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QUARTIERS PROPERTIES ANNUAL REPORT 2016

Corp. reg. no 556975-7684

2016

Message from the CEO

2016 has been an eventful year, during which we achieved the goals we set for ourselves – to commence operations by contracting an operator, and to establish Quartiers on the Spanish Costa del Sol. The property portfolio continues to develop and there have been healthy increases in the value of existing properties. During the year we attracted capital via two separate new share issues, which secured our position in the Nordic capital market and raised our profile both for investors and banks.

In 2016, the company completed 58 apartments and contracted an operator, who began rental operations in June 2016. In the final quarter of the year, the operator also took on operation of the company's 41 apartments and during the year has managed to ensure consistent occupancy levels for all 99 apartments, with a mix of both short- and long-term rentals. We have noted, as has the operator, a strong level of demand within the long-term segment, which is largely attributable to the current housing shortage and lack of rental apartments in the region. At the end of the year, 53 of 66 apartments designated for long-term rental were let. At the time of writing the quota has been filled, and the operator has let all 66 apartments. The remaining 33 apartments have been set aside for short-term rental, where it is anticipated that group holidays and tourism will contribute to a good occupancy level in the spring and summer months. Customer satisfaction has been high, which is reflected in an overall score for 2016 of 9.2 (out of 10.0) from guests who booked via booking.com.

During the year we carried out an issue of new preference shares and the company entered the public capital market. The preference share was listed on NGM Nordic MTF, with the aim of strengthening Quartiers' market profile, creating visibility and transparency for tenants, banks and other capital providers, and facilitating future acquisitions and giving the company a mark of quality. We have succeeded in achieving all these aims.

To strengthen the organisation, in the autumn we appointed a CFO to focus on financing and development projects, and to consolidate the company's position within the property development segment.

Overall, we are able to report a strong increase in value for 2016 in both the investment and project portfolios. A positive market and carefully chosen investments contributed to an increase in value of 34.7 percent compared with the acquisition values. Meanwhile, shareholders' equity rose by SEK 92.1 million, amounting to SEK 141.3 million at the end of December.

New acquisitions
In the last quarter we acquired three adjacent properties referred to as Centro Forestal Sueco, located in Marbella's attractive Golden Mile district. The Golden Mile is an exclusive area on the Spanish Costa del Sol and home to some of Marbella's most prestigious villas and hotels. The buildings on the site occupy an area of 7,282 square metres, according to the detailed plan from 1986. The detailed plan from 2010 permitted development rights totalling 16,543 square metres. A new detailed plan is currently being drawn up and, depending on the outcome, we intend to develop the property in the way deemed most appropriate, given its location and character, as well as the company's long-term strategy. Pending the approval of a new detailed plan, we intend to equip the property in order to run a concept-based hotel and restaurant business. The property will be taken over in summer 2017.

Production starts for Gran Vista and Villa Amapura
The final quarter of the year saw the start of project work on Gran Vista, which comprises two unfinished structures boasting stunning views and located next to our current facility Hacienda del Señorio de Cifuentes in Benhavis. The structures will house 24 apartments. For this project we are working alongside a well-reputed architect with an emphasis on design, comfort and high quality of accommodation.

In 2017 we also plan to begin production of the Amapura project, as well as sales and production of a further 60 apartments situated right next to the apartments in Gran Vista.

Stage in continued expansion
During the year we completed the projects we had planned for 2016 and we now intend to continue developing Quartiers Properties as a property management and development company on the Spanish Costa del Sol. Efforts to position our brand will now progress as planned and further initiatives will be carried out in 2017. We are now intensifying the pace and working on continued expansion within both the Property Management and Property Development business areas. We see considerable development potential within the Property Development business area, in which we intend to focus on significant expansion in 2017.

The coming year will be characterised by persistent growth in both the property portfolio and in the organisation as a whole. I am genuinely excited about 2017, in which Quartiers Properties will continue its journey towards becoming an acknowledged and established operator on the Spanish Costa del Sol.


Katri Lind
Chief Executive Officer

About Quartiers Properties

Company overview

Quartiers Properties is a Swedish property company concentrating on property development on the Spanish Costa del Sol. The company's primary focus is the development, sale and management of residential properties. The combination of management and development creates a solid foundation for the company, while at the same time enabling a rapid pace of expansion. The company is currently in a phase of expansion, and the emphasis over the coming period will be on acquisitions and developing project properties.

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.

Objective

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 Properties will achieve high profitability and manage a broad project portfolio on an ongoing basis.

Strategy

The company is in a phase of expansion, with a focus on acquiring land and development properties. There are currently excellent opportunities to acquire properties in prime locations at attractive prices on good financing terms directly from most Spanish banks, in the same way that the company has done previously. Subsequently, it is anticipated that increasing demand in the region will fuel land prices, which in turn is expected to normalise the project margins.

Over the next few years, the company plans to build up a project portfolio with the intention of developing it to keep pace with price increases in the region. Overall, the aim is for the strategy to facilitate a number of high-yield projects over the coming years. Quartiers Properties' long-term strategy is based on the following:

- Quartiers Properties will be strictly focused on the development of holiday properties and second homes.
- Growth will occur on the basis of healthy profitability and liquidity.
- The company will develop properties in prime locations that contribute to a high level of customer value and simplify the sales and rental process.
- Some of the properties developed by the company will remain in the business and become part of the company's management portfolio. This is in order to guarantee cash flows for operations in the event of substantial negative economic fluctuations.

History

The idea behind Quartiers was to enable investors to access the Spanish property market. The company wants to offer investors the opportunity to share in the growth that is anticipated following the dramatic fall in property prices that coincided with the financial crisis of 2008.

2014
The business was founded in June 2014.

2015
In July, the Group acquired 58 finished apartments in Hacienda de Cifuentes, along with two unfinished structures, via the Spanish subsidiary Flexshare España S.L.

2016
The company carried out an issue via private placement of approximately SEK 28 million in the first half of the year. Quartiers acquired 41 finished apartments in the same area as the company's 58 apartments in Hacienda de Cifuentes, along with a plot with development rights for 60 apartments. The company's preference shares were listed on NGM Nordic MTF following a successful SEK 23 million issue, which was oversubscribed. In the second half of the year, the company experienced further growth via an agreement to acquire three adjacent properties referred to as Centro Forestal Sueco, located in Marbella's Golden Mile district. At the end of the year, the company carried out an issue via private placement totalling SEK 21.7 million of ordinary and preference shares with free warrants, in order to finance part of the first instalment of SEK 13.5 million for Centro Forestal Sueco.

2017
Work began on the construction of Gran Vista and project planning of Ocean View and Centro Forestal Sueco. The company also entered into an agreement on the acquisition of Amapura, which will be sold in autumn 2017.

Property development

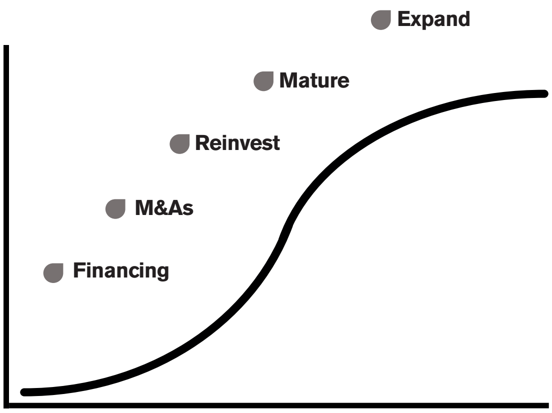
The Property Development business area is the unit within Quartiers Properties that is responsible for the implementation of property projects, from acquisition to the point of completion, when it is either transferred to Property Management or sold. The Property Development business area is also responsible for identifying new acquisitions, developing detailed plans, planning permission and coordination of the entire development and construction process.

Current projects

Quartiers' project portfolio comprises properties that have been acquired with potential for development into residential units or hotels, as well as land with existing development rights or where development rights are planned. The company is in ongoing discussions regarding the acquisition of more projects.

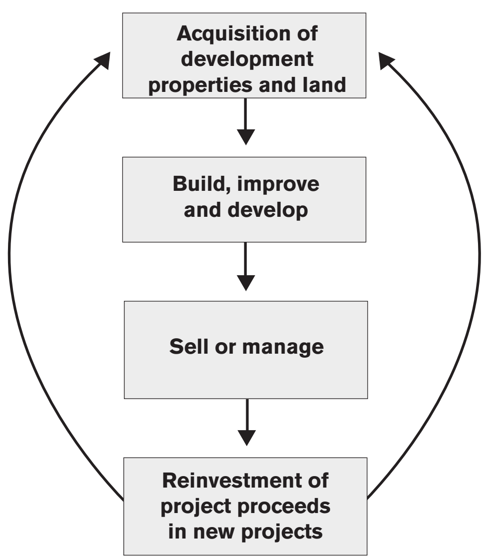
All property projects are located on Spain's Costa del Sol, in the municipalities of Benahavis and Marbella. Each project is unique, and the process of developing the properties may differ.

The company employs experienced individuals in the areas of project management, construction management and finance. Lars Åke Olofsson, a member of Quartiers' Board of Directors, has been living in Benahavis since 1989 and has operational responsibility for the company's Spanish business. Åke has also had responsibility for town planning and infrastructure in Benahavis municipality for a number of years, and brings a great deal of experience from working internationally for companies such as Skanska, Tailor Woodrow de España and Tailor Wimpey. Throughout the project implementation process, the company engages the services of subcontractors in the areas of architecture, law and construction.



- Prevailing market conditions allow the company to carry out acquisitions at attractive prices on good financing terms, which generates opportunities for healthy project margins over the next few years.

Property development



Acquisitions and financing
Acquire and finance property projects at attractive prices and in strategic locations to build up a broad project portfolio.

M&As
Strategic mergers and acquisitions to create conditions for steady growth to fuel the pace of production.

Reinvest
Reinvest capital in new development projects.

Mature
Establish the company on Costa del Sol and deliver positive cash flows.

Expand
Grow and expand on new markets

Management & operations

Overview

The Property Management division is responsible for running the company's investment properties and other administration relating to the properties. The company has entered into an agreement with an operator, letting all its apartments in Hacienda de Cifuentes in Benahavis. The operator is in turn responsible for rental operations. Quartiers also sees potential for running its own rental operations and residential or hotel property operations in the future.

Expertise in running properties and rental operations

The company has expertise in running properties and rental operations. This enables the company to manage its own properties if it is not possible to enter into an agreement with an operator on favourable terms. The organisation employs individuals with extensive and broad expertise, including CEO Katri Lind, who has worked in a number of operational roles within the Scandic Group and other hotel and conference facilities. Our ability to take over operator responsibilities for a property reduces operating risk when agreements with external operators expire, if an operator is unable to fulfil its obligations or in situations where properties need to be completely renovated and there is no financial benefit in renting out to a third party. Quartiers does not currently have an operating role, but is considering the possibility in the future.

