410,680	50,011,626	SEK 11,937,380	SEK 3.50 (O)	85,267.00	03/10/2017
2017	Exercise of share options	797,800	46,600,946	SEK 2,792,300	SEK 3.50 (O)	19,945.00	13/09/2017
2017	Exercise of share options	969,760	45,803,146	SEK 3,394,160	SEK 3.50 (O)	24,244.00	13/09/2017
2017	New share issue	4,000,000	44,833,386	SEK 60,000,000	SEK 15.00 (O)	100,000.00	14/06/2017
2017	New share issue	3,182,862	40,833,386	SEK 47,742,930	SEK 15.00 (O)	79,571.55	14/06/2017
2017	New share issue	921,555	37,650,524	SEK 13,823,325	SEK 15.00 (O)	23,038.88	08/06/2017
2017	New share issue	1,990,899	36,728,969	SEK 29,863,485	SEK 15.00 (O)	49,772.48	08/06/2017
2017	Split 10:1	n/a	34,738,070	n/a	n/a	n/a	28/02/2017
2016	New share issue	309,457	3,473,807	SEK 21,650,700	SEK 10.00 (P) & SEK 3.50 (O)	77,364.25	14/12/2016
2016	New share issue	11,550	3,164,350	SEK 1,155,000	SEK 10.00 (P)	2,887.50	25/08/2016
2016	New share issue	60,775	3,152,800	SEK 6,077,500	SEK 10.00 (P)	15,193.75	15/08/2016
2016	New share issue	48,962	3,092,025	SEK 4,896,200	SEK 10.00 (P)	12,240.50	13/07/2016
2016	New share issue	120,263	3,043,063	SEK 12,026,300	SEK 10.00 (P)	30,065.75	04/07/2016
2016	Split 400:1		2,922,800				
2016	New share issue	2,307	7,307	SEK 27,684,000	SEK 3.00 (O)	230,700.00	01/06/2016
2015	New share issue	4,000	5,000	SEK 400,000	SEK 0.01 (O)	400,000.00	25/11/2015
2015	New share issue	500	1,000	SEK 25,000,000	SEK 12.50 (O)	50,000.00	21/09/2015
2014	Company formation	500	500	–	–	50,000.00	01/07/2014

[1] 'P' refers to preference share. 'O' refers to ordinary share.

NOTE 23 BORROWINGS

Group	31/12/2017	31/12/2016
Long-term		
Bank borrowings	145,379	152,690
Leasing liability	1,825	2,345
Liability purchase price	**13,297**	
	160,501	152,690
Short-term		
Leasing liability	553	553
Bank borrowings	12,612	9,305
Short-term loans from other lenders (not credit institutions)	3,530	0
Total	**16,695**	**12,203**

Loans have been raised via Banco Popular in Spain and will be amortised over a period of 15 years. The total loan amount is EUR 16,040 thousand, which corresponds to SEK 157,990 thousand. Revaluation into SEK has been carried out in accordance with the Riksbank's exchange rate at the balance sheet date.

Opening borrowings in EUR amounted to the equivalent of SEK 164,893 thousand. An amount corresponding to SEK 9,483 thousand was repaid in 2017.

The loans carry a variable interest rate and the company has been repaying them since August 2016. The interest amounts to between 1.25 and 1.375 percent.

It is estimated that the fair value of short- and long-term borrowings corresponds almost exactly to their carrying amounts. Collateral is pledged in the company's properties; see Note 26.

Borrowings are classified as Level 2 in the fair value hierarchy, in accordance with IFRS 13.

The maturity analysis of borrowings below examines the Group and Parent Company's financial liabilities broken down by the time remaining at the balance sheet date, up until the contractual maturity date. The amounts stated in the table are the contractual, undiscounted cash flows.

Group, 31 December 2017	<1 year	1–2 years	2–5 years	>5 years
Liabilities to credit institutions	12,612	11,957	57,861	75,561
Leasing liability	553	586	1,239	
Liability purchase price		13,297		
Trade payables	2,010			
Other current liabilities	9,839			

Parent Company, 31 December 2017	<1 year	1–2 years	2–5 years	>5 years
Trade payables	1,246			
Other current liabilities	6,559			

NOTE 24 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities relate to the outstanding purchase price for Centro Forestal Sueco. The amount corresponds to 10 percent of the total purchase price and will be paid in connection with the adoption of the new detailed plan. Should the number of development rights in the new detailed plan prove fewer than the number of development rights in the repealed detailed plan in Marbella, the remaining 10 percent of the purchase price may be revised down.

