QUARTIERS PROPERTIES

ANNUAL REPORT JANUARY TO DECEMBER 2018

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Contents

QUARTIERS PROPERTIES IN BRIEF

Quartiers Properties is a property developer operating in the Province of Málaga on Spain's Costa del Sol, a market shown by a number of studies to be the fastest-growing property market in Spain. Growth in the region is due to a combination of increasing domestic demand, the region's climate with over 320 days of sunshine a year, excellent national and international communications, and technological developments enabling more people to live in the region while retaining links to friends, family and work in their home country. Quartiers is active in two main segments; Property Refinement and Property Development. Both business areas aim to generate value in the current property portfolio in different ways. In the Property Development segment this is done by developing carefully designed concepts for villas and apartments, which are then marketed and sold. The Property Refinement segment focuses on transforming underperforming properties in a way that leverages each property's unique characteristics, to enable a higher valuation when the property is either sold or revalued for refinancing on improved loan terms.

LISTED ON NASDAQ FIRST NORTH IN STOCKHOLM

Quartiers Properties has been listed on Nasdaq First North in Stockholm since spring 2017. Since its formation in 2015, the company has generated significant growth. The company's net asset value per ordinary share was SEK 7.44 at 31 December 2018.

Calculation of net asset value per share (SEK)	2018	2017
Equity, with fair value adjustment	461,122	408,630
Number of ordinary shares outstanding	48,462,896	48,462,896
Per share value	**9.51**	**8.43**
Preference shareholders' share of equity	-87,295	-72,960
Estimated tax on unrecognised revaluations	-13,192	-9,670
Net asset value	**360,633**	**325,998**
Net asset value per ordinary share	**7.44**	**6.73**

NOTES TO TABLE

Equity, with fair value adjustment: Book equity, adjusted to reflect unrecognised revaluations of properties.

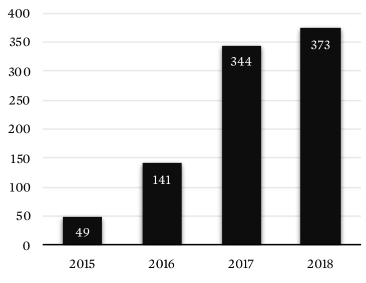
Number of ordinary shares outstanding: The number of ordinary shares issued at the particular point in time.

Preference shareholders' share of equity: The number of preference shares outstanding at the particular point in time, multiplied by the current redemption price of SEK 12 per preference share.

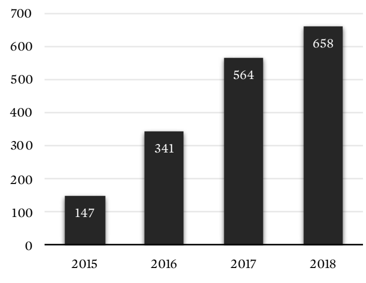
Estimated tax on unrecognised revaluations: An average tax of 15 percent on profits has been assumed to take account of the possibility of sales via packaging in corporate form, as well as accumulated loss carry-forwards.

PERFORMANCE OF OTHER KEY PERFORMANCE INDICATORS (SEK MIL.)

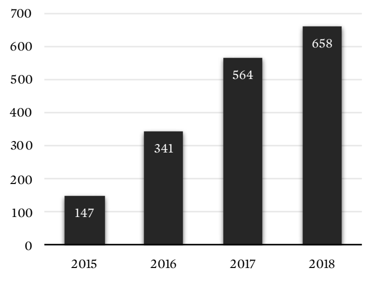
SHAREHOLDERS' EQUITY



BALANCE SHEET TOTAL



PROPERTY VALUES



MESSAGE FROM THE CEO

Anyone who has followed Quartiers' progress since we launched on the stock market in early summer 2016 can see that the company has achieved robust growth. As with all growth companies, expansion is taking place in phases in which capital acquisitions are alternated with investments and sales. We remain in a growth phase and are pleased to be able to confirm that in 2018 we successfully launched our first project for sale, 22by-Quartiers. To take the company to the next level, in the second half of 2018 we invested time and resources in recruiting qualified personnel and building up an effective organisation. In addition, efforts to develop the hotel and restaurant project at Centro Forestal Sueco are proceeding according to plan, and I'm proud to say we are planning to open it in phases as early as summer and autumn 2019.

In 2018 we carried out important work to strengthen the company's network of contacts among banks and financiers in Madrid. In the first half of the year we secured additional important financing, this time from Spanish investment bank Arcano Partners. The purpose of this financing is to complete the hotel and restaurant project at Centro Forestal Sueco and then refinance Arcano's loans with an ordinary bank loan. The financing from Arcano has once again confirmed that national Spanish operators have significant confidence in our assets, our organisation and business concept.

In 2019, we plan to organise investor meetings on site in Spain in order to showcase our projects in Marbella. We are also reviewing the possibility of launching a membership programme that provides benefits and attractive discounts to shareholders who meet the membership requirements. We hope these initiatives will also boost interest in the company, including from Swedish investors.

One of the organisational changes we planned in 2018 but implemented from January 2019 was taking over the operation and management of our approximately 100 apartments that make up our Quartiers Apartment Hotel & Resort apartment complex. This change has gone well; as well as continuing to create value in the apartments, we have more guests than ever before at the complex.

After operating for around a year, we are pleased to say that Quartiers Estates has already achieved a level of sales where the company now has positive cash flow, and we have put together a core team of sales staff who carry out vital work every day in selling and marketing our projects. We will now be expanding the company further and over this year will be recruiting more talented sales staff, as well as a head of sales who can take the sales team and our marketing to the next level.

The next projects to be sold are Ocean View and our villa projects in Los Flamingos and Nueva Andalucia. The design phase of these projects is in the final stages and we are now working on securing project finance before sales and construction can start. In the current market with lots of projects taking place in the region, it's important to be able to show buyers that construction is underway alongside sales. This approach to selling is believed to generate a considerably higher average price per square metre than for projects only being sold on the basis of technical drawings.

We anticipate strong growth in the Marbella market, where developments in IT in particular have made it possible for more people to move to the Costa del Sol and enjoy its benefits without having to give up their jobs or businesses at home. This is a highly interesting development that we believe will continue, going forward.

Following an eventful 2018 and start of 2019, we are now looking ahead to a continued high level of activity on all fronts throughout 2019.

Marcus Johansson Prakt
Acting Chief Executive Officer

Summary of projects

QUARTIERS APARTMENT HOTEL & RESORT

The property in brief

- Status: Operating apartment complex.
- Municipality: Benahavís.
- Market value: EUR 34,700 thousand.
- Average value per apartment: EUR 343.6 thousand.
- Taken over and paid for in full.
- Purchase price: EUR 17,200 thousand.
- Purchase price per apartment: EUR 170 thousand.

Property description

Quartiers Apartment Hotel & Resort comprises around 100 apartments in an apartment complex known as Hacienda del Señorío de Cifuentes in Benahavís municipality, which neighbours Marbella municipality. Since 1 January 2019, this business has been operated by Quartiers' wholly owned subsidiary Quartiers Management. See page 16 for further information about Quartiers Management.

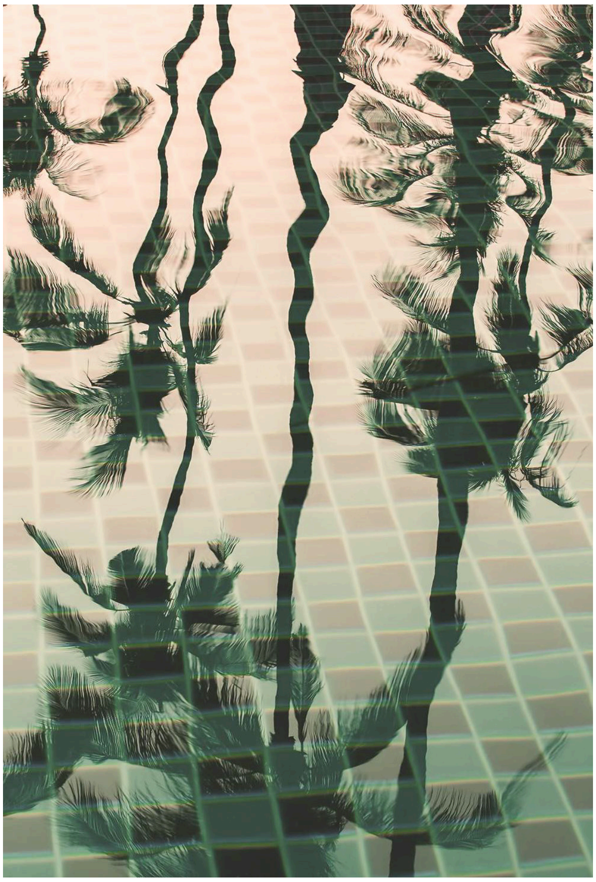
The property is part of the Property Refinement business segment and clearly illustrates how Quartiers has successfully converted a rundown facility into an attractive resort for both holidaymakers and permanent residents. The value-adding measures that Quartiers has taken have contributed to increasing the value per apartment from EUR 170 thousand at purchase in 2015 and 2016, to EUR 344 thousand per apartment currently.

Source: Google maps

BOHO CLUB

The property in brief

- Status: Ongoing refurbishment of hotel & restaurant.
- Municipality: Marbella.
- Buildable area: awaiting new local development plan.
- Area of existing buildings: 4,954 square metres.
- Plot area: 21,959 square metres.
- Purchase price: EUR 9,582 thousand.
- Valuation: EUR 10,700 thousand.
- Number of units: Two restaurants and approximately 50 rooms.
- Opening of hotel and restaurant: 2019 (estimated).
- Taken over and paid for in full.



Property description

Boho Club will be Marbella's new destination hotel, located less than two minutes' walk from the beach in Marbella and within walking distance of the Puerto Banús luxury marina. The hotel and restaurant will be positioned in the higher price segment in which the main competitors are currently Marbella Club, Puente Romano and Nobu Hotel. There is currently a lack of options in this price segment of the market, which together with increasing demand from an affluent target group enables both hotels and restaurants to take market share and achieve good margins within a short period of time. The property is unusual with regard to planning as Quartiers is awaiting a new local development plan with additional construction rights. For that reason, the majority stake in the operating company is important as it gives Quartiers the flexibility to fully leverage the property's potential value in both the short and long term.

Source: Google maps

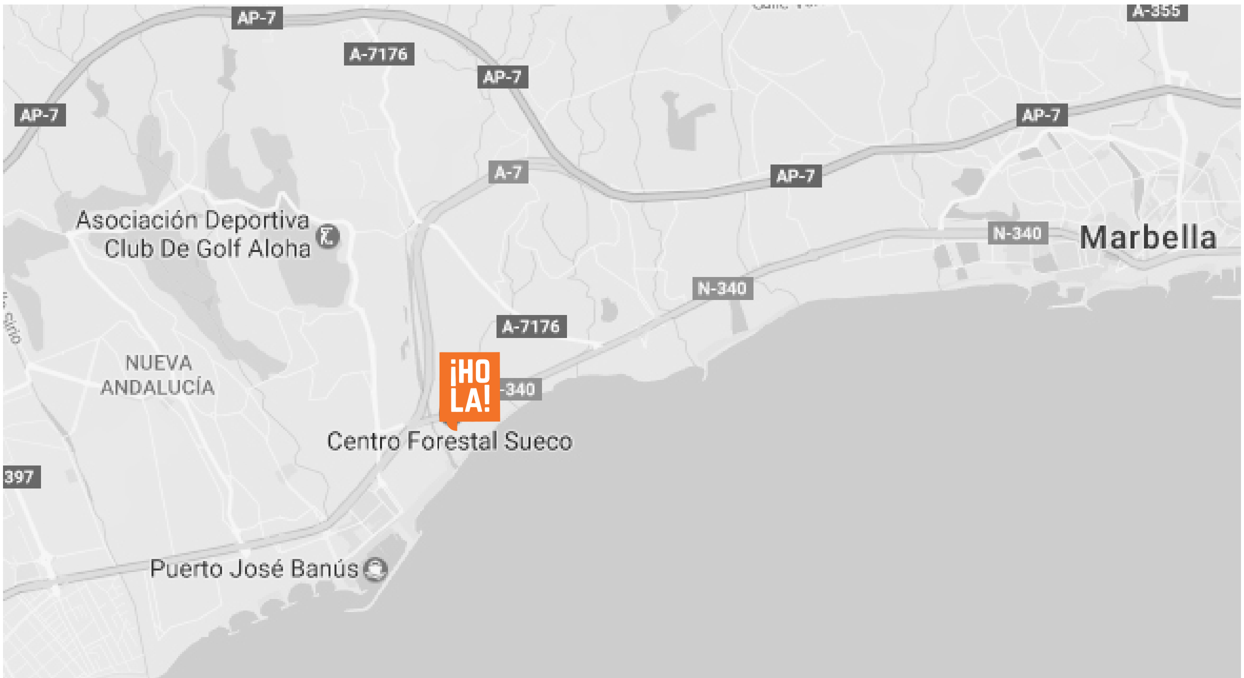
BOHO CLUB – PLOT FOR FURTHER DEVELOPMENT

The property in brief

- Status: Plot without local development plan acquired for future expansion with more hotel rooms.
- Municipality: Marbella.
- Buildable area: awaiting new local development plan.
- Area of existing buildings: 0 square metres.
- Plot area: 3,781 square metres.
- Purchase price: EUR 1,800 thousand.
- Valuation: EUR 1,800 thousand.
- Option agreement with planned handover in January 2020.