1 Attractive valuations & strategic acquisitions

The company will continually seek out strategic acquisitions with attractive valuations.

2 Development

The properties will be developed via new construction, renovation, refurbishment or repositioning.

3 Management or divestment

The company will manage or divest properties depending on what will generate the highest shareholder value.

4 Stable operating income in the property portfolio

Property management will lead to stable rental income for the properties and lay the foundation for additional growth.

Employees

The organisation is built around a select number of individuals with experience within the areas of project management, financing, hotel operations, construction and property. Working with local partners in Spain enables the organisation to manage several extensive projects simultaneously, despite its relatively small size. The operator company is run under its own management by an external operator, which frees up resources from company management. The Group has four employees. CEO Katri Lind and CFO Marcus Johansson Prakt are on the company's management team. Åke Olofsson is engaged on a long-term consultancy basis and has responsibility for the company's construction management and construction. Claudio Gomez is employed as a project manager and analyst.

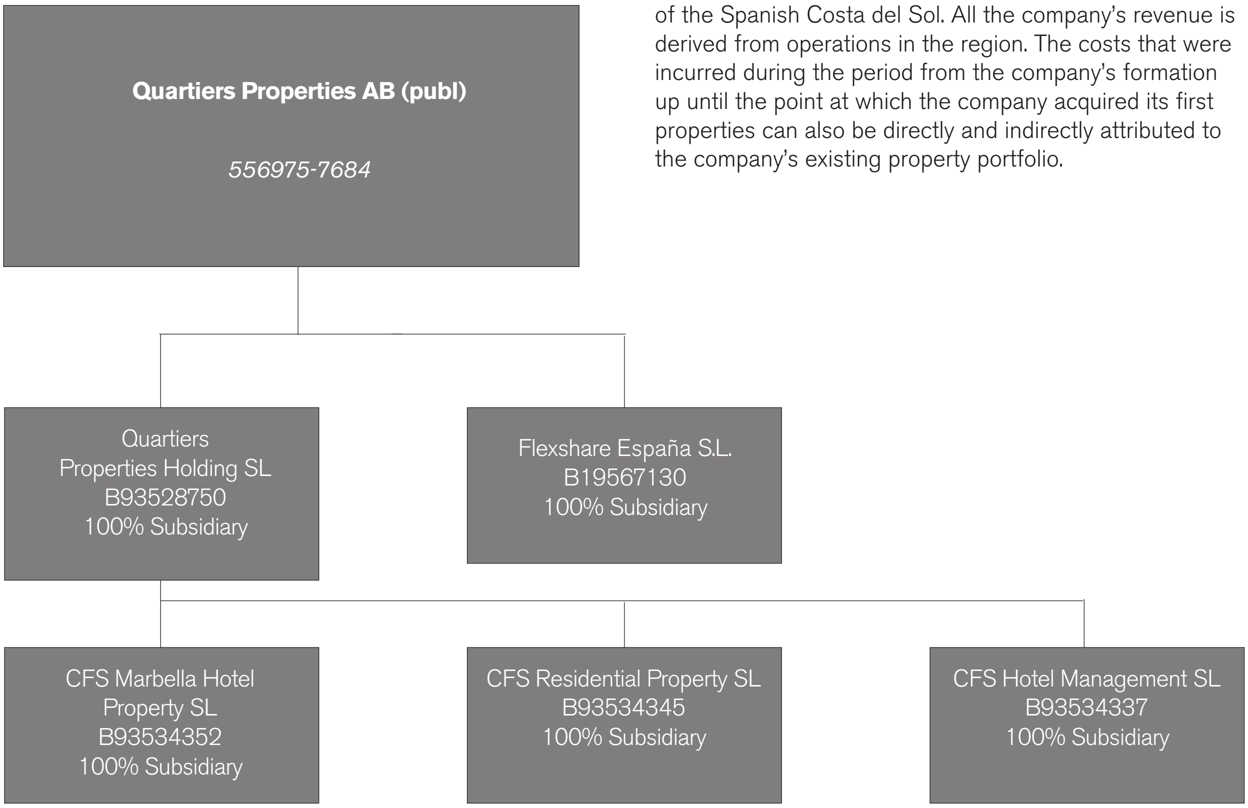
Legal structure as of 2017

Quartiers is the Parent Company in the Group comprising the wholly-owned subsidiary Flexshare España S.L., with registered offices in Benahavis, Spain, and Quartiers Properties Holding SL, with registered offices in Benahavis, Spain. Flexshare España S.L. is the owner of the company's owned and fully paid for property portfolio, which consists of Hacienda de Cifuentes, Ocean View and Gran Vista. Quartiers Properties Holding SL owns 100 percent of CFS Marbella Hotel Property SL, CFS Residential Property SL and CFS Hotel Management SL, all with registered offices in Benahavis, Spain. Below is an overview of the legal structure, including each company's registration number.

In 2016, the legal structure comprised the Parent Company Quartiers Properties AB (publ) and the wholly owned subsidiary Flexshare España S.L.

Principal geographical market

Quartiers' main geographical market extends the length of the Spanish Costa del Sol. All the company's revenue is derived from operations in the region. The costs that were incurred during the period from the company's formation up until the point at which the company acquired its first properties can also be directly and indirectly attributed to the company's existing property portfolio.



Market overview

The market for development properties

Overview

The market for developing properties on the Costa del Sol has grown over the past five years and there are indicators that this trend will continue. This is partly based on the relatively low pace of construction in Marbella over the past eight years, as well as the emergence of investors from various parts of the world.[1] There are also operators in the region investing heavily in value-adding initiatives that are contributing towards improved infrastructure in the local areas and making them more attractive. All in all, this is contributing to an active market with increased property values.

Transaction market on the Costa del Sol

One key driver for transaction appetite on the property market is access to financing. Trends in the transaction market indicate that both domestic and international investors are making a comeback, and that banks' willingness to lend has picked up. However, when it comes to land purchases the banks are more conservative and in most cases are only offering financing for land where they themselves are the seller.

Property development on the Costa del Sol

Despite the fact that the new detailed plan in Marbella has yet to be adopted, a number of projects are under way in Marbella and neighbouring municipalities, such as in Benahavis, where Quartiers is running part of the business. The market for developing properties along the Costa del Sol has soared in recent years in terms of the number of construction projects relating to contemporary, exclusive properties. Many of the projects are aimed at customer groups looking for a modern and exclusive holiday home. Property development has shifted from classic Mediterranean properties to more modern properties with facilities such as pools, gyms and restaurants.

To follow are three examples of planned and ongoing development projects on the Costa del Sol that are on a par with Quartiers' planned development of Ocean View and Gran Vista in Benahavis. Of the projects presented below, Marqués de Guadalmina and Terrazaz de Atalaya are the most comparable with Quartiers' in Benahavis as they are located on the same road, but also because the apartments are comparable with the company's planned development in terms of their total areas and number of rooms.

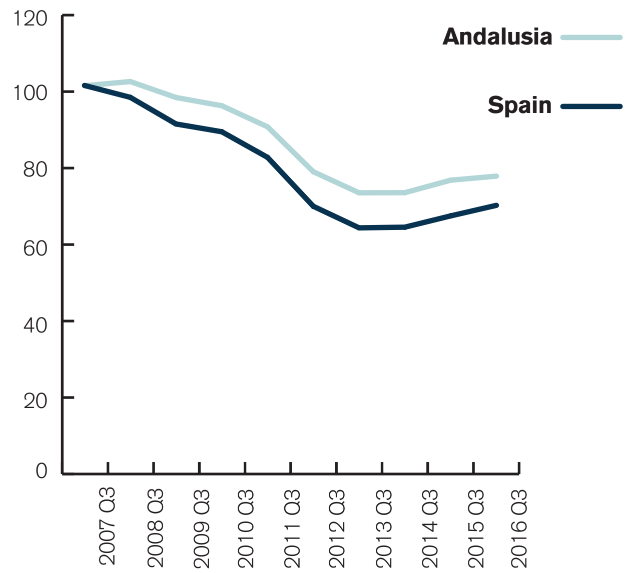
Marqués de Guadalmina, Benahavis

Planned apartment complex totalling 123 apartments. The complex will include a pool, spa, gym and paddle tennis court. The apartments will be between 98 and 182 square metres plus terraces and will be priced between EUR 268,000 and EUR 412,000 per apartment. The project is located in the vicinity of Quartiers' property portfolio in Hacienda de Cifuentes.
Developer: Nvoga Marbella Realty

Terrazaz de Atalaya, Benahavis

Apartment complex totalling 56 apartments under production. In addition to the apartments, the complex will include pools, a paddle tennis court and communal areas. The apartments have 2–3 bedrooms and have total areas of between 111 and 148 square metres plus terraces. They will be priced between EUR 246,000 and EUR 579,000 per apartment.
Developer: Exacon.

Index = 100, Property price index of deed transfers



Source: Instituto Nacional de Estadística

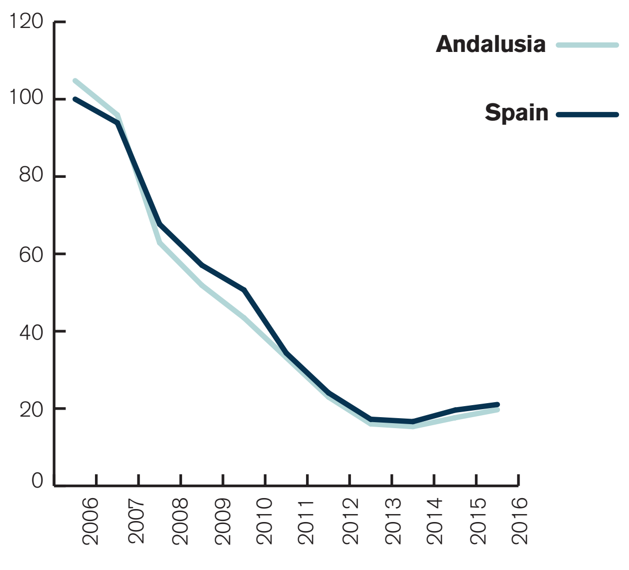
1 Source: *Panorama, Marbella Property Market Report 2016*

Botanic, Benahavis
The project comprises 92 three-bedroom apartments of between 128 and 136 square metres plus terraces. In addition to the apartments, the complex will include pools, communal gardens and parking facilities. They will be priced between EUR 360,000 and EUR 595,000 per apartment.
Developer: Taylor Wimpey España.

Other projects in brief
There is a high level of activity in addition to the above-mentioned projects and Quartiers' planned development in Benahavis and Marbella. The Hong Kong-based company Platinum Estates Group acquired a land property of 170,000 square metres and intends to build a five-star hotel and villas along a 600-metre stretch of shoreline in Las Chapas, Marbella. Magna Palace Hotels has plans to refurbish the old hotel Don Miguel Resort in San Pedro, and Norwegian company Solvilla Group is leading various property projects along the Costa del Sol. In 2014, the US investment company Cerberus Capital Management bought one of Andalusia's largest privately-owned planned urban areas in Sotogrande. Overall, there is a high level of activity on the market, involving both domestic and foreign companies.