NOTE 25 OTHER CURRENT LIABILITIES

Group	**31/12/2017**	**31/12/2016**
Liabilities to related parties	11	3,847
Short-term loans from other lenders (not credit institutions)	3,530	0
Liability, preference share dividend	1,958	1,739
Other	2,945	4,021
Total	**8,453**	**9,607**

Parent Company	**31/12/2017**	**31/12/2016**
VAT-related liabilities	0	291
Liabilities to related parties	11	3,847
Short-term loans from other lenders (not credit institutions)	3,530	0
Liability, preference share dividend	1,958	1,739
Other	68	3,227
Total	**5,567**	**9,104**

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

Group	31/12/2017	31/12/2016
Accrued holiday pay	152	240
Accrued social security charges	48	58
Other accrued expenses	1,096	1,155
Total	**1,296**	**1,453**

Parent Company	31/12/2017	31/12/2016
Accrued salaries and holiday pay	152	240
Accrued social security charges	48	58
Other accrued expenses	792	646
Total	**992**	**944**

NOTE 26 COMMITMENTS FOR FUTURE INVESTMENTS

At the balance sheet date, the Group had not entered into any binding agreements regarding property acquisitions.

NOTE 27 PLEDGED ASSETS

Group	31/12/2017	31/12/2016
For liabilities to credit institutions		
Leased non-current assets with reservation of title	2,378	2,898
Property mortgages	201,973	201,973
Total	**204,351**	**204,871**
Other pledged collateral		
Pledged shares in subsidiaries	13,297	0

Pledged shares in subsidiaries relate to pledging of all shares in the subsidiary CFS Residential Property AB to Andreas Bonnier, who in turn has entered into a personal surety commitment as collateral for the outstanding purchase price for the acquisition of Centro Forestal Sueco. In connection with this, the company also has a commitment to hold Andreas Bonnier harmless for the personal surety he has submitted for the benefit of the company.

Other than this, the Parent Company has no pledged assets.

NOTE 28 INVESTMENTS IN GROUP COMPANIES

Parent Company	31/12/2017	31/12/2016
Opening accumulated cost	19,480	19,480
Purchases	29	0
Capital contributions paid via conversion of loans	200,200	
Closing accumulated costs	219,709	19,480
Closing carrying amount	**219,709**	**19,480**

Name Corp. reg. no	Share of equity	Share of voting power	Carrying amount	Shareholders' equity	Earnings	Registered office
Flexshare España, S.L. B19567130	100%	100%	94,998	73,918	-10,388	Malaga
Quartiers Properties Holding SL B93528750	100%	100%	124,711	127,108	-875	Malaga

NOTE 29 RECEIVABLES FROM GROUP COMPANIES

The claim concerns short-term loan receivables from Flexshare España, S.L and Quartiers Holding SL.

Parent Company	31/12/2016	31/12/2016
Opening carrying amount	48,105	4,653
Additional receivables	171,328	43,452
Conversion to capital contributions	-200,200	0
Closing carrying amount	**19,233**	**48,105**

NOTE 30 EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share has been based on earnings for the year attributable to the Parent Company's ordinary shareholders amounting to 19,251, having taken account of the preference shares' portion of earnings for the year of 3,917. Earnings less the preference shares' portion, 15,334, have been divided by a weighted average number of shares during the year, amounting to 38,520,134.

Weighted average number of ordinary shares outstanding	31/12/2017	31/12/2016
Opening total number of shares:	25,442,580	20,000,000
Effect of newly issued shares	13,077,554	5,442,580
Average number of ordinary shares	38,520,134	25,442,580

Weighted average number of diluted ordinary shares outstanding	31/12/2017	31/12/2016
Average number of ordinary shares before dilution	38,520,134	25,442,580
Effect of warrants	–	2,286,780
Weighted average	**38,520,134**	**27,729,360**

The comparison figures have been adjusted for the 10:1 share split. There are no outstanding warrants at the balance sheet date.