Property description

Right next to the property where Boho Club is being developed, Quartiers has acquired a 3,781 square-metre plot through an option agreement. So far the company has paid EUR 450 thousand for the option and the plan is to take over the property in January 2020. The purpose of the property is to expand the Boho Club hotel with more rooms once a local development plan comes into effect in Marbella. For this reason, the company has negotiated a favourable instalment payment plan which means the purchase price will be paid for with annual payments until 2023. Until a new local development plan is in place the company will use the plot as a car park for hotel and restaurant guests.



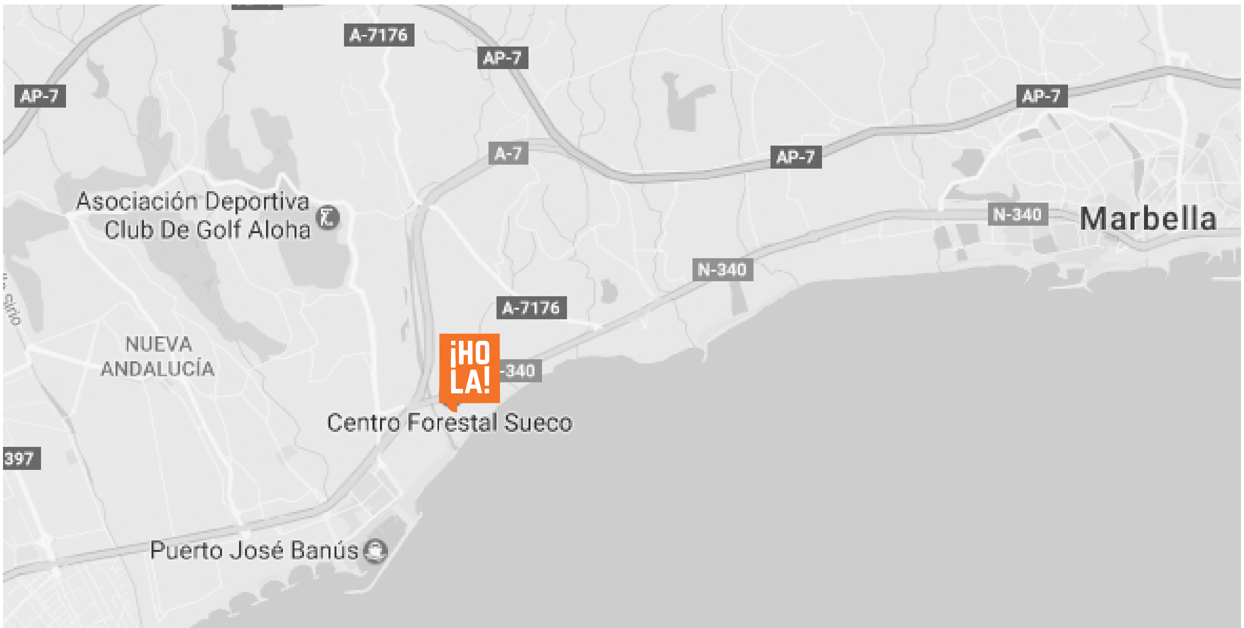
Source: Google maps

FORESTAL RESIDENTIAL

The property in brief

- Status: Work under way on plan changes.
- Municipality: Marbella.
- Buildable area: Awaiting new local development plan.
- Area of existing buildings: 2,329 square metres.
- Plot area: 13,730 square metres.
- Purchase price: EUR 4,195 thousand.
- Valuation: EUR 6,300 thousand.
- Taken over and paid for in full.

Property description
This 13,730 square-metre property is located next to Boho Club and is less than two minutes' walk from the beach in Marbella. Quartiers is planning to develop this plot into an exclusive gated community with villas and/or apartments. This new residential complex will be able to benefit from all the services that Boho Club will offer, creating clear synergies between both projects. For Quartiers this unique aspect of the project is expected to lead to a higher selling price per square metre than other projects in equivalent locations. Development of the property requires special approval of the change to the plan from Marbella municipality or completion of the new local development plan. Work is underway on the new local development plan and a decision on a new local development plan in Marbella is expected in around three years. It is therefore expected that CFS Residential will be able to be developed after the Ocean View project has been launched and sold.



Source: Google maps

22BYQUARTIERS

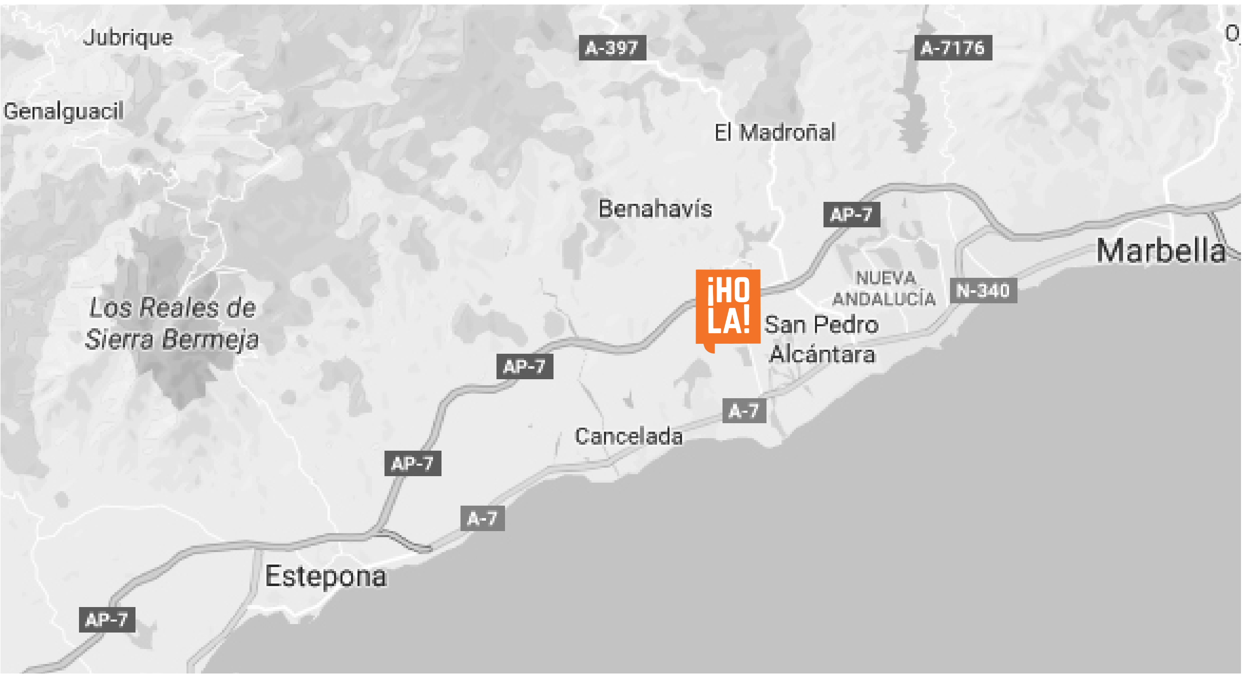
The property in brief

- Status: For sale.
- Municipality: Benahavís.
- Number of apartments in the project: 22.
- Number of apartments sold: 18.
- Project website: www.22byquartiers.com
- Exclusive agent: Quartiers Estates.
- More info: www.quartiersestates.com

Project description

Projektet 22byQuartiers is now in its final phase with only four of the 22 apartments left for sale. The project has been sold exclusively by Quartiers' jointly owned subsidiary Quartiers Estates, based in Puerto Banús. Phase 1 of the project, consisting of 10 apartments, was delivered to buyers in September 2018 and handover of phase 2 is taking place on an ongoing basis in May/June 2019.

The apartments are part of the Hacienda del Señorío de Cifuentes apartment complex, so buyers have access to the complex's full range of services, including pool restaurant with heated pool. Most buyers in the 22byQuartiers project have chosen to sign up to Quartiers' concierge programme, which provides assistance with everything from contact with the local authorities to help with letting.



Source: Google maps

OCEAN VIEW

The property in brief

- Status: Under development.
- Municipality: Benahavís.
- Buildable area: 8,064 square metres.
- Number of units: 60 to be sold.
- Purchase price: EUR 2,953 thousand.
- Valuation: EUR 7,500 thousand.
- Taken over and paid for in full.

Project description
Significant progress was made on the Ocean View project in 2018. The apartments to be developed will be included in the same cooperative association as 22byQuartiers and the company's apartment complex in Benahavís. This association also includes other private owners whose approval was required to make changes to the design and layout of the project. This approval was successfully obtained at an extraordinary association meeting in December 2018.

Since receiving this approval, the company has been working intensively together with Stockholm-based concept developers Whyte&Lilja to develop a Scandinavian concept for the project, which is attracting a wide-ranging target group of buyers in the region. This cooperation is aiming to create an exclusive apartment product that stands out from other projects in the region through exclusive design and high quality.

Source: Google maps

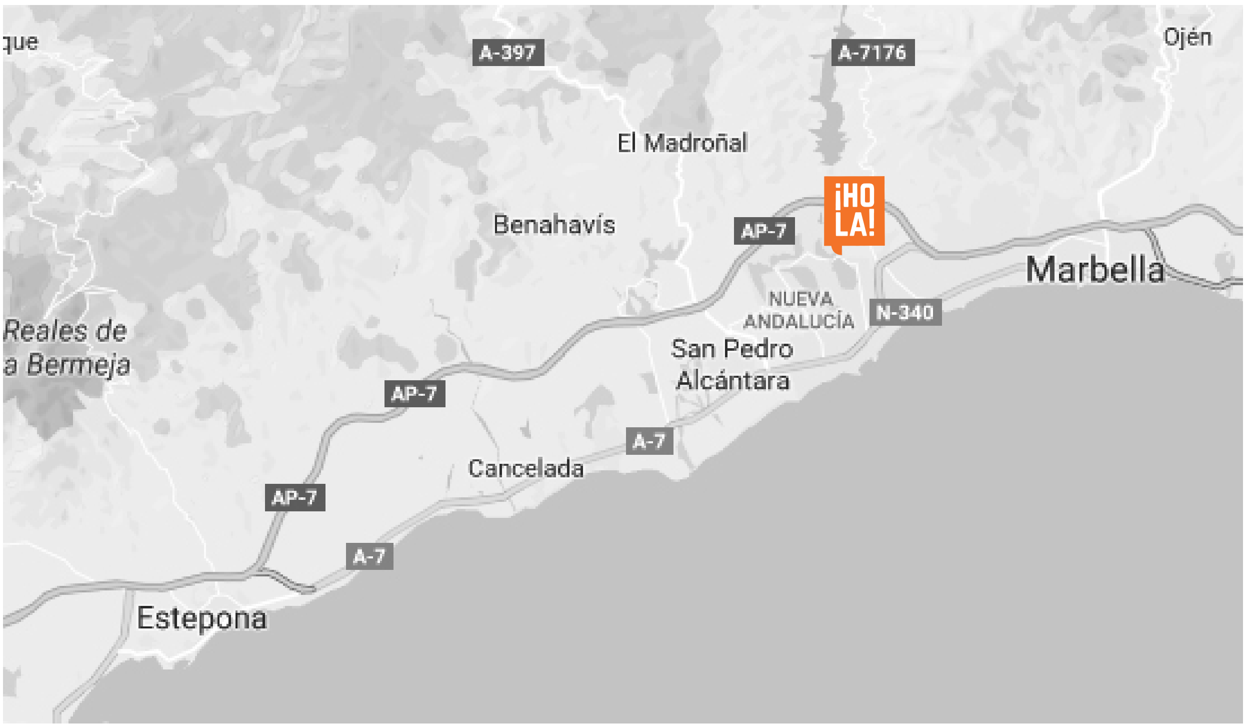
AMAPURA

The property in brief

- Project type: Detached villa, turnkey project.
- Municipality: Marbella.
- Plot: 831 sqm, acquired with deeds.
- Construction volume: 365 square metres.
- Number of units: 1.
- Acquisition price (plot plus project): EUR 550 thousand.
- Est. selling price: EUR 1,800 thousand.
- Plot taken over and paid for in full.

Property description
With views over the Mediterranean Sea and the town of Marbella in the popular Nueva Andalucia, Quartiers Properties is developing a turnkey villa that will be sold and marketed by Quartiers Estates.

The company has received a building permit and construction of the villa has begun. The villa is expected to be completed by summer 2020. The interior of the villa has been designed by Swedish interior architect Djon Clausen.



Source: Google maps

LOS FLAMINGOS VILLAS

The property in brief

- Project type: Two free-standing villas.
- Municipality: Benahavís.
- Plot: 2,950 sqm.
- Construction volume: 1,255 square metres.
- Number of units: 1.
- Purchase price: EUR 1,600 thousand.
- Est. selling price: EUR 5,000 thousand.
- Acquired through companies and paid for in full.

Project description

These two villas are located in the attractive villa area of Los Flamingos in Benahavís municipality, a stone's throw from the five-star Villa Padierna Hotel with two 18-hole golf courses. Both villas have views of the sea and golf courses and will be designed with a combination of classic Andalusian style and modern luxury.

The villas will be marketed and sold by Quartiers Estates. The total building area for both the villas is 1,255 square metres, with a further 400 square-metre terrace and 1,600 square metres of gardens.