Price trend
The financial crisis in 2008 and subsequent debt crisis in Europe had a negative impact on the value of the property portfolio on the Costa del Sol. As the economy began to recover, the number of investors increased and competition for land and development projects has contributed to a steady rise in prices both for land and finished properties, according to CBRE MarketView Marbella 2015.

Index = 100, 2006: Number of mortgages granted



Source: Instituto Nacional de Estadística

Detailed plan for Marbella
In October 2015, the detailed plan for Marbella that was adopted in 2010 was repealed. This meant the municipality reverted to the 1986 detailed plan. The decision to repeal the detailed plan was based on the fact that it was unmanageable from an operational viewpoint, because it was regarded as being difficult to analyse and interpret from a legal perspective. The market for property development in Marbella has been affected because many landowners and construction firms are unable to develop their land or property until the new detailed plan has been approved. However, most companies agree that ultimately the new detailed plan will be a positive development. Pending the approval of a new detailed plan in Marbella, the adjacent area of Benahavis, where Quartiers runs its business, has experienced further growth and become increasingly attractive.

Market for management and operations

Structures
It is not unusual for a company focused on hotel and holiday accommodation to separate ownership from brand and hotel operations, for example. The market can generally therefore be divided up into three divisions: property owners, brand owners and hotel operations. Many major Spanish hotel chains, such as Barceló, NH and Meliá, structure their organisation in this way, which means they are able to reduce their ownership of properties and instead work with leases to run hotels under the company's brand and operations.[1] Quartiers is currently focused solely on ownership and management of hotel accommodation and holiday homes, but is considering opportunities to work with hotel operations in the future, as the company possesses the relevant expertise within the organisation. The company is also working together with the operator in Benahavis under Quartiers' brand, for example by offering the operator Quartiers' own booking system at www.quartiers.se.[2]

Rental market
The market for rental properties has grown as a consequence of the deterioration in Spain's economy, which is partly due to the financial crisis of 2008. Several areas of Spain, for example Malaga, now have a limited supply of apartments for sale, which is boosting demand for rental apartments. The market for rental properties still has some way to go compared with other countries in Southern Europe, which means there is still growth potential with regard to demand and prices. According to the Bank of Spain, the proportion of renting households of the total number of households in Spain increased from 9.6 percent in 2001 to 14.9 percent in 2014.

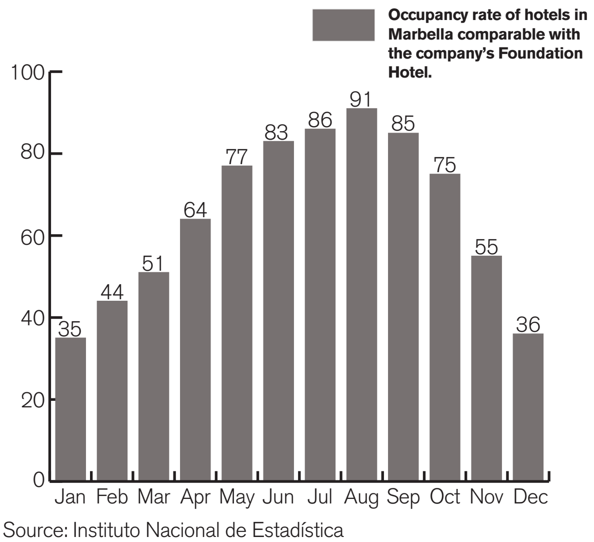
1 Source: Cohispania

2 Source: Cohispania, Hotel Market Report 2015

Hotel market on the Costa del Sol

The area around Marbella is globally recognised as an exclusive holiday destination due to its beaches, many golf courses and the famous Golden Mile, a seven-kilometre stretch of coastline between Marbella and Puerto Banus. The number of hotels in Marbella declined as a result of the financial crisis, and it is estimated that today, during the peak season, there are around 80 hotels, of which 60 are in operation during the off season.[1] Approximately 55 percent of the hotels on the Costa del Sol are four-star and around 40 percent are five-star.[2] This figure is higher than in other parts of Spain, which may be because as a destination, the Costa del Sol attracts an affluent clientele looking for a higher level of quality and service. The area boasts a number of well-known hotel chains, the largest being Playa Senator, Hoteles Globales, Fuerte Hoteles and Melia. Recognised international hotel chains such as Marriot also have operations on the Costa del Sol.[3]

1 Source: Instituto Nacional de Estadística
2 Source: Aninver Hotel Market Report
3 Source: INE, Aninver Hotel Market Report



Source: Instituto Nacional de Estadística

Competition

Development

Property development

There are a number of companies in the Marbella region that are involved in property development. Many of them are actively seeking to invest in under-performing properties with development potential or opportunities for new construction.

Competition on the property development market comprises, for example, small construction firms, property companies focusing on development, investor consortia and funds concentrating on property and hotel holdings.

Increased construction

The number of new residential housing projects in Marbella and other areas on the Spanish Costa del Sol has increased as a result of the region's growing popularity. This has meant that a number of new investors have found their way into the market and that many properties are currently being sold at the technical drawing stage, prior to completion. The company believes this trend may lead to increased competition in the future, when the supply of apartments and villas for rent increases.

Management

Property owners

Competition consists primarily of other larger and medium-sized property owners in the region concentrating on the development and management of residential and hotel properties. In addition to major property owners, competitors can also include property companies, construction firms and funds that are focused on property and hotel holdings.

Private property owners

There is a large number of small and medium-sized private property owners in the Marbella region that pursue various forms of apartment and villa rental operations. These operators include both private individuals and small companies that lease just a few properties. Quartiers considers that these operators' activities compete with those of the company. Online marketplaces such as Airbnb constitute potential competitors, because their services make it easier for smaller operators and individuals to rent out their properties. New rental legislation for tourist apartments in Andalusia (where the company conducts operations) entered into force as of 12 May 2016, which according to the company reduces competition from smaller operators. The new law sets out obligations for landlords wishing to rent their properties to tourists as holiday accommodation, and gives the Spanish authorities control over who rents out to tourists. However, the law does not apply if the rental period continues for longer than two months to the same tenant. In general, letting is classified as housing rental, which means that revenue from the rental must be declared in the annual tax return. However, the lessor does not need to register as self-employed, which means that the regulation does not generate any fixed fees or requirements for VAT accounting. If a property owner wishes to rent out three or more properties within a radius of one kilometre, the business is treated as a tourist complex, which involves more stringent accommodation requirements, which in turn requires a business permit and carries a special business tax.

Financing

Financing activities

Quartiers pursues capital-intensive operations and access to capital is a fundamental prerequisite for the continued development of the company. In the past, the company has financed its activities primarily via equity contributed by shareholders through new share issues, as well as via bank financing. The company intends principally to finance activities and future investments via accrued profit and bank financing, but during the company's ongoing expansion phase it will also consider other financing alternatives such as share issues.

The basic principle is that development projects as far as possible should be pursued in separate project companies, with the intention of financing them individually in the respective company. To achieve this objective, a legal structure was implemented in 2017 with a wholly owned Spanish holding company. Development projects that were acquired and started prior to this are conducted jointly in a subsidiary. The corporatisation of development projects into separate companies creates clarity in the Group structure, while minimising the risk of any problems associated with a specific project company having a negative impact on other companies in the Group.

Quartiers normally finances property and land acquisitions using a combination of bank financing and equity. In the current market climate, loan financing is permitted up to 70 percent when acquisitions are made directly from banks.

The company aims to be able to distribute the Group's loan financing between at least two banks. The company works strategically to establish good contacts with leading banks in the company's geographical market.

Raising of capital

On 20 December 2016, the company announced in a press release that it was examining the possibility of raising capital by listing the company's ordinary share. The company is continuing to work on this plan.

Equity and borrowings

At 31 December 2016, the Group's equity totalled SEK 141,333 thousand (SEK 49,252 thousand) and the equity/assets ratio was 41 percent (33). The balance sheet total was SEK 340,920 thousand (SEK 147,319 thousand).

Loans have been raised via Banco Popular in Spain and will be amortised over a period of 15 years. The total loan amount is EUR 16,933 thousand, which corresponds to SEK 161,996 thousand. Revaluation into SEK has been carried out in accordance with the Rikbank's exchange rate at the balance sheet date. The opening balance of borrowings in EUR amounted to the equivalent of SEK 83,382 thousand. An amount corresponding to SEK 1,869 thousand was repaid in 2016. Raised borrowings amount to SEK 83,380 thousand and the closing balance of borrowings in EUR to the equivalent of SEK 164,893 thousand.

The loans carry a variable interest rate and the company has been repaying them since August 2016.

Liquidity

Group liquidity at 31 December 2016 amounted to SEK 10,117 thousand (SEK 3,212 thousand).

Financial risk management

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 and Board of Directors.

Board of Directors

Jörgen Cederholm, 1961, Chairman of the Board

Jörgen has over 25 years' experience of business development from working for medium-sized and major companies, and an Executive MBA from Lund University. Jörgen has also worked for IKEA as their Global Information Security Manager, and been involved in developing leadership and organisational models. In 1987, Jörgen and a colleague established an IT company called Factum AB, with annual sales of around SEK 150 million and 70 employees. Factum AB was later acquired by the then listed company Martinsson Informationssystem AB.

Jörgen has been Chairman of Quartiers' Board of Directors since 2015. In addition to his work for the company, Jörgen also has the following responsibilities at, and/or is owner or co-owner (with more than five percent) of the following companies: Chairman and indirect or direct owner of Strandängen Bostäder i Bunkeflostrand AB and Efficax Förvaltning AB, board member and indirect or direct owner of Portvakten Industrifastigheter Holding AB and subsidiaries, Fastighets Aktiebolag Bränneröd, Lundagård Fastighetsutveckling AB, Linnéstaden Förvaltning AB, Linnéstaden Affärsutveckling AB, Strandängarna Förvaltning i Skåne AB and Continium AB, and board member of Capitator AB and owner of Rocet AB

Since 2 May 2012, Jörgen has been working for, and completed assignments for the following companies: IKEA (Global Information Security Manager).

Education: Jörgen has an Executive MBA from Lund University School of Economics and Management.

At 2 May 2017, Jörgen indirectly held 4,324,400 ordinary shares, 62,730 preference shares and 12,560 warrants in the company via Fastighets Aktiebolag Bränneröd, Rocet AB, Linnéstaden Förvaltning AB and Linnéstaden Affärsutveckling AB. Jörgen also directly holds 5,000 preference shares and 7,000 warrants in the company through private ownership.

Åke Olofsson
1956, Board member

Åke Olofsson has been living in Benahavis since 1989 and has operational responsibility for the company's Spanish business. Åke has also had responsibility for town planning and infrastructure in Benahavis municipality for a number of years, and brings a great deal of experience from working internationally for companies such as Skanska, Tailor Woodrow de España and Tailor Wimpey.