NOTE 31 APPROPRIATIONS

The following funds are at the disposal of the AGM:

Share premium reserve	279,852,112
Retained earnings	-13,281,052
Profit/loss 2017	-4,445,168
Total available funds	**262,125,892**

The Board of Directors proposes that a dividend be paid on the company's existing preference shares and preference shares that may be issued, for a total maximum amount of SEK 12,000,000. The remaining amount, i.e. SEK 250,125,892, shall be carried forward.

The dividend shall be distributed in the amount of 24 öre per preference share and quarter, and the standard record dates for dividends shall be 29 June 2018, 28 September 2018, 28 December 2018, 29 March 2019 and 28 June 2019. The dividend adopted by the 2017 AGM with a record date of 31 March 2018 has been taken into account within the framework of the annual accounts for the 2017 financial year and has thus already been deducted from the amount at the disposal of the AGM.

NOTE 32 TRANSACTIONS WITH RELATED PARTIES

Åke Olofsson
The subsidiary Flexshare España SL and Quartiers Board member Åke Olofsson entered into a consultancy agreement in March 2016. Payments were made in 2017 in accordance with this agreement in the amount of SEK 332.5 thousand (EUR 35,000) excluding VAT.

Jörgen Cederholm
Quartiers Properties has entered into a loan agreement with Fastighets Aktiebolag Bränneröd and Rocet AB. The company's Chairman, Jörgen Cederholm, owns shares in these companies, which in turn own shares in Quartiers Properties. Interest has been paid at 1.5 percent per month. A total of around SEK 272 thousand has been paid in interest during the year. In the rights issue that was carried out in May 2017, the lenders offset 100 percent of the outstanding claim of SEK 4,100 thousand against shares.

Andreas Bonnier
In connection with the handover of the properties referred to as Centro Forestal Sueco, Andreas Bonnier, who is the largest shareholder of the company via his own company Egonomics AB, provided a personal guarantee as security for the outstanding purchase price amounting to EUR 1.35 million. Consequently, the company and Andreas Bonnier have entered into an agreement, according to which the company undertakes to hold Andreas Bonnier harmless in the event that the guarantee commitment is required. As security for the company holding him harmless, Andreas Bonnier has received a pledge for all shares in the subsidiary CFS Residential Property S.L. See also press release dated 30 June 2017.

See also Note 9 regarding remuneration to Board members.

NOTE 33 EVENTS AFTER BALANCE SHEET DATE

On 8 March, the company entered into an agreement to start a joint venture together with Ruben Otero, located in Puerto Banús. The joint company, 50 percent of which is owned by Quartiers, will manage the sales and marketing process for both parties' projects and offer equivalent services to other developers and property owners.

On 27 March, the company signed an agreement with the major Spanish bank BBVA regarding an unsecured corporate loan of EUR 1.0 million. The loan was granted to Quartiers Properties Holding S.L. The loan has a maturity of 36 months and carries a fixed annual interest rate of 3.5 percent.

On 4 April 2018, the company signed an agreement with the Madrid-based property fund Frux regarding a credit line of EUR 2.5 million. The loan carries a fixed annual interest rate of 13.0 percent on the capital received for the period. The CFS Residential property has been pledged as collateral for the loan, together with shares in the subsidiary that owns the property, CFS Residential Property SL. The subsidiary Flexshare España SL has also pledged a company guarantee for the loan. No other assets exist in CFS Residential Property SL besides the property that has been pledged as collateral.

On 5 April 2018, the company entered into an agreement on the acquisition of a plot of 3,781 square meters next to the company's existing property Centro Forestal Sueco. The agreement is a call option that the company intends to exercise by 1 October 2018. Quartiers made a payment of EUR 200,000 in connection with the signing of the option agreement. The total purchase price amounts to EUR 1,788 thousand, and it will be paid via annual instalments up until May 2022.

CERTIFICATION BY THE BOARD OF DIRECTORS AND THE CEO

The consolidated accounts and annual accounts have been prepared in accordance with the international accounting standards referred to in the European Parliament and Council's regulation (EC) no 1606/2002 dated 19 July 2002 regarding the application of international accounting standards and generally accepted accounting principles, and provides a true and fair view of the Group and Parent Company's position and performance. The Directors' Report for the Group and Parent Company gives an accurate overview of performance.