Source: Google maps

Subsidiaries and synergies

QUARTIERS ESTATES

Company description
Quartiers Estates is Quartiers Properties' sales company. The company markets and sells Quartiers' own projects, as well as external projects and projects sold and developed by Otero Group. The company is 50 percent owned by Quartiers Properties, with the other 50 percent owned by Ruben Villaverde Otero through companies.

The company began operating in 2018. During the year it focused on launching and selling Quartiers' apartment project, 22byQuartiers, and on developing an effective organisation of sales staff. The company currently has five employees of various nationalities, which is important for addressing the large target group of international buyers in the market. The company's sales in 2018 amounted to EUR 334 thousand, a reasonable result for the first financial year, which only included eight months. Income was impacted by startup costs and amounted to EUR -100 thousand.

Background to Quartiers' ownership
Quartiers has chosen to co-own a sales company to give it greater influence and control over the sales process for the company's property development projects. Co-ownership also means that commission paid to the main agent, which in Quartiers' case is Quartiers Estates, goes towards further developing Quartiers Estates as a company and strengthening Quartiers as a brand in the region. The market price for a sale mandate like the one Quartiers Estates has received for the 22byQuartiers project amounts to 8 percent of sales proceeds. So when launching the 22byQuartiers project, Quartiers' management assessed various options for optimising sales at the lowest possible cost. The collaboration with Ruben Otero enabled the company to bring in key know-how to start the business. As well as operating as a sales office, the office in Puerto Banús also acts as an advertisement for Quartiers' brand and is important for the company's long-term brand development.

Competition and market
The estate agent sector on Spain's Costa del Sol differs in many ways from the Swedish model, in which estate agents have a significant responsibility to buyers purchasing residential property. In Spain, there is no formal requirement to register as an estate agent, which means anyone can arrange property sales. In practice this, along with high commission, has led to a sharp increase in the number of full- and part-time estate agents on the Costa del Sol as interest in properties in the region has grown. As the number of relatively active agents rises considerably, and in the absence of formal requirements for expertise and registration, the number of irresponsible agents is also on the increase. It is therefore important that buyers use a reliable operator and always involve a solicitor in the process. Quartiers Estates takes a long-term approach, in relation to both buyers and other estate agents.

The company in brief

- Founded in March 2018.
- Quartiers owns 50 percent. The other 50 percent is owned by Grupo Imobilario Ruben Otero SL.
- Chief Executive Officer: Ruben Villaverde Otero.
- The company's business comprises property brokerage on Spain's Costa del Sol with a focus on Marbella, Benahavís and Estepona.
- In the company's first financial year, which comprised only part of 2018, sales amounted to EUR 335 thousand and income after tax was EUR -100 thousand.
- As stated in its annual accounts, the company has five employees.
- Website: www.quartiersestates.com

When a project is listed or put on the market for sale it is often an estate agents business that is mainly commissioned to market and sell the project. This 'lead agent' then generally cooperates with a large number of other estate agents to efficiently and effectively reach prospective buyers. This kind of cooperation is particularly important for holiday homes, as buyers generally do not know the area as well as the local population and so need the support of an estate agent who can show the buyer suitable apartments and villas. The lead agent shares the commission on a sale with the agent that found the buyer.

QUARTIERS MANAGEMENT

Company description
Quartiers Management operates the Quartiers Apartment Hotel & Resort apartment complex in Benahavís, and offers concierge and letting services to buyers of apartments in Quartiers Properties projects. The company began operating in 2019, which is why no historical figures are reported.

Background to Quartiers' ownership
Quartiers' ownership of the operating company that runs the company's apartment complex in Benahavís is an extension of the company's Property Refinement business segment. By having in-house operating know-how, Quartiers has created a competitive advantage over other property owners. The value of hotel properties is created through profitable hotel operations, which in turn have to generate sufficient income to pay the market rent to the property owner. Quartiers' business model is based on investing in underperforming properties and improving them to create growth in value. This is done by investing and optimising operations. It is therefore important that Quartiers also has control over operations in the business development phase.

Market and competition
Both the short- and long-term apartment rental markets are highly fragmented and dominated by private property owners with one or a few apartments to let. In Spain there are generally few operators specialising in just letting apartments, like the system of rental apartments in Sweden. So it has instead been more common to own a home and many young people have chosen, or for financial reasons have had no option other than to continue living with their parents until increasingly older ages compared with Sweden, which has a relatively well-functioning rental market. One of the reasons for the weak market dynamics for rental apartments is believed to be complex and unclear rental legislation for both property owners and tenants. One operator that has recently taken extensive market share is the US investment company Blackstone, which through a Spanish subsidiary structure has around 20,000 apartments to let in Spain. Blackstone focuses on long-term rental of residential properties with contract terms of at least three years per tenant. Blackstone is a direct competitor to Quartiers and currently rents out 55 apartments in Hacienda del Señorío de Cifuentes in Benahavís.

The company in brief

- Operations started in January 2019.
- Wholly owned by Quartiers Properties.
- Chief Executive Officer: Henric Persson.
- The company conducts hotel and property service operations.
- The company took over operation of Quartiers Properties' approximately 100 apartments in Hacienda del Señorío de Cifuentes in Benahavís as of 1 January 2019, and now operates the facility under the Quartiers Apartment Hotel & Resort brand.
- As stated in its annual accounts, the company has 10 employees.
- Website: www.quartiersmarbella.com

BOHO CLUB

Company description
Boho Club is Quartiers' operating company for the hotel and restaurant project in the Golden Mile area of Marbella, where Quartiers is currently developing part of the Centro Forestal Sueco property. The company was founded in 2018 and is 20 percent owned by Raouf Amer Lotfi, who has extensive experience of the hotel and restaurant industry. All key personnel have been employed by the company. These include Marie Rodoni, who was previously manager of the Columbus Hotel in Monaco and director of the Elite Palace Hotel in Stockholm, and the Michelin-star chef Diego del Rio.

Refurbishment of the hotel and the two restaurants is underway, with opening expected in 2019.

Background to Quartiers' ownership
Ownership of Boho Club comes under the company's Property Refinement segment. The property where the business is being developed is unusual with regard to planning, as a new local development plan is expected for Marbella in the next three years. The new local development plan is expected to have good opportunities for Quartiers to regain the same construction rights as in the 2010 local development plan, which was previously scrapped. Having a controlling stake in the operating company gives Quartiers greater control over the project, increasing the flexibility as property owner to fully leverage the potential value of the property in the short and long term. In addition, the current partnership and extensive experience of key personnel mean the operating company has the necessary experience to meet the requirements for an exclusive five-star design hotel.

Market and competition
The Marbella hotel market is highly international, with international guests accounting for over 80 percent of guest nights. Compared with other European destinations, Marbella is especially focused on the luxury segment and ranks number two in Spain for sales of exclusive products and services, with around one-third of total sales in Spain. Within walking distance of the planned hotel is Puerto Banús, which has one of the world's highest concentrations of luxury goods shops per square metre.

Digitalisation has given affluent international consumers greater flexibility to travel, which has helped reduce seasonal variations in the higher Marbella segment. This is particularly reflected in the majority of all luxury hotels in Marbella being open all year round, and through established brands such as W Hotel, Club Med and Four Seasons working on extensive hotel projects that are due to open within the next few years.

In the restaurant market, as with the hotel segment, the market for restaurants in the top segment is growing. When they choose a restaurant, the customer group in this segment is often looking for a unique and special experience in addition to high-quality food and drink.

The range of new and established luxury hotel and restaurant brands is both expected to increase competition for Boho Club and to boost demand for the product that is being developed at the property. This is mainly due to the positive impact that these developments are having on Marbella's brand as a tourist destination, which in turn is expected to boost travel to the region.

The company in brief

- The company was founded in May 2018.
- Quartiers Properties owns 80 percent. The remaining 20 percent is owned by Raouf Amer Lotfi.
- Chief Executive Officer: Raouf Amer Lotfi.
- The company's business comprises hotel and restaurant operations.
- The company has a tenancy agreement with Quartiers' subsidiary CFS Marbella Hotel Property SL regarding the operation of part of the Centro Forestal Sueco property complex.
- As stated in its annual accounts, the company has four employees.
- Website: www.bohoclub.com

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 accounts, the company has 48,462,896 ordinary shares corresponding to 484,628,960 votes, and 7,274,617 preference shares corresponding to 7,274,617 votes. There are consequently a total of 55,737,513 shares and a total of 491,903,577 votes in the company.

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 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.

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

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 2018

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 2018

Quartiers Properties' 2018 AGM was held on 30 May at the offices of law firm Advokatfirman Wåhlins AB at Engelbrektsgatan 7 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 re-elected Board members Jörgen Cederholm, Lars Åke Olofsson, Sten Andersen and Jimmie Hall for the period until the end of the next AGM. Jörgen Cederholm was re-elected as the Chairman of the Board. The AGM also decided to re-elect registered auditing firm Öhrlings PricewaterhouseCoopers AB, with Henrik Boman as the principal auditor, for the period until the end of the next AGM. 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 AGM resolved that fees for the auditor would be paid on an ongoing basis according to invoices approved by the company.
- The AGM resolved to authorise 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. An issue may be made against a cash payment, via assets contributed in kind and/or via offsetting, or otherwise according to conditions. It is noted that the Board decided to exercise this authority to the extent that it results in an increase in the share capital of no more than 15 percent. In addition, no warrants or convertible shares will be issued. For private cash issues the subscription price must be set on a market basis.
- Decision that the Nomination Committee shall consist of representatives of the two largest shareholders in the company in terms of voting rights.

Board of Directors

Jörgen Cederholm

Sten Andersen

Jimmie Hall

Åke Olofsson

Nomination Committee
A decision was made at the 2018 AGM that the members of the Nomination Committee prior to the 2019 AGM shall consist of representatives of the two largest shareholders in the company in terms of voting rights at 30 November 2018. The Nomination Committee has been published on the company's website and comprises Andreas Bonnier, Mats Lundberg and Jörgen Cederholm.

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.

Proposed change to the Board for the 2019 AGM
The Nomination Committee has proposed the re-election of Board members Jörgen Cederholm, Sten Andersen and Jimmie Hall, and the election of Andreas Bonnier as a Board member for the period until the end of the next AGM. It is proposed that Jörgen Cederholm continue as Chairman of the Board. Lars Åke Olofsson did not stand for re-election so he can focus fully on his operational duties in the company.

Andreas Bonnier was born in 1972 and holds a Bachelor of Business Administration degree and qualifications in international business and marketing from Schiller International University in Paris. Andreas founded Quartiers Properties and is a serial entrepreneur who has spent most of his career building and growing companies in international environments. Andreas has many years' experience of property development in Switzerland and France, where he has lived for 37 years. Andreas is active as a Board member in a number of other growth companies, including Nowonomics AB, and as a trustee of the Bonnier Family Foundation. Andreas has previously been active as a Board member in companies including Aitellu Technologies AB and Tradevenue AB. Andreas has been a Board member of Quartiers Properties before, in 2014 and 2015–2017.

Andreas Bonnier is independent of the company's management but is not independent of the company's largest owner.

Company management
Quartiers Properties is primarily managed by its CEO, who during 2018 established a team locally in Spain with extensive experience of property development, accounting and financing, as well as sales, and hotel and restaurant management. The organisational change that took place in 2018 has strengthened the company's implementation capabilities and capacity to continue growing in all business segments in the region.

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 inside 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 deemed to be price sensitive are disclosed by means of press releases. Quartiers Properties also uses other marketing channels such as Mynewsdesk for non price-sensitive information.

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 10.7 percent (based on the share price at 31 December 2018), 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.

Nasdaq welcomes Quartiers Properties on the company's IPO in 2017. The picture shows New York's Times Square.

TEN LARGEST SHAREHOLDERS – 31 DECEMBER 2018

#	Shareholder	Ordinary shares	Preference shares	Capital	Votes
1	Egonomics AB	10,091,340	50,000	18.2%	20.5%
2	Fastighets Aktiebolag Bränneröd	6,139,018	85,370	11.2%	12.5%
3	Rocet AB	3,847,334	30,000	7.0%	7.8%
4	LMK Companies & Foundation	3,552,714	1,402,222	8.9%	7.5%
5	Swedbank Robur Funds	2,037,700	–	3.7%	4.1%
6	Bosmac Invest AB	2,400,666	–	4.3%	4.9%
7	Bernt Lundberg Fastigheter Lund AB	1,980,000	150,000	3.8%	4.1%
8	JP Morgan Securities, New York	1,942,008	–	3.5%	4.0%
9	Mats Invest AB	1,630,000	156,000	3.2%	3.4%
10	Leif Edlund	1,333,334	–	2.4%	2.7%
	Other	**13,508,782**	**5,401,025**	**33.9%**	**28.5%**
	Total	**48,462,896**	**7,274,617**	**100.0%**	**100.0%**

FINANCING

In addition to its Scandinavian investors, Quartiers has a well-established network of contacts at national level in Spain. Part of the strategy to extend the company's network in Spain's financial and capital markets was the recruitment of Antonio Diaz-Barceló, who, alongside his directorship at the OnetoOne Corporate Finance consultancy in Madrid, also works part-time at Quartiers. Antonio has more than 25 years of experience in the financial and property sector in Spain. He has worked for Deloitte, BBVA, Sareb, Quabit and Acciona, among others, in Spain and internationally.