Åke has been a member of Quartiers' Board of Directors since 2015. In addition to his work for the company, Åke also has the following responsibilities at, and/or is owner or co-owner (with more than five percent) of the following companies: Member of the local government council at Benahavis municipality in Spain, with responsibility for town planning, roads, construction and public housing.

Since 2 May 2012, Åke has been working for, and completed assignments for the following organisations: Member of the local government council, with responsibility for town planning, roads, construction and the foreign department. Project manager for the design of a holiday complex with a preliminary investment of around USD 30 million in Mexico.

Education: Åke has an MSc in Engineering from Chalmers University of Technology in Gothenburg.

At 2 May 2017, Åke had no direct or indirect holdings in ordinary shares, preference shares or warrants in the company.

Andreas Bonnier,
1972, Board member

Andreas is the founder of Quartiers Properties and is a serial entrepreneur who has spent most of his career building and growing companies in international settings. Andreas has many years of experience from property development in Switzerland and France, where he lived for 37 years. Andreas is a board member and chairman of several other growth companies, and sits on the board of the Bonnier Family Foundation.

Andreas has been a member of Quartiers' Board of Directors since 2014.
In addition to his work for the company, Andreas also has the following responsibilities at, and/or is owner or co-owner (with more than five percent) of the following companies: chairman: Artphoto Scandinavia AB. Board member: BRF Rådjuret nr 6, Panceo SARL, Flexshare España S.L., Astuti Invest AB, Molarin Holding SA, Bonnier Family Foundation, Egonomics AB, Lawline AB and Nowonomics AB. Deputy board member: DKN Stockholm AB. Owner or co-owner: Artphoto Scandinavia AB, BRF Rådjuret nr 6, Panceo SARL, Flexshare España S.L., Astuti Invest AB, Molarin Holding SA, Egonomics AB and Nowonomics AB.

Since 2 May 2012, Andreas has been working for, and completed assignments for the following companies: Aitellu Technologies AB (board member/chairman & CEO), Aitellu Technologies AB (board member/chairman) and TradeVenue (board member/chairman).

Education: Andreas has a Bachelor's Degree in Business Administration and a dual award degree in International Business and Marketing, both from Schiller International University in Paris.

At 2 May 2017, Andreas indirectly held 11,600,000 ordinary shares in the company via Egonomics AB. Andreas also directly holds 192,380 preference shares and 40,976 warrants in the company through private ownership.

Jimmie Hall
1974, Board member

Jimmie has a background in the property industry, where he has previously been an advisor and co-owner for property consultants Jones Lang LaSalle, Nordier Property Advisors and Treal Fastighetsutveckling AB. Today Jimmie works as a property consultant via his own company Realist Fastighetsutveckling. Realist Fastighetsutveckling helps some of Sweden's largest property owners to work strategically with concept development, as well as profiling and letting issues.

Jimmie has been a member of Quartiers' Board of Directors since February 2017. In addition to his work for the company, Jimmie also has the following responsibilities at, and/or is owner or co-owner (with more than five percent) of the following companies: Board member and owner of JIHA AB and Wallery AB.

Since 2 May 2012, Jimmie had been working for, and completed assignments for the following companies: Board member of Treal AB and Nordier Leasing AB, co-owner of Treal Fastighetsutveckling AB

Education: Jimmie holds a diploma in property management.

At 2 May 2017, Jimmie had no direct or indirect holdings in ordinary shares, preference shares or warrants in the company.

Sten Andersen
1965, Board member

Since 2014, Sten has been Head of Marketing at ATG (AB Trav och Galopp). Sten has overall responsibility for ATG's positioning, manifesto and customer experience, as well as for events and commercial communication activities. Sten has previously worked as Head of Marketing at OBH Nordica. For 12 years, Sten was CEO of several agencies within international communication groups, most recently the communication agency INGO, now ranked among the top agencies in the world, which Sten was involved in establishing via the merger of Grey Stockholm and Ogilvy Stockholm.

Sten has been a member of Quartiers' Board of Directors since February 2017. In addition to his work for the company, Sten also has the following responsibilities at, and/or is owner or co-owner (with more than five percent) of the following companies: Board member of Kanal 75 AB and Nowonomics AB.

Since 2 May 2012, Sten has been working for and completed assignments at the following companies: board member of INGO AB, Grey Global Group Sweden AB and Grey Worldwide Stockholm AB

Education: Sten has a degree in Business Administration from Lund University.

At 2 May 2017, Sten had no direct or indirect holdings in ordinary shares, preference shares or warrants in the company.

Management

Katri Lind,
1970, Chief Executive Officer

Katri has wide-ranging experience of running and building companies within the service industry and developing hotel properties. She has a thorough knowledge from both operational and senior positions in the hotel sector, including within the Scandic Group and as CEO of Stensnäs Konferens, and more recently at Görvälns Slott and Hufvudsta Gård Mat & Möten. During her time with Scandic Group, Katri completed several training courses via Scandic Business School and was involved in creating Scandic's children's concept, Sigge Sol. She was also a member of the Scandic Task Force, with responsibility for the establishment of new hotels in Estonia.

Katri has been CEO of Quartiers since 2016. In addition to her work for the company, Katri also has the following responsibilities at, and/or is owner or co-owner (with more than five percent) of the following companies: Owner and deputy board member of Bensin och Service i Sollentuna AB

Since 2 May 2012, Katri has been working for, and completed assignments for the following companies: Quartiers Properties AB (board member) Hotelhunters AB (board member), Hufvudsta Gård Mat & Möten AB (board member & CEO), Görvälns Slott AB (board member & CEO), Solna Meetings Ekonomisk förening (board member), BYOS Ekonomisk förening (board member) and Stensnäs Konferens AB (CEO)

Education: Katri has completed leadership training via Disney University in the US and studied at Scandic Business School.

At 2 May 2017, Katri had 750 preference shares in the company.

Marcus Johansson Prakt
1990, CFO

Marcus has a Master's degree in Finance from the University of Gothenburg's School of Business, Economics and Law. Part of the course was completed at ESSEC Business School in Paris and HEC in Montreal. Marcus has previously worked as a hotel and property consultant at Annordia, and with Corporate Finance at Mangold.

Marcus has been CFO since 2016. In addition to his work for the company, Marcus also has the following responsibilities at, and/or is owner or co-owner (with more than five percent) of the following companies: Liquidator for Anna Rosklint Illustration & design AB.

Since 2 May 2012, Marcus has been working for, and completed assignments for the following companies: Board member of Fysiken Friskvård i Göteborg AB and board member/deputy chairman of Göteborgs Studenters Företagsgrupp AB.

Education: Marcus has a Master's in Finance from the University of Gothenburg's School of Business, Economics and Law. Part of the course was completed at ESSEC Business School in Paris and HEC Montreal.

At 2 May 2017, Marcus had 6,950 series 1 warrants in the company.

Project and property portfolio

HACIENDA DE CIFUENTES — BENAHAVIS

Property description

Hacienda de Cifuentes comprises 99 finished apartments and is run by the external operator 365South SL. The operator has rented out 66 of the 99 apartments on long-term leases for a monthly rent of between SEK 11,000 and SEK 15,000. The remaining 33 apartments are intended for short-term rental and can be booked via www.quartiers.se, as well as via websites such as www.booking.com. Each apartment has an area of between 103 and 128 square metres and contains a fully equipped kitchen, two or three bedrooms, a spacious living room with dining area, two bathrooms and one or two terraces, as well as air conditioning. Each apartment is also assigned a parking space and a storage area. The property complex includes four pools and green spaces, with views of Marbella, the Mediterranean, Gibraltar and the Atlas Mountains on the other side of the Mediterranean. The company took over the property in stages in July 2015 and May 2016.

Operations/financing

The property has been fully paid for. In April 2016, the company entered into an agreement with the external operator 365South SL, which rents all the apartments in Hacienda de Cifuentes. The operator runs the property as an apartment complex under Quartiers' concept and brand. The average occupancy rate during the start-up year 2016 was 48 percent (includes both long- and short-term rentals). The current occupancy rate for 2017 is approximately 70 percent.

Ongoing investments and maintenance

Ongoing investments in both apartments and the area are planned to maintain and boost the attractiveness of the area. This will involve additional improvements to services and standards, which overall will contribute to an increase in the value of the property.

The property in brief

- Status: Under management.
- Municipality: Benahavis.
- Market value: SEK 245.0 million.
- Average value per apartment: SEK 2.5 million.
- Taken over and paid for in full.

Source: Google maps

THE FOUNDATION HOTEL

Property description

The Foundation Hotel is Quartiers Properties' hotel project and comprises two plots included in the Centro Forestal Sueco property. The company is currently working on planning and developing the property. In 2017/2018 there are plans to renovate and develop the hotel property. The work is expected to be completed in 2018. The company is reviewing opportunities to draw on its expertise within hotel operations to run a facility under its own management. The company is also working on concept development regarding the design of the property. The property has not yet been taken over. Handover is scheduled for 30 June 2017.

Operations/financing

Since the company has not yet taken over the property, the company is not currently conducting operations in the property. The current owner is running the property as a hotel. The company intends to finance the handover with a combination of bank financing and equity. On 20 December 2016, the company announced in a press release that it was examining the possibility of raising capital by listing the company's ordinary share. The company is continuing to work on this plan.

Planned property development

The company intends to renovate the current buildings and run the hotel as a conceptual lifestyle hotel with 60 to 80 rooms before then extending the hotel depending on the outcome once the new detailed plan in Marbella has been adopted.

The property in brief

- Status: Acquired, not yet taken over.
- Municipality: Marbella.
- Buildable area: awaiting new detailed plan.
- Area of existing buildings: 4,954 square metres.
- Plot area: 21,959 square metres.
- Purchase price: SEK 89.8 million.
- Number of units: approx. 60–80.
- Hotel opening: 2018 (estimated).
- Not yet taken over. Part of the purchase price outstanding.

Source: Google maps

GRAN VISTA PROJECT

Property description

The Gran Vista project comprises 24 apartments. Gran Vista is situated right next to Hacienda de Cifuentes, in the municipality of Benahavis. The apartments will be included in the joint property Hacienda de Cifuentes and have access to its range of services. The company took over the property in July 2016.