Stockholm, 9 May 2018

Jörgen Cederholm
Chairman of the Board

Katri Lind
Chief Executive Officer

Jimmie Hall
Board member

Åke Olofsson
Board member

Sten Andersen
Board member

Our auditor's report was presented on 9 May 2018

Öhrlings PricewaterhouseCoopers AB

Henrik Boman
Authorised Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of the shareholders of Quartiers Properties AB (publ), corp. reg. no 556975-7684

REPORT ON THE ANNUAL AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Quartiers Properties AB (publ) for 2017. The company's annual accounts and consolidated accounts are provided on pages 19–58 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the Parent Company's financial position at 31 December 2017 and of its financial performance and cash flow for the year, according to the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the financial position of the Group at 31 December 2017 and of its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other sections of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting of shareholders adopt the consolidated statement of comprehensive income and the consolidated statement of financial position, as well as the income statement and balance sheet for the Parent Company.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail under the section 'Auditor's responsibilities'. We are independent in relation to the Parent Company and the Group in accordance with rules of professional ethics in Sweden, and have in all other respects fulfilled our professional responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OTHER INFORMATION BESIDES THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document contains other information in addition to the annual accounts and consolidated accounts, which can be found on pages 1–18 and pages 62–63. The Board of Directors and the CEO are responsible for this other information.

Our opinion with regard to the annual accounts and consolidated accounts does not extend to this information, and we do not provide a statement of assurance concerning such other information.

In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether such information deviates significantly from the annual accounts and consolidated accounts. During the course of this review we also consider the knowledge we have otherwise obtained during our audit, and we make an assessment of whether the information in general appears to contain any material misstatements.

If, based on the work that has been carried out regarding this information, we conclude that the other information contains a material misstatement, we are obliged to report the matter. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and CEO are responsible for ensuring that the annual accounts and consolidated accounts are prepared and that they provide a true and fair view in accordance with the Swedish Annual Accounts Act and, as regards the consolidated accounts, in accordance with IFRS as adopted by the EU, and the Swedish Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal controls as they deem necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

When preparing the annual accounts and consolidated accounts, the Board of Directors and CEO are responsible for analysing the company and Group's ability to continue operating. Where applicable, they provide notification of circumstances that could affect the ability to continue operations and to use the assumption of continued operation. The assumption of continued operation does not apply, however, if the Board of Directors and the CEO intend to liquidate the company, discontinue operations or do not have any realistic alternative to taking either of these options.

AUDITOR'S RESPONSIBILITIES

Our objectives are to achieve a reasonable level of assurance that the annual accounts and the consolidated accounts as a whole do not contain any material misstatements, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if it exists. Misstatements may occur because of fraud or error and are deemed material if individually or together they could be expected to affect the financial decisions that users take based on the annual accounts and the consolidated accounts.

Further details of our responsibility for the audit of the annual and consolidated accounts are available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar (in Swedish). This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Quartiers Properties AB (publ) for 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the Directors' Report, and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

BASIS OF OPINION

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail under the section 'Auditor's responsibilities'. We are independent in relation to the Parent Company and the Group in accordance with rules of professional ethics in Sweden, and have in all other respects fulfilled our professional responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. Any proposed dividend contains, among other things, an assessment of whether the dividend is justifiable with regard to the requirements that the company and Group's type of business, size and risk place on the size of the Parent Company and Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and management of the company's affairs. This includes continually assessing the company and Group's financial situation and ensuring that the company's organisation is structured so that its accounting records, management of funds and the company's financial affairs in other respects are subject to satisfactory checks. The CEO must conduct ongoing management in accordance with the Board of Directors' guidelines and instructions and, for example, take the action necessary to ensure that the company's accounting records are implemented in compliance with the law and that management of funds is carried out satisfactorily.

AUDITOR'S RESPONSIBILITIES

Our objective for the audit of management, and therefore our statement on discharge from liability, is to obtain audit evidence to have a reasonable level of assurance to be able to assess whether any Board member or the CEO in any significant respect:

- has taken any action or is guilty of any negligence that may cause liability to the company;
- has in some way acted in breach of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

Our objective for the audit of the proposed appropriations of the company's profit or loss, and therefore our statement about this, is to have a reasonable level of assurance to assess whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with good auditing standards in Sweden will always detect a material misstatement or negligence that may cause liability to the company, or that proposed appropriations of the company's profit or loss are not consistent with the Swedish Companies Act. Further details of our responsibility for the audit of the company's administration are available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar (in Swedish). This description is part of the auditor's report.