As a direct result of slimming down their balance sheets by selling off major property portfolios to international investment funds such as Blackstone and Cerberus, the banks are starting once again to become more active in property lending. Foreign banks have gradually begun to show an interest in Spain's property sector, although to a limited extent and focusing strictly on prime locations in the biggest Spanish cities, above all Madrid.

One sector that is expanding sharply right now in Spain is loan financing via alternative investment funds. These funds generally lend capital to property developers with high-grade security, but at high interest rate costs of 13–18 percent. Quartiers has used this type of financing, but at the same time believes that greater competition will lead to normalisation of interest rates during 2019 and 2020. Quartiers has already made contact with actors indicating lower interest rates in cases where the required security can be furnished.

During the second half of the year, Quartiers Properties carried out an issue of preference shares totalling SEK 11.9 million. At 31 December 2018, Quartiers Properties had a total of approximately 800 shareholders.

The market value of the company's ordinary shares at 31 December 2018 totalled SEK 322.3 million, based on a closing price of SEK 6.54. The preference share pays an annual dividend of 96 öre per share, which, given the closing price of SEK 8.94 per share on 31 December, corresponds to a yield of 10.7 percent.

WARRANTS

There were no outstanding warrants in the company at 31 December 2018.

AUTHORISATION

The Annual General Meeting of 30 May 2018 resolved to authorise 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. The decision regarding the distribution of profit means that dividends can be distributed for a maximum total amount of SEK 12.0 million on the company's existing shares and on shares that may be issued. The Board has decided to exercise this authority to the extent that it results in an increase in the share capital of no more than 15 percent.

An issue may be made against a cash payment, via assets contributed in kind and/or via offsetting, or otherwise according to conditions.

MARKET SECTION

THE PROPERTY MARKET

Overview

Spain is continuing to demonstrate steady growth compared with other European countries such as Germany, Italy and France. In the first quarter of 2019 Spain's GDP grew by 0.7 percent, compared with a forecast 0.6 percent. For the full year 2019, the Spanish economy is expected to grow by 2.2 percent, which is double the general rate of growth in the eurozone. Rising demand, higher wages and increased consumer spending are some of the reasons for Spain's positive macroeconomic performance.

At a more local level, there are a number of factors that have played and continue to play a significant role in the Marbella property market. The recovery on the local property market in Marbella in recent years has, of course, resulted in an increase in the number of projects for sale. A clear trend compared with before is an increased supply of villas and apartments being sublet and marketed at lower prices compared with Benahavís and Marbella. This new supply on the market tends to be very homogenous, with a number of new projects using similar materials and designs. The same trend can also be seen to some extent in the refurbishment and development of new hotels, and this is creating the need for property owners across all segments to create differentiated, tailored and attractive products.

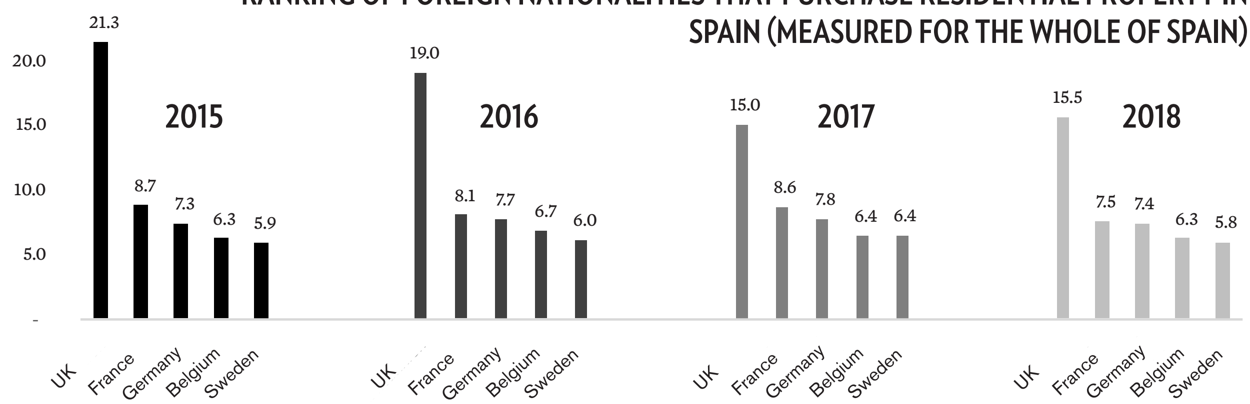
Local development plan and requirements for development

Marbella's neighbouring municipalities are continuing to show strong development and benefitting from Marbella's brand, and Marbella municipality's local development planning has continued to be delayed. However, the municipality is now in a procurement process to select the firm of architects that will be responsible for establishing the new local development plan. The most recent officially published forecasts indicate that a new local development plan should be ready in around three years.

Buyers of property on the Costa del Sol

The unexpected decision taken by the people of the UK in the June 2016 referendum to leave the EU had an immediate impact, with fewer British buyers on the market. The Scandinavian, Belgian, French and Eastern European markets more than compensated for this, although by 2017 British buyers were back at pre-referendum levels in terms of the number of buyers. As Brexit has started to become increasingly real and had practical consequences for people's lives, and the uncertainties over what direction the negotiations will take, this has had a negative impact on the British market recently. In 2015, British buyers accounted for just over 21 percent of all property purchases in Spain, but by 2018 this figure had fallen to around 15 percent. Brits are still the single largest group of non-Spanish property buyers in Marbella, but Brexit has reduced Brits' market share in relation to other nationalities and is expected to continue to do so until the divorce, if it takes place, is finally completed and the terms known. Meanwhile, the factor having the greatest negative impact is the uncertainty about what rules will apply in future. Demand is expected to increase again from British buyers once this is clarified. It is notable in the table below that Swedes' share first increased then decreased in 2018. The weaker Swedish krona and uncertainty on the Swedish property market are believed to have contributed to this.

RANKING OF FOREIGN NATIONALITIES THAT PURCHASE RESIDENTIAL PROPERTY IN SPAIN (MEASURED FOR THE WHOLE OF SPAIN)



Source: Colegio de Registradores de la Propiedad, Diana Morales Research.

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 2018 financial year.

DIRECTORS' REPORT

THE COMPANY IN BRIEF

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 SL was acquired. Operations began in July 2015. Today the Group consists of a number of wholly and partly owned companies in Spain, with operations in property development, property management, hotel management and property sales.

BUSINESS CONCEPT

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.

BUSINESS OBJECTIVES

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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In April 2018, the company entered into an agreement to acquire a plot of 3,800 sqm with direct access to the company's existing property, CFS in Marbella. The purchase consideration amounts to a total of EUR 1.8 million and will be paid via annual payments up until 2023.

In May, the company entered into an operator and cooperation agreement for a new hotel, Boho Club, at the Centro Forestal Sueco property. It is the first joint venture established by the company. Total investments in the Boho Club hotel project amount to an estimated EUR 8.6 million, of which EUR 7.4 million is being invested by the joint operator company. The hotel is scheduled to open at the end of 2019. Quartiers owns 100 percent of the property and 80 percent of the operator company.

In August, two sites ready for development in Los Flamingos were acquired, with an underlying value of around SEK 16.4 million. The transaction was conducted in corporate form via the acquisition of all shares outstanding in Wecap Spain SL. The purchase consideration amounted to the equivalent of SEK 7.2 million, with a performance-based contingent consideration of approximately SEK 5.4 million.

The first phase of the 22byQuartiers project was completed in the autumn. The new owners of the apartments sold began taking up occupancy on 28 September. The sales value realised, based on apartments where payment had been made in full and ownership transferred, at 31 December 2018 totalled SEK 23.9 million, representing 6 out of a total of 22 apartments in the process of being sold.

NET SALES

Quartiers' net sales for 2018 amounted to SEK 29,098 thousand (SEK 9,494 thousand). The increase in sales compared with the previous year is attributable to the company reporting its first income in 2018 from the sale of properties.

INVESTMENTS IN PROPERTY PORTFOLIO

Investments in the property portfolio during the year amounted to SEK 55,434 thousand.

FINANCING

Quartiers has financed property acquisitions primarily via issues of new shares and loans from Spanish credit institutions. The company's bank borrowings amount to the equivalent of SEK 172,010 thousand (SEK 157,990 thousand). Borrowings in 2018 amounted to SEK 21,975 thousand. In addition, the company has raised loans from a Spanish investment fund corresponding to SEK 25,773 thousand. The company raised SEK 47,748 thousand (0) in new loans in 2018. During the year, SEK 11,945 thousand was also raised in equity (before share issue expenses). Preference shares were issued as part-payment for property acquisitions.

The first phase of the 22byQuartiers project was completed in the autumn. The new owners of the apartments sold began taking up occupancy on 28 September. The sales value realised, based on apartments where payment had been made in full and ownership transferred, at 31 December 2018 totalled SEK 23.9 million, representing 6 out of a total of 22 apartments in the process of being sold. A further 12 apartments were sold in the first four months of 2019.

Together with the debt financing that has been secured in the first four months of 2019, we believe it will be possible to implement the projects for which the financing is intended.

ORGANISATION

The company is in the process of establishing an organisation in Spain, which is also where the company's CEO is based. In addition to the CEO, at 31 December 2018 there were three employees in finance, property development and hotel operations.

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 description of financial risk factors under Note 23.

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 23.

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.

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 -1,828 thousand (SEK -4,445 thousand). At the balance sheet date, equity totalled SEK 266,335 thousand (SEK 263,489 thousand). The company's equity/assets ratio was 95 percent (97).

Events after the end of the reporting period

On 1 January 2019, the company took over the rental business from the former operator of the company's investment properties. An improvement in rent earnings is expected as a result of assuming control of the rental business.

The current sales status for the 22byQuartiers project is that 18 out of 22 apartments have been sold. Occupancy is being taken up on a continual basis in first half of 2019.

In March, the majority of the operating company for the Boho Club hotel project was acquired. The company's local partner in the project, Raouf Lofti, owns the remaining 20 percent of the shares.

Meanwhile, additional financing of EUR 4.5 million was secured from Spanish investment bank Arcano Partners for implementing the project.

DIVIDEND

Proposed distribution of profits

The following funds are at the disposal of the AGM:

Share premium reserve	291,672,718
Retained earnings	-24,903,162
Profit/loss for 2018	-1,828,244
Total available funds	264,941,312

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 252,941,312, 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 28 June 2019, 30 September 2018, 30 December 2019, 31 March 2020 and 30 June 2020 (provided these dates fall before the 2020 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 2018 AGM with a record date of 31 March 2019 has been taken into account within the framework of the annual accounts for the 2018 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	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Divestment of properties	3	23,910	0
Rental income	4	5,188	9,494
Other income		0	463
Total		**29,098**	**9,956**
Cost of properties sold	5	-19,479	0
Property expenses	6	-14,067	-11,531
Total operating expenses		**-33,546**	**-11,531**
Gross earnings		**-4,448**	**-1,574**
Central administration	6,7	-16,699	-9,105
Earnings from interests in joint ventures/associates	8	-1,165	0
Unrealised change in value of investment properties	9	45,567	39,042
Operating profit/loss		**23,255**	**28,363**
Finance income	10	421	78
Finance costs	10	-2,711	-4,395
Profit/loss from financial items		**-2,291**	**-4,317**
Profit/loss before tax		**20,965**	**24,045**
Deferred tax	11	-10,807	-9,761
Profit/loss for the period		**10,158**	**14,285**
OTHER COMPREHENISVE INCOME			
Profit/loss for the period		**10,158**	**14,285**
Items that have been or may be transferred to profit/loss for the year		–	–
Translation differences on translation of foreign operations		13,322	4,966
Total comprehensive income		**23,480**	**19,251**
Earnings and comprehensive income for the period attributable to:			
Parent Company holders of ordinary shares		17,163	15,334
Basic earnings per ordinary share, SEK		0.35	0.40
Diluted earnings per ordinary share, SEK		0.35	0.40
Average number of ordinary shares before dilution		48,462,896	38,520,134
Average number of ordinary shares after dilution		48,462,896	38,520,134

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2018	31/12/2017
ASSETS			
Subscribed but not paid-in capital		0	20,000
Non-current assets			
Property, plant and equipment			
Investment properties	9	0	290,241
Operating properties	12	455,369	94,502
Equipment, tools and fixtures and fittings	13	5,806	8,235
Non-current financial assets	14		
Interests in joint ventures/associates	8	7,295	
Other securities held as non-current assets	14	1,194	5,003
Other non-current receivables		38	38
Total non-current assets		**469,702**	**398,019**
Current assets			
Project properties	15	153,150	111,284
Receivables from joint ventures/associates	16,23	1,705	
Trade receivables	17,23	2,372	6,767
Other receivables	18,23	1,801	7,161
Prepaid expenses and accrued income	19	20,371	14,288
Cash and cash equivalents	20	**8,422**	**6,131**
Total current assets		**187,821**	**145,631**
Total assets		**657,523**	**563,649**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2018	31/12/2017
SHAREHOLDERS' EQUITY	21		
Share capital		1,393	1,314
Ongoing new share issue		0	20,000
Other contributed capital		291,673	259,902
Reserves, translation differences		19,807	6,485
Retained earnings incl. profit/loss for the period		60,299	56,457
Total shareholders' equity		**373,172**	**344,157**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	11	46,782	33,979
Liabilities to credit institutions	23	155,126	147,338
Other non-current liabilities	23	13,872	13,297
Other provisions	**22**	**5,394**	
Total non-current liabilities		**221,173**	**194,613**
Current liabilities			
Liabilities to credit institutions	23	16,884	13,030
Trade payables	23	6,669	2,010
Other current liabilities	23,24	37,966	8,453
Accrued expenses and deferred income	23,25	1,659	1,296
Total current liabilities		**63,178**	**24,879**
TOTAL EQUITY AND LIABILITIES		**657,523**	**563,649**