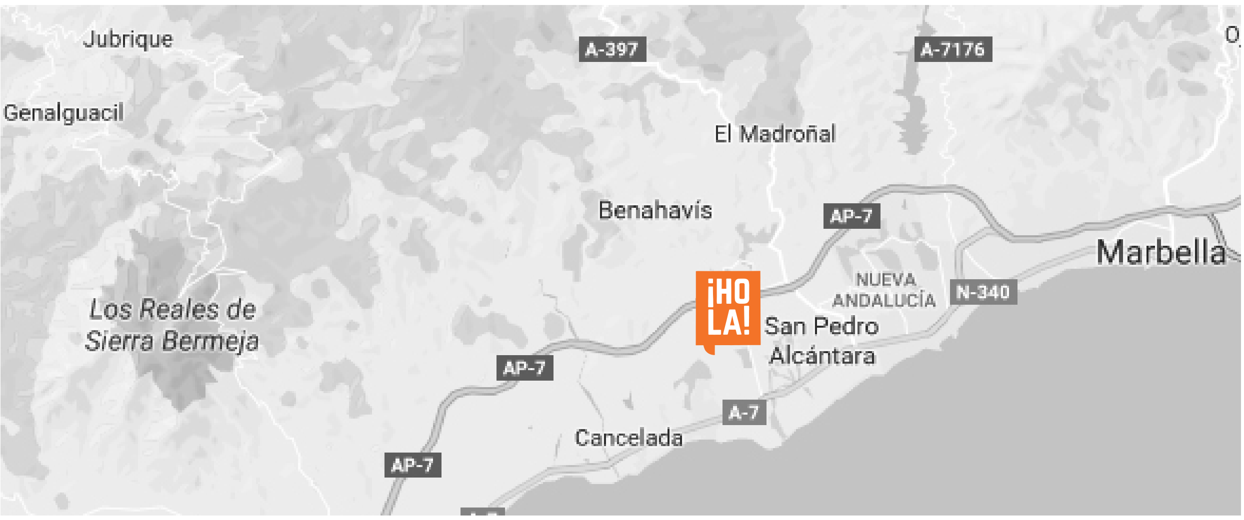
Each apartment has a balcony, its own parking space and an open fire. The conceptualisation is based on an exclusive Nordic design, with accompanying furniture packages in three different price categories. The view of Gibraltar and the Atlas Mountains creates a sense of tranquility and closeness to nature, which is coupled with a high technical standard in the apartments.

Project status

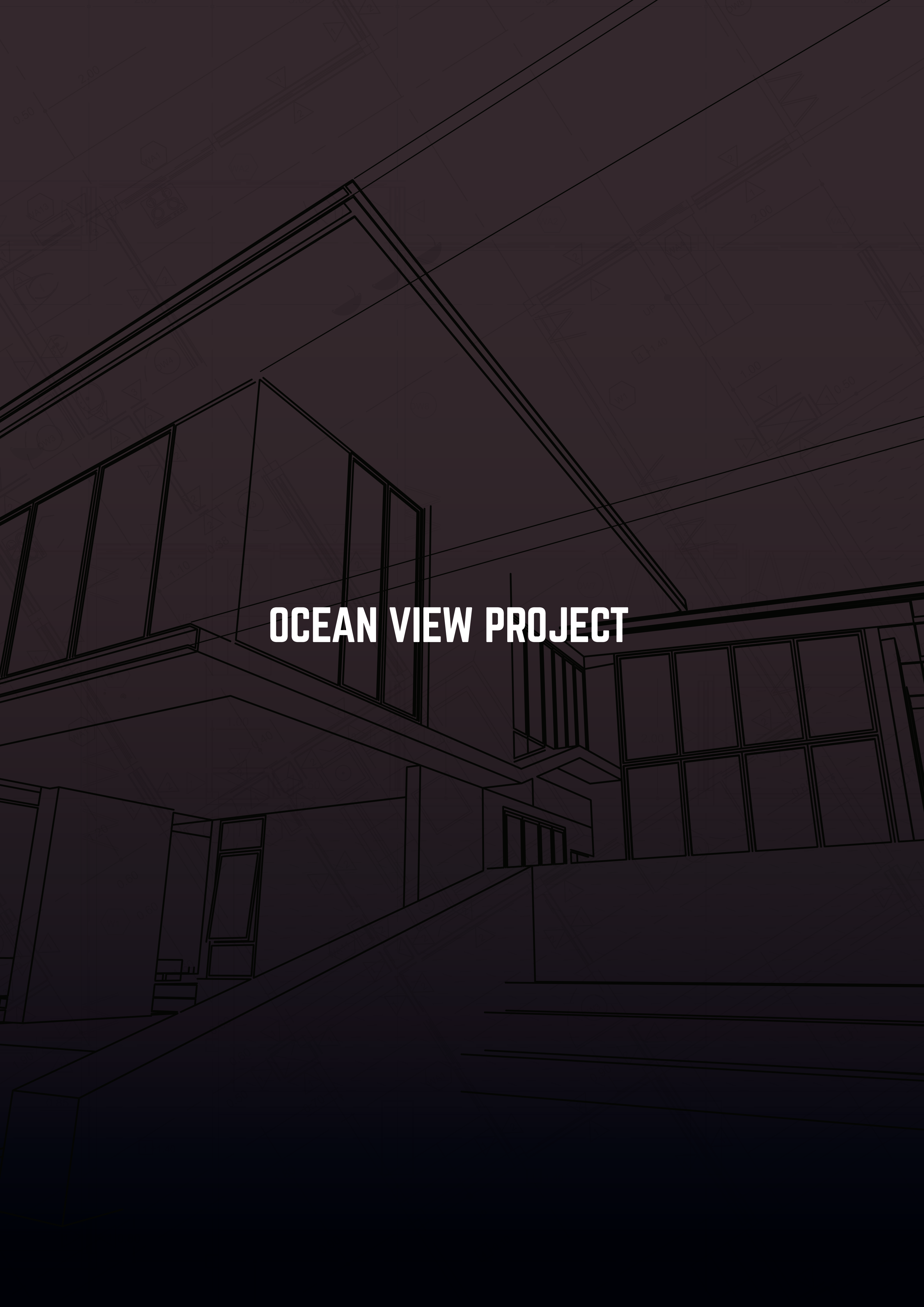
Phase 1 is under construction (12 of 24 apartments), with completion scheduled for Q1 2018. Construction work on phase 2 is expected to begin in spring/summer 2017. Potential buyers can register their interest on the company's website; www.quartiersproperties.se.

The property in brief

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



Source: Google maps



OCEAN VIEW PROJECT

Image: Proposed development of the property.

Property description

The sea and stunning views are a constant presence at this impressive height. A new residential area with adjacent services is gradually emerging here, characterised by a modern, personal and open design and boasting expansive views, where small roads and paths lead to pools with communal parks. Ocean View will comprise 60 contemporary apartments with an extremely exclusive look in its own gated community. The company took over the property in May 2016.

The property in brief

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

Project status

Under development, which means that work on conceptualisation of the new area is under way. Construction is expected to begin in 2017. However, potential buyers can already register their interest on the company's website; www.quartiersproperties.se.

Source: Google maps

FORESTAL RESIDENTIAL

Property description

The Forestal project (part of the acquisition Centro Forestal Sueco) is in the detailed planning stage and the long-term intention is to transform it into a gated community featuring exclusive villas and town houses. Pending the approval of the new detailed plan, part of the property may be used for the planned hotel – The Foundation Hotel. The property is located in Marbella's Golden Mile district, roughly 200 metres from the beach and within walking distance of the luxury marina Puerto Banus. The land is currently covered by the 1986 detailed plan, which limits development opportunities on the property for the present. The repealed detailed plan from 2010 included housing development rights on around 4,140 square metres of on the 13,730 square metre plot. The property has not yet been taken over. Handover is scheduled for 30 June 2017.

Operations/financing

The company has not yet taken over the property and is not therefore conducting operations in the property at present.

The current owner is running the property as a hotel. On 20 December 2016, the company announced in a press release that it was examining the possibility of raising capital by listing the company's ordinary shares. The company is continuing to work on this plan.

The property in brief

- Status: Acquired, not yet taken over.
- Municipality: Marbella.
- Buildable area: Awaiting new detailed plan.
- Area of existing buildings: 2,329 square metres.
- Plot area: 13,730 square metres.
- Purchase price: SEK 39.4 million.
- Not yet taken over. Part of the purchase price outstanding.

Source: Google maps

AMAPURA PROJECT

Property description

Amapura is a villa project that Quartiers Properties is developing in partnership with a local construction firm. The villa is located in Nueva Andalucia and boasts views of the Mediterranean and the city of Marbella. The villa will consist of four bedrooms and five bathrooms, and have its own 50 square-metre pool with views of the sea. The total building area is 605 square metres. The company took over the property on 26 April 2017 and paid part of the purchase price on handover. The villa was acquired as a turnkey project. The company will pay a further EUR 925,000 of the purchase price once a licence has been obtained and work has begun on completion of the villa. EUR 325,000 will be paid in connection with a building licence being obtained, and EUR 600,000 relates to construction costs that are to be paid in accordance with certificates for completed works.

Project status

The licence application to begin construction has been submitted to Marbella municipality. The selling process is expected to start in autumn 2017, but potential buyers can already register their interest on the company's website; www.quartiersproperties.se. The sale will be carried out using established estate agents.

The property in brief

- Status: Acquired and taken over with conditions.
- Municipality: Marbella.
- Buildable area: 605 square metres.
- Number of units: 1.
- Purchase price: SEK 11.0 million.
- Taken over. Part of the purchase price outstanding.

Source: Google maps

Financial statements

The Board of Directors and Chief Executive Officer of Quartiers Properties AB (publ) hereby submit the annual accounts and consolidated accounts for the 2016 financial year.

Directors' report

Background
Quartiers Properties AB (publ) is a Swedish limited company that, via Spanish subsidiaries, owns, develops and manages properties on the Costa del Sol in southern Spain. The company was established in July 2014. In October 2014, the Spanish subsidiary Flexshare España S.L. was acquired. Operations began in July 2015.

The business

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

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

Investments in property portfolio
In 2016, Quartiers acquired 41 finished apartments and a plot with development rights for 60 apartments. The properties are in the same area, Hacienda de Cifuentes, as the 58 apartments that were acquired in 2015. In the second half of the year, the company experienced further growth via an agreement to acquire three adjacent properties referred to as Centro Forestal Sueco, located in Marbella's Golden Mile district. The purchase price is EUR 13.5 million.

Rental income
Quartiers' sales in 2016 amounted to SEK 4,242 thousand (SEK 0 thousand). Revenue is chiefly derived from the company's letting of apartments to an independent operator. Letting operations began on 1 June 2016.

Financing
Quartiers has financed property acquisitions via loans from the Spanish bank, Banco Popular, and via new share issues. The company's bank loans total EUR 16,933 thousand, which corresponds to SEK 161,996 thousand. Borrowings in 2016 amounted to the equivalent of SEK 83,380 thousand. Three new share issues were carried out in 2016 totalling SEK 73,486 thousand. The company has also financed its activities in 2016 via short-term loans.
On 20 December 2016, the company announced in a press release that it was examining the possibility of raising capital by listing the company's ordinary shares. The company is continuing to work on this plan.

Group and employees
In addition to the Parent Company Quartiers Properties AB (publ), the Group comprises the wholly owned subsidiary, Flexshare España S.L., corporate registration number B19567130, with registered offices in Benhavis, Spain. The Parent Company employs a Chief Executive Officer and a Chief Financial Officer. At the balance sheet date, the subsidiary in Spain had no employees.