Stockholm, 9 May 2018
Öhrlings PricewaterhouseCoopers AB

Henrik Boman
Authorised Public Accountant

Shareholders

SHAREHOLDER INFORMATION

THE COMPANY'S SHARES

Shares in the company have been issued in accordance with Swedish law and are registered in electronic form with Euroclear, which also maintains the company's share register. The shares are denominated in SEK. According to the Articles of Association, the company's share capital shall amount to a minimum of SEK 725,000 and a maximum of SEK 2,900,000, allocated between a minimum of 29,000,000 and a maximum of 116,000,000 shares. The Articles of Association stipulate that the company may issue two types of share: ordinary shares and preference shares. Ordinary shares carry ten votes and preference shares carry one vote each. At the company's Annual General Meeting, each party entitled to vote may vote for the full number of shares that the party owns or represents. At the balance sheet date, the company's share capital totals SEK 868,451.75 allocated between 30,658,000 ordinary shares and 4,080,070 preference shares, each with a quota value of SEK 0.025.

DIVIDEND POLICY

Quartiers' dividend policy as regards ordinary shares shall be based on what at any given time is deemed to be appropriate for the overriding objective of optimising total shareholder return. The Board of Directors has resolved that project and property management gains shall primarily be reinvested in operations over the next few years. However, should the opportunity arise, the Board may decide on a one-off dividend on the ordinary shares. The policy will be reviewed when the company deems it appropriate.

TEN LARGEST SHAREHOLDERS – 31 DECEMBER 2017

#	Shareholder	Ordinary shares	Preference shares	Capital	Votes
1	Egonomics AB	10,106,340	–	19.2%	20.7%
2	Fastighets Aktiebolag Bränneröd	6,098,740	85,370	11.8%	12.5%
3	Rocet AB	3,847,334	30,000	7.4%	7.9%
4	LMK Companies & Foundation	3,450,714	180,000	6.9%	7.1%
5	Swedbank Robur Funds	2,037,700	–	3.9%	4.2%
6	Bosmac Invest AB	2,000,666	–	3.8%	4.1%
7	Bernt Lundberg Fastigheter Lund AB	1,980,000	100,000	4.0%	4.1%
8	JP Morgan Securities, New York	1,943,000	–	3.7%	4.0%
9	Alden AS	1,430,000	336,780	3.4%	3.0%
10	Leif Edlund	1,333,334	–	2.5%	2.7%
	Other	**14,235,068**	**3,347,920**	**33.4%**	**29.7%**
	Total	**48,462,896**	**4,080,070**	**100%**	**100%**

Source: Euroclear

ANNUAL GENERAL MEETING 2018

The Annual General Meeting of the shareholders in Quartiers Properties AB (publ), corp. reg. no 556975-7684, is hereby convened.

- **Date and time:** Thursday 30 May 2018, 10.00 a.m.
- **Venue:** Legal firm Wåhlin AB's offices at Engelbrekrsgatan 7 in Stockholm, Sweden.

Registration
Shareholders wishing to participate in the Annual General Meeting must be entered as shareholders in the shareholders' register maintained by Euroclear Sweden AB on the record date, which is Thursday 24 May 2018, and inform the company of their intention to participate by Thursday 24 May 2018 at the latest.
Registration can be submitted by letter, or to:

- Quartiers Properties AB (publ), c/o Advokatfirman Wåhlin, Att. Anna Klevbo, Engelbrektsgatan 7, 114 32 Stockholm, Sweden.
- By email to anna.klevbo@wahlinlaw.se.
- By telephone on +46 (0) 73 566 7772.

When registering, shareholders must supply their name, personal identity number/corporate registration number and daytime phone number and, where applicable, details of any deputies, representatives and assistants (max. two assistants). Shareholders that are being represented must issue their representative with a signed and dated power of attorney. Original power of attorney and, for legal entities, proof of registration or equivalent authorisation documents, should be sent to the company at the above address well in advance of the AGM. Power of attorney forms are available on the company's website www.quartiersproperties.com, and can be sent by post to shareholders requesting such who state their postal address.

FINANCIAL CALENDAR

Annual General Meeting 2018	30 May 2018
Interim Report Jan–Jun 2018	16 July 2018
Year-end Report Jan–Dec 2018	22 February 2019

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Contact

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