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, 01/01/2017	**868**	**92,856**	**1,519**	**46,089**	**141,332**
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	445	177,968			178,413
Dividend paid, preference shares	–	–	–	-2,937	-2,937
Change in expensed unpaid dividend, preference shares	–	–	–	-979	-979
Share issue expenses	–	-10,922			-10,922
Total transactions with shareholders	495	186,996	0	-3,916	183,575
Closing balance, 31/12/2017	**1,363**	**279,852**	**6,485**	**56,458**	**344,158**
Opening balance, 01/01/2018	**1,363**	**279,852**	**6,485**	**56,458**	**344,158**
Comprehensive income					
Profit/loss for the period				10,158	10,158
Translation differences			13,322		13,322
Total comprehensive income			**13,322**	**10,158**	**23,480**
Transactions with shareholders					
New share issue	30	11,915			11,945
Dividend paid, preference shares				-3,685	-3,685
Change in expensed unpaid dividend, preference shares				-2,632	-2,632
Share issue expenses		-94			-94
Total transactions with shareholders	30	11,821	0	-6,317	5,534
Closing balance, 31/12/2018	**1,393**	**291,673**	**19,807**	**60,299**	**373,172**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts are stated in SEK thousand	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Cash flow from operating activities	28		
Operating profit/loss		23,255	28,363
Depreciation, amortisation and impairment		1,901	1,829
Share in earnings of associated companies		1,165	
Unrealised changes in value		-45,568	-38,947
Interest income and similar profit/loss items		421	78
Interest paid (attributable to financing activities)		-2,711	-3,393
Cash flow from operating activities before changes in working capital		**-21,537**	**-12,070**
Changes in working capital			
Increase/decrease in trade receivables		4,395	1,118
Increase/decrease in financial investments		0	263
Increase/decrease in other current receivables		-2,428	-7,961
Increase/decrease in trade payables		4,659	709
Increase/decrease in other current liabilities		3,462	-242
Cash flow from operating activities		**-11,449**	**-18,183**
Cash flow from investing activities			
Investments in non-current financial assets		-8,459	0
Sale of non-current financial assets		3,990	0
Investments in operating properties		-1,294	0
Investments in property, plant and equipment		628	-87,270
Investments in project properties		-54,140	-53,707
Sale of project properties		20,893	0
Cash flow from investing activities		**-38,383**	**-140,978**
Cash flow from financing activities			
New share issue		24,750	167,491
Borrowings raised		47,748	0
Loan repayments		-14,797	-9,483
Dividend paid, preference shareholders		-5,643	-2,937
Cash flow from financing activities		**52,058**	**155,071**
Cash flow for the period		**2,226**	**-4,090**
Cash and cash equivalents at start of period		6,131	10,117
Exchange rate differences in cash and cash equivalents		65	104
Cash and cash equivalents at end of period		**8,422**	**6,131**

GROUP ACCOUNTING POLICIES AND NOTES

NOTE 1 GROUP ACCOUNTING POLICIES

1. GENERAL INFORMATION

Quartiers Properties AB (publ) (Parent Company) and its subsidiaries, referred to below as "Quartiers Properties" or "the Group", acquire and carry out property 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 Strandvägen 7A, 114 56 Stockholm, Sweden.

The annual accounts and consolidated financial statements were approved by the Board of Directors on 8 May 2019 and submitted for adoption at the Annual General Meeting on 29 May 2019.

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

2. BASIS FOR PREPARATION OF THE COMPANY'S ACCOUNTS

The consolidated accounts for Quartiers Properties AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) approved by the EU at 31 December 2018.

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. See differing accounting policies for the Parent Company.

3. CONSOLIDATED ACCOUNTS AND CONSOLIDATION PRINCIPLES

The consolidated accounts cover the Parent Company and all companies in which the Parent Company, either directly or indirectly, controls more than 50 percent of the votes or in some other way 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 consideration for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase consideration 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.

4. CHANGES TO REGULATIONS

Changes to accounting policies and disclosures

IFRS 9 Financial Instruments
IFRS 9 entered into force on 1 January 2018 and replaced IAS 39 Financial instruments: Recognition and measurement. The adoption of IFRS 9 and an impairment model based on expected future credit losses has not had any impact on the Group's financial statements for 2018. Financial assets have been classified according to the new principles. See Note 23.

Since 1 January 2019, the Group has been managing rental operations, which means that the Group will recognise trade receivables across more customers. The Group has developed an impairment scale based on the length of time a claim has been due. Management of the credit risk in trade receivables at 31/12/2018 is described in more detail under Note 3 and Note 4.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 entered into force on 1 January 2018. According to IFRS 15, revenue is to be recognised when the customer obtains control over the product or service and is able to use and obtain benefit from the product or service.

Analysis of IFRS 15 led to the conclusion that the Group's rental activities in 2018 did not fall within the scope of IFRS 15.

The Group's project activities in 2018 have generated the first revenue from sales. Revenue from property sales is recognised once the customer has paid in full and taken over the property.

New standards and interpretations entering into force in 2019

IFRS 16 Leases
IFRS 16 entered into force on 1 January 2019 and replaces IAS 17 Leases.

All leases in which Quartiers is the lessor are classified as operating leases, and the new standard is not expected to have any impact on the company's rental operations.

The Group has a small number of lease contracts that fall within the scope of IFRS 16 and that from 1 January 2019 will be accounted for in accordance with the new standard.

The Group will recognise the transition to IFRS 16 according to the modified retrospective transition method. This means that comparative figures for 2018 will not be recalculated. Furthermore, carrying amounts for the Group's right-of-use assets will be assigned the same value as the recognised lease liability at 1 January, with the exception of any lease payments made in advance. Quartiers also intends to apply the exception to exclude operating leases with a remaining term of less than 12 months from calculation of the initial liability.

Quartiers has conducted an inventory of the Group's leases and concluded that there are five leases that come under IFRS 16. One lease relates to coffee machines, each of which are of negligible value. Other leases, relating to furnishings and three cars, are already recognised as finance leases.

5. FOREIGN CURRENCY TRANSLATION

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.

The Group's foreign operations are converted to the Group's functional currency, SEK, by converting the balance sheets at the exchange rate on the balance sheet date, with the exception of equity, which is converted at the historical rate. The income statement is recalculated monthly at the average exchange rate for the month. Any translation differences that arise are recognised in other comprehensive income. Accumulated translation differences are included in consolidated equity under 'Reserves, translation differences'.

6. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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. In 2018, an investment property was reclassified as an operating property. See Note 9. Properties acquired for the purposes of selling once they have been developed (project properties) are recognised as inventory at cost, or net realisable value, if the latter is lower.

Gains or losses from property sales
When a property is sold, an assessment is made of the timing of the risk being transferred to the buyer. Such assessment is based on the protocol established in connection with the buyer taking up possession of the property.

Property valuations
The company continually assesses the carrying amount of its properties. An independent valuation of all properties is carried out every December, which forms the basis of the properties' values for the preparation of the year-end accounts.

Credit risk in receivables
The Group has receivables from tenants and property buyers.

Claims arising via invoicing after property acquisition contracts have been entered into are recognised in the balance sheet at nominal value and as advance payments until such time as full payment has been received. No other assessment is carried out.

Claims on tenants are recognised as income during the term of the lease. An assessment is made of the credit risk and provisioning made according to individual assessment, and as of 2019 on a sliding scale.

NOTE 2 SEGMENT REPORTING

ACCOUNTING POLICY

Operating segments are reported in accordance with the reporting submitted to company management and the Board of Directors. Since 1 July 2017, operations have been reported in three operating segments: Property Development, Property Management and Hotel Operations.

SEGMENT DESCRIPTIONS

The company's properties are exclusively located on Spain's Costa del Sol. The Hotel Operations segment has only generated marginal revenue and costs in both 2017 and 2018. This is due to the segment being made up exclusively of a hotel property that, following its acquisition in July 2017, has been the subject of extensive redevelopment, and has therefore not been in operation. Once redevelopment work is complete, a lifestyle hotel will open under the name Boho Club. According to the current schedule, the restaurant and hotel will open in 2019.

A change to internal reporting was implemented on 1 January 2019. The property management segment has been discontinued. The two other segments are now called Property Refinement, which primarily includes the current hotel and property management segments, and Property Development, which primarily includes the project development segment. Reporting according to these new segments will begin as of the H1 report for 2019.

	Project Development	Property Management	Hotel Operations	Group items and eliminations	Total	Project Development	Property Management	Hotel Operations	Group items and eliminations	Total
	01/01/2018 to 31/12/2018					01/01/2017 to 31/12/2017				
Property sales										
Sale of properties	23,910				23,910					
Production expenses	-19,479				-19,479					
Earnings	4,431				4,431					
Rental and management					0					
Rental income	0	5,188			5,188	–	9,494	–		9,494
Change in the value of investment properties		45,567			45,567		39,042			39,042
Property expenses	-1,918	-12,149			-14,067		-11,531			-11,531
Earnings	-1,918	38,606	0		36,688		37,005	0		37,005
Central administration				-16,699	-16,699				-9,105	-9,105
Other income									463	463
EBIT				-16,699	24,420				-8,643	28,363
Assets										
Investment properties		0					290,241			290,241
Operating properties			455,369		455,369			94,502		94,502
Other property, plant and equipment		5,618	189		5,807	631	7,400	203		8,235
Project properties	153,150				153,150	111,284				111,284

NOTE 3 DIVESTMENT OF PROPERTIES

ACCOUNTING POLICY

Income from the divestment of properties is recognised in accordance with IFRS 15 and the conditions of the sale once the customer has paid in full and taken up possession of the property. Deposits paid are recognised in the balance sheet as advance payments.

CREDIT RISK

Income is only recognised once payment has been made in full.

INCOME FROM DIVESTMENT OF PROPERTY

Income recognised in 2018 relates to the sale of 6 apartments in the 22byQuartiers project for a total sales value of EUR 2,300 thousand. The buyers took up possession of the apartments as of 31/12/2018.

NOTE 4 RENTAL INCOME

ACCOUNTING POLICY

Income comprises the fair value of what is received or what will be received from rental income. Revenue is recognised when the amount can be reliably measured and it is likely that future economic benefits will accrue to the Group.

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.

CREDIT RISK

Rental income is derived from a contract with an operator, who has been engaged to pursue rental operations of the company's investment properties. In December 2018, the company entered into an agreement with the operator for the contract to end early at 31/12/2018. As part of this agreement, the operator was released from its obligation to pay rent in part. The Group has classified this exemption from paying full rent as a rental discount and has reduced recognised income for 2018 by SEK 2,577 thousand. The size of the rental discount is dependent upon the final rental earnings for 2018 and will be finally determined in 2019.

The claim that is recorded as a trade receivable corresponds to the amount that the company expects to be paid in 2019, after deductions for rental discount.

NOTE 5 COST OF SOLD PROPERTIES

ACCOUNTING POLICY

Quartiers' cost of sold properties comprises costs arising in connection with the sale of a property, and includes production and selling expenses. The costs are recognised in the same period that revenue from the sold properties is recognised.

	01/01/2018 31/12/2018	**01/01/2017 31/12/2017**
Production expense including cost of capital and initial acquisition of the project	15,167	0
Reversal of previously recognised revaluation	2,775	0
Selling cost	1,536	0
Recognised production expense	**19,479**	**0**

NOTE 6 PROPERTY EXPENSES AND CENTRAL ADMINISTRATION

ACCOUNTING POLICY

Property expenses
Quartiers' property expenses comprise costs arising in connection with the operation and leasing of property. Significant recurring cost items are made up of fees to Spanish owner associations (the equivalent of cooperative associations), repair and maintenance costs, electricity and lighting and consultancy and employee expenses. Property expenses are recognised in the period to which they relate.

Central administration
Quartiers' central administration costs include the Group's administrative expenses, such as employee expenses, travel expenses, consultancy fees, marketing costs and costs relating to financial and other administration. These costs are recognised in the period to which they relate.

PROPERTY EXPENSES	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Association fees	4,615	4,263
Consultancy and employee expenses	3,957	1,150
Repairs and maintenance	1,101	1,231
Electricity and lighting	692	994
Other	3,702	3,893
Total	**14,067**	**11,531**

CENTRAL ADMINISTRATION

	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Consultancy fees	3,701	3,599
Wages and salaries	3,290	2,080
Advertising & PR	3,006	728
Bank and financing costs	3,913	60
Other	2,789	2,638
Total	**16,699**	**9,105**

AUDIT COSTS
Audit assignment relates to the review of the annual accounts and accounting records, and the Board of Directors and CEO's management, and other tasks that the company's auditor is obliged to perform.

	01/01/2018 31/12/2018	01/01/2017 31/12/2017
PwC		
Audit assignment	664	658
Audit activities in addition to the audit assignment	80	135
Total	**744**	**793**

NOTE 7 EMPLOYEE BENEFITS

ACCOUNTING POLICY

Employee benefits
Employee benefits are recognised at the rate at which employees have performed services in exchange for remuneration. Benefits include a fixed salary, holiday pay, variable salary and, where applicable, other benefits.

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.