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

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

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

Risks 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 risks
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 risks
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 earnings and financial positions for the foreign subsidiary are translated from EUR to SEK. See also Note 4, Financial risk management.

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

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

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

Parent Company

The Parent Company's operations mainly consist of managing the company's investments in subsidiaries. The Parent Company's earnings for the financial year amounted to SEK -4,188 thousand (SEK -2,858 thousand). At the balance sheet date, equity totalled SEK 84,360 thousand (SEK 22,592 thousand). The company's equity/assets ratio was 87 percent (89).

Significant events during the period

In 2016, the company acquired additional properties in Spain, including 41 apartments and a plot with development rights and the potential for a further 60 apartments. The company has also entered into an agreement on the acquisition of three properties, referred to as Centro Forestal Sueco, with handover scheduled for 2017. The purchase price is EUR 13.5 million, of which 10 percent was paid as a deposit. Handover is expected to take place on 30 June 2017.

In April 2016, the company entered into an agreement with an independent operator on letting apartments. Letting operations began in June 2016.

During the period the company carried out three new issues of ordinary and preference shares for a total of SEK 73.5 million in the Parent Company. The new share issues were fully paid by the end of the period.

Events after balance sheet date

In February 2017, the company entered into an agreement regarding the acquisition of part of a villa project in Marbella (Amapura). The purchase price is EUR 1.1 million. The company took over the property on 26 April 2017 and paid part of the purchase price on handover. The villa was acquired as a turnkey project. The company will pay a further EUR 925,000 of the purchase price once a licence has been obtained and work has begun on completion of the villa. EUR 325,000 will be paid in connection with a building licence being obtained, and EUR 600,000 relates to construction costs that are to be paid in accordance with certificates for completed works.

An extraordinary general meeting on 23 February 2017 resolved on the split of the company's shares. The split means that each share has been split into 10 shares. The EGM also resolved to elect Sten Andersen and Jimmie Hall as new Board members. At the same time, CEO Katri Lind was removed from the Board.

Work has begun on implementing a new corporate structure via the establishment of a Spanish holding company.

On 20 December 2016, the company announced in a press release that it was examining the possibility of raising capital by listing the company's ordinary shares. The company is continuing to work on this plan.

Proposed distribution of profits

The following funds are at the disposal of the AGM:

Share premium reserve	92,856,248
Retained earnings	-5,176,275
Profit/loss for 2016	-4,187,910
Total available funds	83,492,062

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 6,000,000. The remaining amount, i.e. SEK 77,492,062, 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 30 June 2017, 29 September 2017, 29 December 2017, 29 March 2018 and 29 June 2018 (provided these dates fall before the 2018 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 2016 AGM with a record date of 31 March 2017 has been taken into account within the framework of the annual accounts for the 2016 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	01/01/2016 31/12/2016	01/07/2014 31/12/2015
Net sales	6	4,242	0
Other operating income		38	0
Total operating income		**4,280**	**0**
Operating expenses			
Property expenses		-4,716	0
Other external expenses	7	-5,413	-3,157
Employee expenses	8, 9	-1,980	-338
Change in the value of investment properties	10	49,188	38,334
Operating profit/loss		**41,359**	**34,839**
Other interest income and similar profit/loss items	11	1,384	0
Interest expenses and similar profit/loss items	12	-6,459	-835
Profit/loss from financial items		**-5,075**	**-835**
Profit/loss before tax		**36,284**	**34,004**
Deferred tax	13	-12,297	-9,583
Profit/loss for the period		**23,987**	**24,421**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Profit/loss for the period		**23,987**	**24,421**
Items that have been or may be transferred to profit/loss for the year			
Translation differences on translation of foreign operations		966	-1
Total comprehensive income		**24,973**	**24,420**
Profit/loss and comprehensive income for the period attributable to:			
Parent Company shareholders		24,973	24,420
Basic earnings per ordinary share, SEK		8.90	65.61
Diluted earnings per ordinary share, SEK		8.17	65.61
Average number of ordinary shares before dilution		2,544,258	372,222
Average number of ordinary shares after dilution		2,772,936	372,222
Number of ordinary shares outstanding at end of period		3,065,800	2,000,000

Consolidated statement of financial position

Amounts are stated in SEK thousand	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Property, plant and equipment			
Investment properties	10	245,027	138,267
Equipment, tools and installations	14	7,915	0
Non-current financial assets	*15*		
Other long-term securities holdings	15	5,814	0
Other non-current receivables		38	0
Total non-current assets		**258,794**	**138,267**
Current assets			
Project properties	17	50,373	0
Trade receivables	18	7,885	0
Other receivables	19	13,191	4,853
Prepaid expenses and accrued income	20	297	987
Financial investments		263	0
Cash and cash equivalents		10,117	3,212
Total current assets		**82,126**	**9,052**
Total assets		**340,920**	**147,319**

Equity and liabilities, SEK thousand		31/12/2016	31/12/2015
SHAREHOLDERS' EQUITY	**21**		
Share capital		868	500
Other contributed capital		92,856	24,950
Reserves, translation differences		1,549	-619
Retained earnings incl. profit/loss for the year		46,059	24,421
Total shareholders' equity		**141,333**	**49,252**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	13	22,333	9,583
Liabilities to credit institutions	22	152,690	81,029
Total non-current liabilities		**175,023**	**90,612**
Current liabilities			
Liabilities to credit institutions	22	12,203	2,353
Trade payables		1,301	878
Other current liabilities	23	9,607	3,806
Accrued expenses and deferred income	24	1,453	418
Total current liabilities		**24,564**	**7,455**
Total shareholders' equity and liabilities		**340,920**	**147,319**

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 year	Total shareholders' equity
Opening balance, 01/07/2014	**50**	**0**	**0**	**0**	**50**
Comprehensive income					
Profit/loss for the period	–	–	–	24,421	24,421
Exchange rate differences	–	–	-619	–	-619
Total comprehensive income	**0**	**0**	**-619**	**24,421**	**23,802**
Transactions with shareholders					
New share issue	450	24,950	–	–	25,400
Total transactions with share-holders	**450**	**24,950**	**0**	**0**	**25,400**
Closing balance, 31/12/2015	**500**	**24,950**	**-619**	**24,421**	**49,252**
Opening balance, 01/01/2016	**500**	**24,950**	**-619**	**24,421**	**49,252**
Comprehensive income					
Profit/loss for the period	–	–	–	23,987	23,987
Exchange rate differences	–	–	2,138	–	2,138
Total comprehensive income	**0**	**0**	**2,138**	**23,987**	**26,126**
Transactions with shareholders					
New share issue	368	73,121	–	–	73,489
Dividend paid, preference shares	–	–	–	-580	-580
Expensed unpaid dividend, prefer-ence shares	–	–	–	-1,739	-1,739
Share issue expenses	–	-5,215	–	–	-5,215
Total transactions with sharehold-ers	368	67,906	–	-2,319	65,595
Closing balance, 31/12/2016	**868**	**92,856**	**1,519**	**46,089**	**141,333**

Consolidated statement of cash flows

Amounts are stated in SEK thousand	Note	01/01/2016 31/12/2016	01/07/2014 31/12/2015
Cash flow from operating activities			
Operating profit/loss		41,359	34,005
Adjustments for non-cash items			
Reversal of depreciation, amortisation and impairment		1,088	0
Other non-cash items		-53,131	-38,443
Profit/loss from trading with financial instruments		831	-510
Interest paid (attributable to financing activities)		-2,637	0
Cash flow from operating activities before changes in working capital		**-12,491**	**-4,948**
Changes in working capital			
Increase/decrease in trade receivables		-7,885	0
Increase/decrease in financial investments		-263	0
Increase/decrease other current receivables		-7,295	-5,840
Increase/decrease trade payables		423	878
Increase/decrease other current liabilities		5,097	606
Cash flow from operating activities		**-22,214**	**-9,304**
Cash flow from investing activities			
Investments in property, plant and equipment		-60,039	-99,933
Investments in project properties		-50,373	0
Increase/decrease in other non-current receivables		-9,674	0
Cash flow from investing activities		**-120,086**	**-99,933**
Cash flow from financing activities			
New share issue		68,274	25,450
Raised loans		83,380	86,999
Loan repayments		-1,869	0
Dividend paid, preference shareholders		-580	0
Cash flow from financing activities		**149,205**	**112,449**
Cash flow for the period		**6,905**	**3,212**
Cash and cash equivalents at start of period		3,212	0
Exchange rate differences in cash and cash equivalents		0	0
Cash and cash equivalents at end of period		**10,117**	**3,212**

Parent Company income statement

Amounts are stated in SEK thousand	Note	01/01/2016 31/12/2016	01/07/2014 31/12/2015
Net sales		0	0
Total operating income		**0**	**0**
Operating expenses			
Other external expenses	7	-4,743	-2,706
Employee expenses	8, 9	-1,980	-338
Operating profit/loss		**-6,723**	**-3,044**
Other interest income and similar profit/loss items	11	3,408	186
Interest expenses and similar profit/loss items	12	-873	0
Profit/loss from financial items		**2,535**	**186**
Profit/loss before tax		**-4,188**	**-2,858**
Profit/loss for the period		**-4,188**	**-2,858**
STATEMENT OF COMPREHENSIVE INCOME			
Profit/loss for the period		**-4,188**	**-2,858**
Total comprehensive income		**-4,188**	**-2,858**

Parent Company balance sheet

Amounts are stated in SEK thousand	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Property, plant and equipment			
Equipment, tools and installations	14	4,465	0
Non-current financial assets			
Investments in Group companies	27	19,480	19,480
Other non-current receivables	15	838	0
Total non-current assets		**24,783**	**19,480**
Current assets			
Current receivables			
Trade receivables	18	3,623	0
Receivables from Group companies	28	48,105	4,653
Other receivables	19	13,063	223
Prepaid expenses and accrued income	20	497	987
Financial investments		263	0
Cash and cash equivalents		6,390	112
Total current assets		**71,941**	**5,975**
TOTAL ASSETS		**96,724**	**25,455**

Amounts are stated in SEK thousand	Note	31/12/2016	31/12/2015
SHAREHOLDERS' EQUITY	21		
Restricted shareholders' equity			
Share capital		868	500
Total restricted shareholders' equity		**868**	**500**
Unrestricted shareholders' equity			
Other contributed capital		92,856	24,950
Retained earnings		-5,176	0
Profit/loss for the period		-4,188	-2,858
Total unrestricted shareholders' equity		**83,492**	**22,092**
TOTAL SHAREHOLDERS' EQUITY		**84,360**	**22,592**
LIABILITIES			
Current liabilities			
Trade payables		2,317	878
Other current liabilities	23	9,103	1,832
Accrued expenses and deferred income	24	944	153
Total current liabilities		**12,364**	**2,863**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**96,724**	**25,455**