	01/01/2018 31/12/2018	**01/01/2017 31/12/2017**
Average no. of employees		
Men	3	1.5
Women	1	1
Total	**4**	**2**
Salaries and other remuneration		
Chairman of the Board	160	160
Board members	160	160
Total Board fees	**320**	**320**
CEO of the Parent Company	1,012	1,379
Former CEO of the Parent Company	780	0
Other senior executives	185	578
Other employees	722	151
Total salaries and other remuneration	**2,699**	**2,108**
Social security contributions		
Pension costs	184	99
Other social security charges according to law and agreements	849	561
Total social security contributions	**1,033**	**660**
Total salaries, remuneration, social security contributions and pension costs	**4,052**	**3,088**

REMUNERATION
Remuneration corresponding to SEK 1,012 thousand has been paid to the current CEO. This amount includes remuneration for the period that the same individual was CFO of the company, in the amount of SEK 367 thousand. Remuneration is made up of a fixed salary of EUR 8,000 per month.

Remuneration totalling SEK 780 thousand has been paid to the former CEO of the company, SEK 113 thousand of which relates to severance pay.

In accordance with a decision by the AGM, for the period from June 2018 up until the ordinary 2019 AGM, the Board of Directors received fees of SEK 320 thousand (SEK 320 thousand), of which SEK 160 thousand (SEK 160 thousand) was paid to Chairman of the Board Jörgen Cederholm, and SEK 80 thousand (SEK 80 thousand) each to Board members Sten Andersen and Jimmie Hall. No Board fee is paid to Board member Åke Olofsson. Åke Olofsson receives remuneration in the form of a salary and consulting fees for his operational work in the Group. Remuneration in 2018 amounted to the equivalent of SEK 670 thousand (SEK 399 thousand), of which SEK 43 thousand comprises salary and is recognised under remuneration to other senior executives, which also includes the company's current CFO.

PENSIONS AND SEVERANCE PAY
A pension insurance premium is paid for the CEO. The premium amounts to (I) 4.5 percent of salary up to SEK 31,813 and (II) 20 percent of monthly salary exceeding SEK 31,813, corresponding to a premium cost totalling SEK 132 thousand per year. There is a mutual notice period of six months on termination of the employment contract.

SHARE-BASED PAYMENTS
There are no outstanding option programmes or other share-based payments.

NOTE 8 EARNINGS FROM, AND INTERESTS IN JOINT VENTURES/ASSOCIATES

ACCOUNTING POLICY
A company is recognised as an associate when Quartiers holds between 20 and 50 percent of the votes or in some other way has significant influence over operational and financial governance. Such holdings are recognised in the consolidated accounts in accordance with the equity method. Interests are recognised in the balance sheet at cost, adjusted for changes in the Group's share of the company's earnings.

Earnings from interests in joint ventures/associates
Recognised earnings amount to SEK -1,165 thousand and are made up of a share of the company's earnings of SEK -1,628 thousand and an accounting gain from the divestment of shares in Quartiers Estate SL of SEK 463 thousand.

Changes in interests in joint ventures/associates
In 2018, the company entered into two joint ventures that were 50 percent owned at the balance sheet date without a controlling influence. The joint ventures are Boho Club SL, which is the operating company for the Boho Club hotel concept, and Quartiers Estate SL, which provides property brokerage. After the balance sheet date the Group increased its holding in Boho Club SL to 80 percent of the capital and votes.

	31/12/2018	31/12/2017
Company formation	47	0
Capital contribution	8,873	0
Share of the company's earnings	-1,628	0
Exchange rate adjustment	2	0
Carrying amount	**7,295**	**0**

	Country	Share of equity, %	Carrying amount
Boho Club SL	Spain	50%	7,780
Quartiers Estate SL	Spain	50%	-486
Total			**7,295**

NOTE 9 INVESTMENT PROPERTIES

ACCOUNTING POLICY

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, which is established by the Board of Directors based on the properties' market value. Market 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.

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.

MARKET VALUATION

Valuations have been carried out by a certified valuer from CBRE Valuation Advisory S.A. Valuations have been conducted in accordance with RICS international property measurement guidelines (RICS Valuation – Professional Standards, The Red Book). 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. Valuation certificates have been received from a valuation institution, which provide a basis for the Board in the company's decisions about the market value of properties. Changes in value for 2018, excluding exchange rate effects, amount to SEK 45,567 thousand. The appreciation in value is attributable to market developments, investments carried out in properties and in the area, and greater transparency with regard to pricing, as more transactions of similar properties have taken place.

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.

RECLASSIFICATION AT 31/12/2018

On 31 December 2018, the company's investment properties were reclassified as operating properties. The background to the change is that on 1 January 2019, the company took the rental business into its own management.

Before this reclassification took place, the company's investment properties according to the above were subject to an independent valuation and recognised at fair value. This value also represents the opening value as an operating property.

	01/01/2018 31/12/2018	**01/01/2017 31/12/2017**
Opening fair value	**290,241**	**245,027**
Cost of properties acquired during the year	–	–
Investments	1,287	521
Exchange rate differences	12,218	6,858
Changes in value	45,567	39,042
Reclassifications	-349,413	-1,207
Closing fair value	**0**	**290,241**
Details about investment properties		
Cost	0	169,647
Carrying amount	**0**	**290,241**

NOTE 10 FINANCE INCOME AND COSTS

ACCOUNTING POLICY

Other interest income and similar profit/loss items refer to interest income from bank deposits, receivables, financial investments, positive exchange rate differences on financial items and gains from the divestment of financial investments. Such income is recognised in the period to which it relates.

Finance costs include interest expenses on loans, exchange rate differences on financial items and losses and impairment of financial investments. These costs are recognised in the period to which they relate.

FINANCE INCOME

	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Earnings from short-term investments	202	78
Interest income	159	
Other	60	
Total	**421**	**78**

FINANCE COSTS

	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Impairment of non-current financial assets	44	1,005
Interest expenses	2,668	3,393
Total	**2,711**	**4,395**

NOTE 11 INCOME TAX/TAX ON EARNINGS FOR THE PERIOD

ACCOUNTING POLICY

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 carry-forwards or other tax deductions are recognised to the extent it is likely that future profits will be available, against which the loss carry-forwards can be offset.

Group	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Tax on earnings for the period		
Deferred tax with regard to temporary differences	-10,807	-9,761
Total recognised tax	**-10,807**	**-9,761**

Reconciliation of effective tax		
Recognised profit/loss before tax	20,965	24,045
Tax according to current tax rate, 22%	-4,612	-5,290
Non-deductible costs	-52	-244
Tax losses for which no deferred tax asset is recognised	-5,822	-5,913
Effect of foreign tax rate, 25% (25%)	-320	1,686
Recognised effective tax 52.0% (40.6)	-10,807	-9,761

Deferred tax on temporary differences

Temporary differences	Deferred tax assets		Deferred tax liabilities		Net	
	01/01/2018– 31/12/2018	01/01/2017– 31/12/2017	01/01/2018– 31/12/2018	01/01/2017– 31/12/2017	01/01/2018– 31/12/2018	01/01/2017– 31/12/2017
Surplus values, properties	0	0	-46,782	-33,979	-46,782	-33,979
	0	**0**	-46,782	**-33,979**	-46,782	**-33,979**

Change in deferred tax	Recognised in profit/loss	Amount at end of period
Deductible temporary differences	-10,807	-46,782

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 SL, 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 carry-forwards of SEK 54,907 thousand (SEK 40,788 thousand), of which SEK 16,742 thousand (SEK 15,287 thousand) is attributable to the Parent Company. No deferred tax assets on loss carry-forwards are recognised.

NOTE 12 OPERATING PROPERTIES

ACCOUNTING POLICY

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.

BOHO CLUB

Quartiers is in the process of refurbishing a hotel property that was acquired in 2017 as part of a package of properties under the name Centro Forestal Sueco (CFS). Once redevelopment work is complete, a lifestyle hotel with two restaurants will open at the property under the name Boho Club.

Since the hotel property is being refurbished, no depreciation on individual components has occurred in 2018. Depreciation will begin following completed refurbishment. Depreciation will take place on those components that have been identified, such as frame (100–150 years), roof (50 years), facade (50 years), interior area (15–20 years), fixtures and fittings (20–25 years) and land improvements (25–30 years).

QUARTIERS APARTMENT HOTEL & RESORT

At 31/12/2018, the company's 99 apartments, Quartiers Apartment Hotel & Resort, were reclassified from investment properties to operating properties. Since 1 January 2019, Quartiers has been running an apartment complex under its own management. There has been no depreciation, since the property was classified as an investment property and measured at market value for the whole of 2018.

	01/01/2018 31/12/2018	**01/01/2017 31/12/2017**
Opening cost	94,502	0
Cost of properties acquired during the year		92,848
Investments	6	121
Exchange rate differences	3,848	1,533
Reclassifications	357,013	
Closing carrying amount	**455,369**	**94,502**

Details about operating properties		
Cost	265,571	94,502
Carrying amount	**455,369**	**94,502**

NOTE 13 EQUIPMENT, TOOLS AND MACHINERY

ACCOUNTING POLICY

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 fixtures and fittings – 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'.

	31/12/2018	31/12/2017
Opening carrying amount	8,235	7,916
Purchases	11	1,491
Reclassification	-640	285
Exchange rate differences	101	372
Depreciation/amortisation	-1,901	-1,829
Closing carrying amount	**5,807**	**8,235**

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.

NOTE 14 NON-CURRENT FINANCIAL ASSETS

ACCOUNTING POLICY

Investments in associates, other securities held as non-current assets and other non-current receivables are recognised as non-current financial assets. Investments in associates and non-current receivables are recognised at amortised cost. Other securities held as non-current assets are measured at fair value according to the principles for financial instruments (Note 23). For publicly traded holdings, this means the market rate at the balance sheet date and therefore constitutes Level 1 according to IFRS 13.

MARKET RISK

Losses on other securities held as non-current assets arise if there is a decline in the value of the shares.

CREDIT RISK

Losses on other non-current receivables arise when the counterparty is unable to fulfil its payment obligations. See Note 23 for a more detailed description of credit risk.

OTHER SECURITIES HELD AS NON-CURRENT ASSETS

At the balance sheet date, other securities held as non-current assets consisted exclusively of compensation bonds in Banco Santander, which were received as compensation for shares in Banco Popular. 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.

NOTE 15 PROJECT PROPERTIES

ACCOUNTING POLICY

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 continually valued at cost or at net realisable value if the latter is lower.

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.

Earnings are recognised once the property has been completed, sold and transferred to the buyer.

	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Cost	111,284	50,373
Cost of properties acquired during the year	24,367	49,704
Investments in properties	42,265	8,057
Divestments	-20,893	
Exchange rate differences	3,826	2,228
Reclassifications	-7,699	922
Closing carrying amount	**153,150**	**111,284**

NOTE 16 RECEIVABLES FROM JOINT VENTURES/ASSOCIATES

ACCOUNTING POLICY

Receivables from joint ventures/associates are recognised according to the principles described in Note 23 concerning financial assets measured at amortised cost.

Receivables from joint ventures/associates relate in their entirety to receivables from Quartiers Estate España SL.

NOTE 17 TRADE RECEIVABLES

ACCOUNTING POLICY

Trade receivables are recognised according to the principles described in Note 23 concerning financial assets measured at amortised cost.

TRADE RECEIVABLES	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Gross	5,078	6,767
Less: rental discount	-2,577	0
Total	**2,509**	**6,767**

The Group's trade receivables relate in all material respects to receivables from the former operator of the company's investment properties. In December 2018, the company entered into an agreement with the operator for the contract to end early at 31/12/2018. As part of this agreement, the operator was released from its obligation to pay rent in part. The Group has classified this exemption from paying full rent as a rental discount and has reduced the recognised trade receivable by SEK 2,569 thousand. The size of the rental discount is dependent upon the final rental earnings for 2018 and will be finally determined in 2019.

The claim that is recorded as a trade receivable corresponds to the amount that the company expects to be paid in 2019, after deductions for rental discount.

NOTE 18 OTHER RECEIVABLES

ACCOUNTING POLICY

Other receivables are recognised according to the principles described in Note 23 concerning financial assets measured at amortised cost.

OTHER RECEIVABLES	31/12/2018	31/12/2017
Deposits and down payments	0	4,910
VAT-related receivables	1,173	1,764
Other items	628	487
Total	**1,801**	**7,161**

Deposits and down payments paid are recognised as prepaid expenses and accrued income for 2018.

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

ACCOUNTING POLICY

Prepaid expenses and accrued income are recognised according to the principles described in Note 23 concerning financial assets measured at amortised cost.

	31/12/2018	31/12/2017
Advance payments to suppliers	11,998	14,164
Down payment for acquisition of land	1,748	0
Option, property acquisition	4,668	0
Prepaid sales commission	1,498	0
Prepaid rent	0	33
Prepaid leases	64	64
Other	894	27
Total	**20,371**	**14,288**

NOTE 20 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

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.

The company's cash and cash equivalents consist primarily of bank balances in Swedish kronor.

NOTE 21 SHAREHOLDERS' EQUITY

ACCOUNTING POLICY

Ordinary shares and preference shares are classified as equity. Share capital corresponds to the Parent Company's share capital and comprises issued ordinary and preference shares. Other contributed capital consists of capital contributed by the shareholders in addition to share capital. Reserves for translation differences comprise such translation differences as are recognised in other comprehensive income. Retained earnings including earnings for the period comprise accumulated earnings from the Group's activities, less dividends to shareholders.

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'. 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.

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

NUMBER OF SHARES

Share capital in the Parent Company, Quartiers Properties AB (publ), amounts to SEK 1,393 thousand and is allocated among 55,737,513 shares. Of these shares, 48,462,896 are ordinary shares and 7,274,617 are preference shares. The company's ordinary and preference shares are subject to trading on Nasdaq First North. In 2018, a total of 1,194,547 new preference shares were issued at a subscription price of SEK 10.00 per share.

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.

EARNINGS PER 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 SEK 23,480 thousand, having taken account of the preference shares' portion of earnings for the year of SEK 7,177 thousand. Earnings less the preference shares' portion, SEK 16,303 thousand, have been divided by a weighted average number of shares during the year, amounting to 48,462,896.

Weighted average number of ordinary shares outstanding	31/12/2018	31/12/2017
Opening total number of shares:	48,462,896	30,658,000
Effect of newly issued shares	0	7,862,134
Average number of ordinary shares	48,462,896	38,520,134

NOTE 22 OTHER PROVISIONS

ACCOUNTING POLICY

Amounts expected to be required to settle a legal or constructive obligation resulting from previous events are recognised as provisions.

A reserve for the contingent consideration regarding the acquisition of Wecap Spain SL is recognised as other provisions. The contingent consideration is dependent upon the company achieving a specific financial result and it is expected to be redeemed in 2021 at the earliest.

NOTE 23 FINANCIAL INSTRUMENTS AND FINANCING

ACCOUNTING POLICY

Financial instruments recognised in the balance sheet are classified in accordance with IFRS 9 in three different categories: financial assets and financial liabilities measured at fair value via profit or loss, financial assets and financial liabilities measured at fair value via other comprehensive income, and financial assets and financial liabilities measured at amortised cost.

The classification depends on the purpose for which the financial asset or liability was acquired. Financial instruments are initially measured at fair value plus transaction expenses, with the exception of the category financial instruments recognised at fair value via profit or loss, for which transaction expenses are not included. A financial asset is removed from the balance sheet when the rights in the contract are realised, fall due or the company no longer has control over the asset. A financial liability is removed from the balance sheet when the obligation in the contract has been fulfilled or in some other way discharged.

Comparison figures for 2017 have been adjusted to the classification according to IFRS 9.

Financial assets

The categories that are relevant to Quartiers regarding financial assets are amortised cost and fair value via profit or loss.

Financial assets are measured following initial recognition at amortised cost according to the effective interest rate method if they are held for the purposes of obtaining contractual cash flows, and at specific dates they give rise to cash flows that are exclusively payments of principal and interest on the outstanding principal. Quartiers' financial assets that are included in this category are trade receivables, cash and cash equivalents and other receivables. However, the trade receivables' expected maturities are short, which is why the value is recognised at a nominal amount without discounting. Trade and loan receivables are recognised at the amount that is expected to be paid, i.e. after deductions for bad debts. Cash and cash equivalents and other assets with short maturities are recognised at nominal value.

Financial assets measured at fair value via profit or loss comprise holdings for trading purposes, i.e. for the primary purpose of being sold. Financial assets in this category are measured continually at fair value, with changes in value recognised in profit or loss. This category includes smaller listed holdings, the value of which is estimated by referring to listed market prices.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value via profit or loss.

Quartiers' liabilities consist primarily of liabilities to credit institutions, other loans and operating liabilities such as trade payables. Financial liabilities 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.

Trade payables and other short-term operating liabilities that constitute financial liabilities are recognised at nominal value due to the short maturity.

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.

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

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 constitutes 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 (10,117). 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.

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 2018 (2017), the Group's interest-bearing liabilities in EUR corresponded to SEK 195,626 thousand (SEK 157,990 thousand). At the same date, the Spanish properties' carrying amounts totalled SEK 608,519 thousand (SEK 496,027 thousand). This means that the Parent Company's shareholding in the foreign Group company is exposed to exchange rate fluctuations.

SENSITIVITY ANALYSIS

The majority of the company's transactions, as well as assets and liabilities, are in EUR. Exchange rate fluctuations therefore have a significant impact on carrying amounts. Changes to interest expenses primarily affect earnings before tax.

	Change, %	Effect on the value of properties, SEK thousand	Change in borrowings, SEK thousand	Effect on equity, net SEK thousand	Effect on earnings before tax, SEK thousand
Exchange rate change	+/- 1.0%	+/- 6,085	+/- 1,963	+/- 4,122	+/- 120
Interest expense at current fixed interest period	+/- 1.0%				+/- 1,978

D) Credit risk – the company has receivables from the operator that leased the company's investment properties up until 31/12/2018. At the balance sheet date, the claim including rental discount amounted to SEK 2,372 thousand, which corresponds to the amount that is expected to be received in 2019.

CAPITAL STRUCTURE

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 to other stakeholders. A well organised capital structure is important in order to maintain the company's cost of capital at the minimum level possible.

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. The current debt/equity ratio is 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 of 55–60 percent to achieve yield requirements on equity. The company has been working actively in 2018 with debt financing via Spanish credit institutions, which has resulted in a higher debt/equity ratio. While the company has been working to increase indebtedness, the focus has been on refinancing loans with high interest to reduce the company's cost of capital and achieve an optimal capital structure for the business.

DEBT/EQUITY RATIO	31/12/2018	31/12/2017
Total borrowings	215,561	177,195
Less: Cash and cash equivalents	-8,422	-6,131
Net debt	207,139	171,064
Shareholders' equity	373,171	344,157
Total capital	580,310	498,395
Debt/equity ratio	**36%**	**34%**

BORROWINGS

Quartiers' borrowings consist mainly of loans with Spanish credit institutions raised in connection with the original acquisition of the properties acquired directly from the Spanish bank, Banco Popular. The loans are in EUR and secured via property mortgages. The interest rate is between 1.5 and 2.0 percent. The maturities average 15 years.

Since Spanish banks are currently highly restrictive in issuing loans for property investments, the financing of new acquisitions and project development thus far has mainly been via new share issues. In order to facilitate acquisitions and the development of existing projects, and to increase the return on equity, borrowings in 2018 have also been raised outside the traditional banking sector.

The Group has entered into a lease 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 amortisation. On the liability side, the present value of remaining future lease payments is recognised as liabilities to credit institutions. The asset is amortised over its useful life, which corresponds to the lease term.

The summary of borrowings below also includes purchase considerations for properties that have not yet been settled. Contingent considerations are recognised as other provisions and are not included in borrowings.

	31/12/2018	31/12/2017
Long-term		
Bank borrowings	152,970	145,379
Lease liability	1,201	1,825
Liability purchase consideration	13,872	13,297
Total	**168,043**	**160,501**
Short-term		
Lease liability	950	553
Bank borrowings	16,883	12,612
Loans from financing institutions outside the banking sector	25,773	0
Other short-term loans	3,911	3,530
Total	**47,518**	**16,695**

MATURITY ANALYSIS

The maturity analysis of borrowings below examines the Group and Parent Company's financial liabilities broken down by the time remaining on 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 2018	<1 year	1–2 years	2–5 years	>5 years
Liabilities to credit institutions	16,883	16,440	44,148	92,382
Liabilities to financing institutions outside the banking sector	25,773			
Lease liability	950	986	215	
Liability purchase consideration		13,872		
Trade payables	6,669			
Other current liabilities	14,089			

CLASSIFICATION OF FINANCIAL INSTRUMENTS

SEK thousand	Financial assets/liabilities measured at fair value via profit or loss		Financial assets/liabilities measured at amortised cost		Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Assets in the balance sheet						
Other securities held as non-current assets	1,194	5,003		0	1,194	5,003
Other non-current receivables		0	38	38	38	38
Trade receivables		0	2,372	6,767	2,372	6,767
Other receivables		0	1,801	7,161	1,801	7,161
Cash and cash equivalents		0	8,422	6,131	8,422	6,131
Total	**1,194**	**5,003**	**12,633**	**20,097**	**13,827**	**25,100**
Liabilities in the balance sheet						
Long-term borrowings from credit institutions	0	0	152,970	147,338	152,970	147,338
Short-term borrowings from credit institutions and financing institutions outside banking sector	0	0	42,656	13,030	42,656	13,030
Leases	0	0	950		950	
Trade payables	0	0	6,669	2,010	6,669	2,010
Other liabilities	0	0	14,089	8,453	14,089	8,453
Total	0	0	**217,335**	**170,831**	**217,335**	**170,831**

NOTE 24 OTHER CURRENT LIABILITIES

	31/12/2018	31/12/2017
Liabilities to other financial institutions	25,773	
Liabilities to related parties	11	11
Short-term loans from other lenders (not credit institutions)	3,911	3,530
Liability, preference share dividend	3,492	1,958
Other	4,779	2,945
Total	**37,966**	**8,453**

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2018	31/12/2017
Accrued holiday pay	146	152
Accrued social security charges	46	48
Other accrued expenses	1,467	1,096
Total	**1,659**	**1,296**

NOTE 26 PLEDGED ASSETS

ACCOUNTING POLICY

Security is pledged for the Group's obligations primarily in the form of property mortgage deeds. In addition, shares in subsidiaries have been pledged.

	31/12/2018	31/12/2017
For liabilities to credit institutions		
Leased non-current assets with reservation of title	1,739	2,378
Property mortgages	242,752	201,973
Total	**244,491**	**204,351**
Other pledged collateral		
Pledged shares in subsidiaries	38,927	13,297

NOTE 27 CONTINGENT LIABILITIES

Quartiers has an option to acquire a plot next to the company's CFS property in Marbella's Golden Mile district. The company has paid EUR 450 thousand for the non-binding call option. The total purchase consideration amounts to EUR 1,788 thousand.

NOTE 28 CASH FLOW STATEMENT

ACCOUNTING POLICY

The cash flow statement illustrates the change in cash and cash equivalents and the Group's available liquidity for the period. The cash flow statement has been prepared according to the indirect method, which means that operating earnings are adjusted for transactions that do not result in incoming or outgoing payments during the period. The Group has no items affecting cash flow within financing activities to specify in accordance with IAS 7 Statement of Cash Flows.

NOTE 29 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 2018 in accordance with this agreement in an amount corresponding to SEK 612 thousand (SEK 344 thousand) excluding VAT. In addition, remuneration in the form of salary has been paid in the amount of SEK 40.8 thousand (0).

Andreas Bonnier

In April 2018, Andreas Bonnier obtained secondary pledges in 13 of the 99 apartments owned by Quartiers in Hacienda de Cifuentes in Benahavís. The value of the collateral corresponds to the surety commitment that Andreas has pledged. The surety commitment relates to the outstanding CFS purchase consideration of approximately SEK 13.3 million. The pledge replaced a previous pledge of shares in CFS Residential SL. In connection with Quartiers' subsidiary Flexshare España SL signing a loan agreement with Arcano Partners in 2019, Andreas renounced the collateral in the apartments.

NOTE 30 EVENTS AFTER BALANCE SHEET DATE

On 1 January 2019, the company took over the rental business from the former operator of the company's investment properties. Termination of the agreement with the operator led to an impairment of rent income amounting to SEK 2,577 thousand in the second half of 2018. Assumption of control of the rental business is expected to result in an improvement in rent earnings.

The current sales status for the 22byQuartiers project is that 18 out of 22 apartments have been sold. Occupancy is being taken up on a continual basis in first half of 2019.

In March, the majority of the operating company for the Boho Club hotel project was acquired. The company's local partner in the project, Raouf Amer Lofti, owns the remaining 20 percent of the shares. Meanwhile, additional financing of EUR 4.5 million was secured from Spanish investment bank Arcano Partners for implementing the project.