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, 01/07/2014	**50**	**0**	**0**	**50**
Comprehensive income				
Profit/loss for the period	–	–	-2,858	-2,858
Total comprehensive income	**0**	**0**	**-2,858**	**-2,858**
Transactions with shareholders				
New share issue	450	24,950	–	25,400
Total transactions with shareholders	**450**	**24,950**	**–**	**25,400**
Closing balance, 31/12/2015	**500**	**24,950**	**-2,858**	**22,592**
Opening balance, 01/01/2016	**500**	**24,950**	**-2,858**	**22,592**
Comprehensive income				
Profit/loss for the period	–	–	-4,188	-4,188
Total comprehensive income	**0**	**0**	**-4,188**	**-4,188**
Transactions with shareholders				
New share issue	368	73,121	–	73,489
Dividend paid, preference shares	–	–	-580	-580
Expensed unpaid dividend, preference shares	–	–	-1,739	-1,739
Share issue expenses	–	-5,215	–	-5,215
Total transactions with shareholders	**368**	**67,906**	**-2,319**	**65,955**
Closing balance, 31/12/2016	**868**	**92,856**	**-9,365**	**84,359**

Parent Company statement of cash flows

Amounts are stated in SEK thousand	Note	01/01/2016 31/12/2016	01/07/2014 31/12/2015
Cash flow from operating activities			
Operating profit/loss		-6,723	-3,044
Adjustments for non-cash items			
Reversal of depreciation		1,055	0
Interest received		3,408	186
Interest paid		-873	0
Cash flow from operating activities before changes in working capital		**-3,133**	**-2,858**
Changes in working capital			
Increase/decrease in trade receivables		-3,623	0
Increase/decrease other current receivables		-56,065	-5,863
Increase/decrease trade payables		1,439	878
Increase/decrease other current liabilities		6,324	1,984
Cash flow from operating activities		**-55,058**	**-5,859**
Cash flow from investing activities			
Investments in subsidiaries		0	-19,480
Investments in property, plant and equipment		-5,520	0
Purchase of non-current financial assets		-838	0
Cash flow from investing activities		**-6,358**	**-19,480**
Cash flow from financing activities			
New share issue		68,274	25,450
Dividends paid to Parent Company shareholders		-580	0
Cash flow from financing activities		**67,694**	**25,450**
Cash flow for the period		**6,278**	**111**
Cash and cash equivalents at start of period		112	0
Cash and cash equivalents at end of period		**6,390**	**111**

Accounting policies and notes

Note 1 General Information

Quartiers Properties AB (publ) (Parent Company) and its subsidiary Flexshare España, S.L., corp. reg. no 556975-7684, referred to below as "Quartiers Properties" or "the Group", acquire and implement residential projects in southern Spain. The Parent Company is a public limited company registered in Sweden, with registered offices in Stockholm. The head office address is Östermalmstorg 5, 114 42 Stockholm, Sweden.

The annual accounts and consolidated financial statements were approved by the Board of Directors on 2 May 2017 and submitted for adoption at the Annual General Meeting on 26 May 2017.

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

Note 2 Summary of key accounting policies

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

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

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

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

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

This is the company's second set of financial accounts prepared and published in accordance with IFRS.

2.2 New standards and interpretations that have not yet been applied
Several new standards and interpretations have entered into force for financial years starting after 1 January 2016 that have not been applied in the preparation of this financial report.

IFRS 9 Financial Instruments
IFRS 9 applies as of 1 January 2018 and relates to the classification, measurement and reporting of financial assets and liabilities, and introduces new rules for hedge accounting. The complete version of IFRS 9 was published in July 2014. It replaces the parts of IAS 39 that dealt with the classification and measurement of financial instruments and introduces a new impairment model. An analysis of the effects of IFRS 9 is under way, however preliminary indications are that IFRS 9 will not have any material impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 applies as of 1 January 2018 and is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue is recognised once the customer obtains control over the sold good or service, which replaces the previous principle that revenue is recognised when risks and benefits are transferred to the buyer. An analysis of the impact of IFRS 15 is under way but it is too early to draw any conclusions. It is likely that the Group will be affected by increased disclosure requirements. IFRS 15 may affect future revenue with respect to the amended business model, while revenues for 2015 and 2016 should not be affected.

IFRS 16 Leases
IFRS 16 applies as of 1 January 2019 and is a new standard pertaining to the reporting of lease transactions. For the lessee, the classification in accordance with IAS 17 as either an operating or finance lease will cease, to be replaced by a model whereby assets and liabilities for all lease agreements are to be recognised in the balance sheet. A preliminary assessment indicates that IFRS 16 is not expected to have any material impact on the Group's financial statements.

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

2.3 Consolidated accounts and consolidation principles

Subsidiaries

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

The Group's acquisitions are recognised in accordance with the purchase method. The purchase price for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as they arise. The amount by which the purchase price exceeds the fair value of identifiable acquired net assets is recognised as goodwill. If the amount is less than the fair value of the acquired subsidiary's assets, in the event of what is known as a 'bargain purchase', the difference is recognised directly in the statement of comprehensive income.

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 applicable, to ensure consistent application of the Group's policies.

2.4 Segment reporting

Group management is of the opinion that the company only has one segment – management of rental properties – for the 2016 financial year. As of the 2017 financial year, the company will also report property development in addition to management of rental properties.

2.5 Foreign currency translation

Functional currency and reporting currency

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

Transactions and balance sheet items

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

2.6 Property, plant and equipment

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

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

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

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

2.7 Investment properties

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

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

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

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

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

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

In 2016, some properties have been reclassified from investment to project properties. The reclassification has been carried out at the carrying amount at 31 December 2016, plus acquisitions during the year. Reclassification has been carried out to reflect a change in the purpose of the holding.

2.9 Financial instruments
Financial instruments can be found in various balance sheet items and are described under sections 2.10–2.14.

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

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

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

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

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

Other financial liabilities
The Group's liabilities to credit institutions, trade payables and the portion of other current liabilities that relates to financial instruments are classified as other financial liabilities. See description of accounting policies in sections 2.13 and 2.14 below.

2.10 Other long-term securities holdings
Other long-term securities holdings are financial assets held as a long-term financial investment. Measurement is carried out at cost less non-temporary impairment. At the balance sheet date, other long-term securities holdings have been written down to fair value. Fair value consists of the current market rate.

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

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

2.12 Cash and cash equivalents

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

2.13 Trade payables

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

2.14 Borrowings

Liabilities to credit institutions are financial instruments and are initially recognised at fair value, net after transaction expenses. Borrowings are subsequently recognised at accrued cost and any difference between the amount received (net after transaction expenses) and the repayment amount is recognised in profit or loss over the period of the loan, applying the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to delay payment of the liability for at least 12 months after the end of the reporting period. Borrowing costs are recognised in profit or loss in the period to which they refer. Accrued interest is recognised as the short-term portion of current liabilities from credit institutions, in cases where the interest is expected to be settled within 12 months of the balance sheet date.

2.15 Share capital and calculation of earnings per share

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

2.16 Current and deferred tax

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

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

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

2.17 Employee benefits

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

Pension obligations

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

Termination benefits

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

2.18 Revenue recognition

Rental income

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

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

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.

Revenue from Property Development
The company has not yet recognised any revenue from Property Development.

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

2.19 Leases
The Group has entered into a leasing agreement with regard to non-current assets. The agreement is classified as a finance lease in the Group. The asset is recognised as a current asset at an amount corresponding to the fair value of the leased property. On the liability side, the present value of remaining future lease payments is recognised as liabilities to credit institutions. The asset is depreciated over its useful live, which corresponds to the lease term.

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

The Parent Company recognises financial lease agreements as operating leases.

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

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

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

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

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

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

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

Note 3 Significant judgements and estimates

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

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

Classification of investment properties and project properties
When a property is acquired, an assessment is made of whether the property will be developed or retained as an investment property. Such assessment is based on an

analysis of how the property can best contribute to value creation. 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 different 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.

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

Note 4 Financial risk management

4.1 Financial risk factors

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

A) Interest rate risk – the risk that changes in interest rate levels will have a negative impact on the Group's net profit/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, which has not yet had a negative rate.

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

At the balance sheet date, liabilities to credit institutions with variable rates totalled SEK 161,996 thousand (EUR 16,933 thousand) and the Group's cash and cash equivalents amounted to SEK 10,117 thousand. A change in EURIBOR 12M of +/- 1 percent would affect net interest revenues by +/- SEK 1,620 thousand.

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

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

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

In December 2016 and February 2017, the Group entered into agreements on the acquisition of new properties valued at a total of approximately SEK 140,155 thousand. In order to be able to take over the properties, the company needs access to external financing in the form of bank loans and new share issues. Unless this happens, the Group risks being unable to take over the properties and losing the deposit that has been paid, which amounts to SEK 13,000 thousand.

Group, SEK thousand 31 December 2016	<1 year	1–2 years	2–5 years	>5 years
Liabilities to credit institutions	9,312	12,249	33,659	106,782
Leasing liability	2,898	0	0	0
Trade payables	1,301	0	0	0
Other current liabilities	11,053	0	0	0

Parent Company, SEK thousand 31 December 2016	<1 year	1–2 years	2–5 years	>5 years
Trade payables	2,317	0	0	0
Other current liabilities	10,048	0	0	0

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 positions 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 subsidiary are mainly financed using bank borrowings. The bank loan for the Spanish properties is in EUR. At 31 December 2016 (2015), the Group's interest-bearing liabilities in EUR corresponded to SEK 161,996 thousand (SEK 83,284 thousand). On the same date, the Spanish properties' market values amounted to SEK 319,267 thousand (SEK 138,267 thousand). This means that the Parent Company's shareholding in the foreign Group company is exposed to exchange rate fluctuations.

Sensitivity analysis

The purpose of this sensitivity analysis is to demonstrate in terms of effects and risks the impact of exchange rate fluctuations on the company's earnings and equity.
The analysis illustrates the effect of a 10-percent decline in the value of the Swedish krona for the 2016 financial year, assuming other risk factors remain constant. The impact has only been included for key currency flows, for the 2016 financial year and chiefly in EUR.

Group, SEK thousand	2016	2015
Effect on profit for the year:	-6,059	-5,499
Effect on equity:	-7,941	-7,382

4.2 Capital risk management

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

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

SEK thousand	31/12/2016	31/12/2015
Total borrowings (Note 22)	164,893	83,382
Deduct: Cash and cash equivalents	-10,117	-3,212
Net debt	**154,776**	**80,170**
Shareholders' equity	141,333	49,252
Total capital	296,109	129,422
Debt/equity ratio	**52%**	**62%**

The current debt/equity ratio is just below the range for the Board's target debt/equity ratio. The Board of Directors requires the debt/equity ratio to be between 55 and 70 percent. In light of agreements entered into regarding the acquisition of new properties, the debt/equity ratio is expected to increase in 2017.

Note 5 Segment reporting

The company only had one segment in 2016 – Property Management. This is in light of the fact that in 2016, the company's operations consisted solely of renting out properties. As of 1 January 2017, the company has a new business area – Property Development. As of 1 January 2017 the company therefore has two segments – Property Management and Property Development. Segment reporting to the Board according to this structure will be carried out from 1 January 2017.