PARENT COMPANY INCOME STATEMENT

Amounts are stated in SEK thousand	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Net sales	2	4,681	6,453
Total operating income		**4,681**	**6,453**
Operating expenses			
Other external expenses	3	-5,469	-11,185
Employee expenses	4	-2,105	-2,501
Depreciation/amortisation		-1,104	-1,104
Operating profit/loss		**-3,997**	**-8,337**
Other interest income and similar profit/loss items	5	2,645	4,978
Interest expenses and similar profit/loss items	5	-476	-1,086
Profit/loss from financial items		**2,169**	**3,892**
Profit/loss before tax		-1,828	-4,445
Tax on profit for the year	**6**	**0**	**0**
Profit/loss for the period		**-1,828**	**-4,445**
STATEMENT OF COMPREHENSIVE INCOME			
Profit/loss for the period		-1,828	-4,445
Total comprehensive income		**-1,828**	**-4,445**

PARENT COMPANY BALANCE SHEET

Amounts are stated in SEK thousand	Note	31/12/2018	31/12/2017
ASSETS			
Subscribed but not paid-in capital		0	20,000
Non-current assets			
Property, plant and equipment			
Equipment, tools and fixtures and fittings	7	2,257	3,361
Non-current financial assets	8		
Investments in subsidiaries	8	232,298	219,709
Interests in joint ventures/associates		8,890	0
Non-current receivables from Group companies	8	27,584	19,233
Other non-current receivables	8	438	638
Total non-current assets		**271,467**	**242,942**
Current assets			
Current receivables			
Trade receivables	12	0	18
Other receivables	12	846	204
Prepaid expenses and accrued income	9	5,836	4,335
Financial investments	13	12	0
Cash and cash equivalents		2,144	3,794
Total current assets		**8,848**	**8,352**
TOTAL ASSETS		**280,328**	**271,294**

PARENT COMPANY BALANCE SHEET

Amounts are stated in SEK thousand	Note	31/12/2018	31/12/2017
EQUITY & LIABILITIES			
SHAREHOLDERS' EQUITY	**10,11**		
Restricted shareholders' equity			
Share capital		1,393	1,314
Unregistered share capital		0	50
Total restricted shareholders' equity		**1,393**	**1,364**
Unrestricted shareholders' equity			
Other contributed capital		291,673	279,852
Retained earnings		-24,903	-13,281
Profit/loss for the year		-1,828	-4,445
Total unrestricted shareholders' equity		264,942	262,126
TOTAL SHAREHOLDERS' EQUITY		**266,335**	**263,489**
LIABILITIES			
Non-current liabilities			
Other provisions	12	5,394	0
Current liabilities			
Trade payables		376	1,246
Other current liabilities	13,14	7,383	5,567
Accrued expenses and deferred income	13,15	840	992
Total current liabilities		8,599	7,805
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**280,328**	**271,294**

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, 01/01/2017	**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
Opening balance, 01/01/2018	1,364	279,852	-17,726	263,489
Comprehensive income				
Profit/loss for the period			-1,828	-1,828
Total comprehensive income			**-1,828**	**-1,828**
Transactions with shareholders				
New share issue	30	11,916		11,945
Dividend paid, preference shares			-3,205	-3,205
Expensed unpaid dividend, preference shares			-3,972	-3,972
Share issue expenses		-95		-95
Total transactions with shareholders	**30**	**11,821**	-7,177	**4,673**
Closing balance, 31/12/2018	**1,394**	**291,673**	**-26,731**	**266,334**

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts are stated in SEK thousand	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Cash flow from operating activities		
Operating profit/loss	-3,997	-8,337
Adjustments for non-cash items		
Reversal of depreciation	1,104	1,104
Interest received	2,645	4,978
Interest paid	-476	-1,086
Cash flow from operating activities before changes in working capital	**-724**	**-3,341**
Changes in working capital		
Increase/decrease in trade receivables	18	3,605
Increase/decrease in other current receivables	-2,177	9,021
Increase/decrease in trade payables	-870	-1,071
Increase/decrease in other current liabilities	-2,306	-4,007
Cash flow from operating activities	**-6,059**	**4,207**
Cash flow from investing activities		
Investments in subsidiaries	-95	-200,229
Investments in associates	-8,890	
Increase/decrease in non-current receivables from subsidiaries	-8,351	28,872
Increase/decrease in other non-current receivables	200	0
Cash flow from investing activities	**-17,136**	**-171,357**
Cash flow from financing activities		
New share issue	24,750	167,491
Dividends paid to Parent Company shareholders	-3,205	-2,937
Cash flow from financing activities	**21,545**	**164,554**
Cash flow for the period	-1,650	-2,596
Cash and cash equivalents at start of period	3,794	6,390
Cash and cash equivalents at end of period	2,144	3,794

PARENT COMPANY ACCOUNTING POLICIES AND NOTES

NOTE 1 PARENT COMPANY 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.

Differences between the Group and Parent Company's accounting policies
RFR 2 states that a legal entity must apply the same IFRS/IAS standards as those applied in the consolidated accounts to the extent possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and taking account of the relationship between accounting and taxation.

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 considerations.

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 2 NET SALES

ACCOUNTING POLICY

The Parent Company's net sales comprise administration and project management services regarding the Group's Spanish subsidiaries. Such income is recognised in the period to which it relates.

NOTE 3 OTHER EXTERNAL EXPENSES

	01/01/2018 31/12/2018	**01/01/2017 31/12/2017**
PwC – Öhrlings Pricewaterhousecoopers AB		
Audit assignment	357	368
Audit activities in addition to the audit assignment	80	135
Total	**437**	**503**

NOTE 4 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Average no. of employees		
Men	1	1.5
Women	0.5	1
Total	**1.5**	**2**
Salaries and other remuneration		
Chairman of the Board	160	160
Board members	160	160
Total Board fees	**320**	**320**
CEO of the Parent Company	447	1,379
Former CEO of the Parent Company	780	
Other employees	0	729
Total salaries and other remuneration	**1,227**	**2,108**
Social security contributions		
Pension costs	184	99
Other social security charges according to law and agreements	480	561
Total social security contributions	**664**	**660**
Total salaries, remuneration, social security contributions and pension costs	**1,811**	**2,768**

NOTE 5 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

Finance income relates to interest income from receivables from Group companies of SEK 2,486 thousand and other interest income of SEK 159 thousand. Interest expenses and similar profit/loss items primarily relate to interest expenses for other current liabilities.

NOTE 6 TAX

	31/12/2018	31/12/2017
Reconciliation of effective tax		
Recognised profit/loss before tax	-1,828	-4,455
Tax according to current tax rate, 22%	402	978
Non-deductible costs	-14	-22
Share issue expenses recognised in equity	95	2,433
Tax losses for which no deferred tax asset is recognised	**484**	**3,389**
Recognised effective tax	**0**	**0**

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

The Parent Company's equipment is measured at cost less accumulated depreciation according to plan. Depreciation according to plan is carried out at 20 percent.

Parent Company	**31/12/2018**	**31/12/2017**
Opening carrying amount	3,361	4,465
Purchases	0	0
Depreciation/amortisation	-1,104	-1,104
Closing carrying amount	**2,257**	**3,361**

NOTE 8 NON-CURRENT FINANCIAL ASSETS

ACCOUNTING POLICY

Investments in subsidiaries are recognised in the Parent Company at cost. Where the carrying amount of the investments exceeds the subsidiaries' fair value, impairment losses are charged to profit or loss. If an impairment previously implemented is no longer justified, it is reversed.

NON-CURRENT RECEIVABLES FROM GROUP COMPANIES

Receivables from Group companies are non-current and are expected to continue in order to manage cash flow in the subsidiaries. Interest on the receivables is capitalised on an ongoing basis.

	31/12/2018	**31/12/2017**
Opening carrying amount	19,233	48,105
Additional receivables	17,254	171,328
Conversion to capital contributions	0	-200,200
Closing carrying amount	**36,487**	**19,233**

	31/12/2018	**31/12/2017**
Flexshare SL	16,370	18,566
Quartiers Properties Holding SL	6,083	0
CFS Residential Property SL	0	667
Wecap Spain SL	5,131	0
Total	**27,584**	**19,233**

INVESTMENTS IN SUBSIDIARIES

Name Corp. reg. no	Registered office	Share of equity	Share of voting power	Carrying amount
Flexshare España SL B19567130	Málaga	100%	100%	94,998
Quartiers Properties Holding SL B93528750	Málaga	100%	100%	124,711
Wecap Spain SL B93536621	Málaga	100%	100%	12,589
Total				**232,298**

The carrying amount of the shares in Wecap Spain SL includes a reserve for an estimated contingent consideration of SEK 5,394 thousand.

CHANGE FOR THE YEAR	31/12/2018	31/12/2017
Opening accumulated cost	219,709	19,480
Purchases	7,195	29
Capital contributions paid via conversion of loans		200,200
Reserve for contingent consideration	5,394	
Closing accumulated costs	232,298	219,709
Closing carrying amount	**232,298**	**219,709**

INTERESTS IN JOINT VENTURES/ASSOCIATES

Name Corp. reg. no	Registered office	Share of equity	Share of voting power	Carrying amount
The Bohoclub SL	Málaga	50%	50%	8,890

CHANGE FOR THE YEAR	31/12/2018	31/12/2017
Opening accumulated cost	0	0
Company formation	16	0
Capital contributions paid	8,873	0
Closing accumulated costs	8,889	0
Closing carrying amount	**8,889**	**0**

NOTE 9 PREPAID EXPENSES AND ACCRUED INCOME

Parent Company	31/12/2018	31/12/2017
Prepaid leases, short-term component	200	200
Down payment for acquisition of land	1,748	0
Prepaid rent	0	33
Costs to be charged on	3,800	3,800
Advance payments to suppliers	0	212
Prepaid leases	64	64
Other	24	26
Total	**5,836**	**4,335**

NOTE 10 SHAREHOLDERS' EQUITY

ACCOUNTING POLICY

Shareholder's contributions are recognised with the Parent Company as an increase in the carrying amount of shares and with the subsidiary as an increase in unrestricted equity. The amount of shareholder's contributions paid that has been capitalised by the Parent Company is reviewed in accordance with details stated under 'Investments in subsidiaries, change for the year'. See Group Note 21 for further details.

NUMBER OF SHARES

Share capital in the Parent Company, Quartiers Properties AB (publ), amounts to SEK 1,393 thousand and is allocated among 55,737,513 shares. Of these shares, 48,462,896 are ordinary shares and 7,274,617 are preference shares. The company's ordinary and preference shares are subject to trading on Nasdaq First North. In 2018, a total of 1,194,547 new preference shares were issued at a subscription price of SEK 10.00 per share.

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.

NOTE 11 APPROPRIATIONS

The following funds are at the disposal of the AGM:

Share premium reserve	291,672,718
Retained earnings	-24,903,162
Profit/loss for 2018	-1,828,244
Total available funds	**264,941,312**

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 252,941,312, 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 28 June 2019, 30 September 2018, 30 December 2019, 31 March 2020 and 30 June 2020. The dividend adopted by the 2018 AGM with a record date of 29 March 2019 has been taken into account within the framework of the annual accounts for the 2018 financial year and has thus already been deducted from the amount at the disposal of the AGM.

NOTE 12 OTHER PROVISIONS

Other provisions relate to a reserve for the contingent consideration for Wecap. See Group note.

NOTE 13 FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

All financial conditions described for the Group (see Group Note 22) apply to the Parent Company as well, apart from the fact that the Parent Company applies the exception for IFRS 9 according to RFR 2.

SEK thousand	Financial assets/liabilities measured at amortised cost		Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Assets in the balance sheet				
Non-current receivables from Group companies	36,487	19,233	36,487	19,233
Other non-current receivables	438	638	438	638
Trade receivables	0	18	0	18
Other receivables	868	204	868	204
Financial investments	12	0	12	0
Cash and cash equivalents	2,144	3,794	2,144	3,794
Total	39,949	23,887	39,949	23,887
Liabilities in the balance sheet				
Trade payables	376	1,246	376	1,246
Interest-bearing liabilities	3,911	3,530	3,911	3,530
Accrued expenses	840	992	840	992
Other current liabilities	3,472	2,037	3,472	2,037
Total	**5,599**	**7,805**	**5,599**	**7,805**

NOTE 14 OTHER CURRENT LIABILITIES

	31/12/2018	31/12/2017
Liabilities to related parties	11	11
Short-term loans from other lenders (not credit institutions)	3,911	3,530
Liability, preference share dividend	3,492	1,958
Other	-31	68
Total	**7,383**	**5,567**

NOTE 15 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2018	31/12/2017
Accrued salaries and holiday pay	146	152
Accrued social security charges	46	48
Other accrued expenses	648	792
Total	**840**	**992**

NOTE 16 EVENTS AFTER BALANCE SHEET DATE

In March, the majority of the operating company for the Boho Club hotel project was acquired. The company's local partner in the project, Raouf Lofti, owns the remaining 20 percent of the shares.

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, 8 May 2019

Jörgen Cederholm
Chairman of the Board

Marcus Johansson Prakt
Chief Executive Officer

Jimmie Hall
Board member

Åke Olofsson
Board member

Sten Andersen
Board member

Our auditor's report was presented on 8 May 2019

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 2018. The company's annual accounts and consolidated accounts are provided on pages 25–65 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 2018 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 2018 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 1–24 and 68–69. 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 reasonably 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 2018 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, 8 May 2019

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 1,393,437.825 allocated between 48,462,896 ordinary shares and 7,274,617 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 2018

#	Shareholder	Ordinary shares	Preference shares	Capital	Votes
1	Egonomics AB	10,091,340	50,000	18.2%	20.5%
2	Fastighets Aktiebolag Bränneröd	6,139,018	85,370	11.2%	12.5%
3	Rocet AB	3,847,334	30,000	7.0%	7.8%
4	LMK Companies & Foundation	3,552,714	1,402,222	8.9%	7.5%
5	Swedbank Robur Funds	2,037,700	–	3.7%	4.1%
6	Bosmac Invest AB	2,400,666	–	4.3%	4.9%
7	Bernt Lundberg Fastigheter Lund AB	1,980,000	150,000	3.8%	4.1%
8	JP Morgan Securities, New York	1,942,008	–	3.5%	4.0%
9	Mats Invest AB	1,630,000	156,000	3.2%	3.4%
10	Leif Edlund	1,333,334	–	2.4%	2.7%
	Other	**13,508,782**	**5,401,025**	**33.9%**	**28.5%**
	Total	**48,462,896**	**7,274,617**	**100.0%**	**100.0%**

Source: Euroclear

ANNUAL GENERAL MEETING 2019

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

- **Date and time:** Wednesday 29 May 2019, 10.00 a.m.
- **Venue:** Advokatfirma 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 23 May 2019, and inform the company of their intention to participate by Thursday 23 May 2019 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 2019	29 May 2019
Interim Report Jan–Jun 2018	31 July 2019
Year-end Report Jan–Dec 2019	28 February 2020

CONTACT

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QUARTIERS
PROPERTIES

CONTACT

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