The company's assets mainly comprise properties. The properties are located exclusively in Spain. The Group's net sales in 2016 of SEK 4,242 thousand (0) relate to long-term letting of the company's property portfolio in Spain to an independent operator. 100 percent of net sales is derived from the operator of the rented apartments, 365South S.L.

Note 6 Rental income

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

Note 7 Fees to auditors

Group

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

SEK thousand	01/01/2016–31/12/2016	01/07/2014–31/12/2015
PwC – Öhrlings Pricewaterhousecoopers AB		
Audit assignment	243	122
Audit activities in addition to the audit assignment	89	128
	332	**250**

Parent Company

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

SEK thousand	01/01/2016–31/12/2016	01/07/2014–31/12/2015
PwC – Öhrlings Pricewaterhousecoopers AB		
Audit assignment	243	122
Audit activities in addition to the audit assignment	89	128
	332	**250**

Note 8 Employee benefits

Group, SEK thousand	01/01/2016 –31/12/2016	01/07/2014 –31/12/2015
Average no. of employees		
Men	0.5	1
Women	1	0
	1.5	**1**
Salaries and other remuneration		
Board members, CEO	1,914	219
Other employees	109	
	2,023	**219**
Social security contributions		
Pension costs	204	34
Other social security charges according to law and agreements	391	77
	595	**111**
Total salaries, remuneration, social security contributions and pension costs	**2,618**	**330**

Note 9 Remuneration and benefits to Board members and senior executives

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

Group, 2015			
SEK thousand	**Fee/salary**	**Pension**	**Total**
Jeremy Hoffmann, CEO	219	34	253
	219	**34**	**253**

*) Jeremy Hoffmann was CEO for the January–May 2016 period. Remuneration includes remuneration during this period and notice-period pay. Katri Lind joined as CEO on 19 May 2016.

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

The Board fees established by the 2016 AGM amount to SEK 240,000, including SEK 160,000 to the Chairman and SEK 80,000 to the other Board members who are not the CEO or who are not engaged in extensive consulting assignments within the Group.

See also information under Note 31 Transactions with related parties.

CEO and Group management
Remuneration to the CEO comprises fixed remuneration and a pension. In 2016, the CEO received remuneration corresponding to SEK 1,260 thousand (SEK 330 thousand). The Board of Directors received remuneration corresponding to SEK 922 thousand. In addition to the fixed Board fee of SEK 160 thousand plus social security contributions, the Chairman of the Board invoiced the company for consultancy fees totalling SEK 300 thousand and reimbursement for travel and other expenses. Payments have been made to Board member Åke Olofsson in 2016 according to a consultancy contract, in the amount of SEK 332 thousand (EUR 35,000). The members of the Board have chosen to invoice the company for Board fees according to current agreements, which is cost-neutral for the company.

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

Group management has no variable remuneration agreement for 2016.

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

Note 10 Investment properties

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

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

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

Hacienda de Cifuentes
The company's 99 apartments in Hacienda de Cifuentes have been classified as investment properties and recognised accordingly at fair value in the balance sheet. The valuation at 31 December 2016 amounted to EUR 25,612 million (SEK 245,027 million), corresponding to an average of EUR 258 thousand (SEK 2,475 thousand) per apartment. Compared with year-end at 31 December 2015 and the cost of the 41 apartments acquired in 2016, the values of the apartments have been adjusted upwards by 28.7 percent, corresponding to SEK 54.7 million, of which SEK 5.5 million relates to exchange rate fluctuations. The increase in value, including exchange rate fluctuations, is reflected in the income statement under the item 'Change in the value of investment properties'.

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

Gran Vista project
The company's structures with development rights for 24 apartments were recognised at 31 December 2015 as investment properties at fair value. In November 2016, the Board resolved to begin work on completing the buildings as soon as possible, with the aim of subsequently divesting the project. In light of this, the Board decided to reclassify the property as a project property. The opening fair value was SEK 21,991 thousand and the cost amounted to SEK 12,368 thousand.

Group SEK thousand	**01/01/2016 –31/12/2016**	**01/07/2014 –31/12/2015**
Opening fair value	138,267	0
Cost of properties acquired during the year	74,066	103,842
Exchange rate differences	5,498	-3,909
Changes in value	49,187	38,334
Reclassifications	-21,991	
Closing fair value	**245,027**	**138,267**

Details about investment properties		
Cost	165,771	99,933
Carrying amount	245,027	138,267

Sensitivity analysis
If the assumed average price per square metre goes up or down by 10 percent, the total value of the properties will change to the equivalent extent. A ten-percent increase would mean the total value of the properties would be SEK 269.5 million. A corresponding decline would mean the total value of the properties would be SEK 220.5 million.

Note 11 Other interest income and similar profit/loss items

Group SEK thousand	01/07/2014 –31/12/2015	01/07/2014 –31/12/2015
Earnings from short-term investments	830	0
Exchange rate differences	554	0
	1,384	**0**

Parent Company	01/07/2014– 31/12/2015	01/07/2014 –31/12/2015
Earnings from short-term investments	830	0
Interest income	2,578	186
	3,408	**186**

Note 12 Interest expenses and similar profit/loss items

Group SEK thousand	01/01/2016 –31/12/2016	01/07/2014 –31/12/2015
Impairment of non-current financial assets	3,823	0
Interest expenses	2,636	510
Exchange rate differences	0	325
	6,459	**835**

Parent Company	01/01/2016 –31/12/2016	01/07/2014 –31/12/2015
Interest expenses	873	0
	873	**0**

Note 13 Income tax/tax on earnings for the period

Group SEK thousand	01/01/2016 –31/12/2016	01/07/2014 –31/12/2015
Tax on earnings for the period		
Deferred tax with regard to temporary differences	-12,297	-9,583
Total recognised tax	**-12,297**	**-9,583**
Reconciliation of effective tax		
Recognised profit/loss before tax	36,284	34,005
Tax according to current tax rate, 22%	-7,982	-7,481
Non-deductible costs	-856	-5
Tax losses for which no deferred tax asset is recognised	-2,465	-948
Effect of foreign tax rate, 25% (28%)	-993	-2,300
Effect of changes to foreign tax rate, 25%	0	1,150
Recognised effective tax 33.9 (28.18)%	**-12,297**	**-9,583**

Deferred tax on temporary differences 01/01/2016–31/12/2016

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

Change in deferred tax	Recognised in profit/loss	Amount at end of period
Deductible temporary differences	-12,297	-22,333
	-12,297	**-22,333**

As of the balance sheet date, the subsidiary, Flexshare España, S.L., has an income tax rate of 25 percent. For the Group, 25 percent in income tax has therefore been used since earnings are essentially attributable to the change in the value of the investment properties in Spain.
The Group has loss carryforwards of SEK 15,287 thousand (SEK 4,307 thousand), of which SEK 12,283 thousand (SEK 2,836 thousand) is attributable to the Parent Company. No deferred tax assets on loss carryforwards are recognised as a precaution, since the Group is in the start-up phase of its operations. No portion of the deferred tax is expected to be settled within 12 months.

Parent Company, SEK thousand	31/12/2016	31/12/2015
Reconciliation of effective tax		
Recognised profit/loss before tax	-4,188	-2,858
Tax according to current tax rate, 22%	921	629
Non-deductible costs	-14	-5
Tax losses for which no deferred tax asset is recognised	907	624
Recognised effective tax	**0**	**0**

Note 14 Equipment, tools and machinery

Group, SEK thousand	31/12/2016	31/12/2015
Opening carrying amount	0	0
Purchases	9,004	0
Depreciation/amortisation	-1,088	0
Closing carrying amount	**7,916**	**0**

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

Parent Company, SEK thousand	31/12/2016	31/12/2015
Opening carrying amount	0	0
Purchases	5,520	0
Depreciation/amortisation	-1,055	0
Closing carrying amount	**4,465**	**0**

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

Note 15 Non-current financial assets

Group, SEK thousand	31/12/2016	31/12/2015
Shares in listed companies		
Cost	9,636	0
Impairment	-3,822	0
Carrying amount	**5,814**	**0**
Other non-current receivables	**38**	**0**
Total non-current financial assets	**5,852**	**0**

Shares in listed companies have been recognised at market value, which comprises the market rate at the balance sheet date. The valuation is classed as Level 1 according to the fair value hierarchy, IFRS 13.

Parent Company	31/12/2016	31/12/2015
Other non-current receivables	**838**	**0**

Note 16 Financial instruments by category

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

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

Group, SEK thousand 31/12/2015	Financial assets measured at fair value in profit or loss	Loans and receivables	Total
Assets in the balance sheet			
Other receivables	0	4,853	4,853
Cash and cash equivalents	0	3,212	3,212
Total	**0**	**8,065**	**8,065**

Group, SEK thousand 31/12/2015	Other financial liabilities	Total
Liabilities in the balance sheet		
Long-term borrowings from credit institutions	81,029	81,029
Short-term borrowings from credit institutions	2,353	2,353
Trade payables	878	878
Other liabilities	3,806	3,806
Total	**88,484**	**88,484**

Parent Company, SEK thousand 31/12/2016	Financial assets measured at fair value in profit or loss	Loans and receivables	Total
Assets in the balance sheet			
Investments in Group companies	0	19,480	19,480
Other non-current receivables	0	838	838
Receivables from Group companies	0	48,105	48,105
Other receivables	0	13,063	13,063
Financial investments	0	263	263
Cash and cash equivalents	0	6,390	6,390
Total	**0**	**88,139**	**88,139**

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

Parent Company, SEK thousand 31/12/2015	Financial assets measured at fair value in profit or loss	Loans and receivables	Total
Assets in the balance sheet			
Investments in Group companies	0	19,480	19,480
Receivables from Group companies	0	4,653	4,653
Other receivables	0	223	223
Cash and cash equivalents	0	112	112
Prepaid expenses and accrued income	0	987	987
Total	**0**	**25,455**	**25,455**

Parent Company, SEK thousand 31/12/2015	Other financial liabilities	Total
Liabilities in the balance sheet		
Long-term borrowings from credit institutions	0	0
Trade payables	878	878
Other liabilities	1,832	1,832
Total	**2,863**	**2,863**

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

The carrying amount of long-term securities holdings consists of the cost, adjusted for non-temporary changes in value. Available-for-sale financial assets include quoted shares in Spain.

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

Note 17 Project properties

Group, SEK thousand	01/01/2016 –31/12/2016	01/07/2014 –31/12/2015
Opening fair value	0	0
Cost of properties acquired during the year	26,405	0
Investments in the properties	937	0
Exchange rate differences	1,040	0
Reclassifications	21,991	0
Closing fair value	**50,373**	**0**

Note 18 Trade receivables

Group, SEK thousand	01/01/2016 –31/12/2016	01/07/2014 –31/12/2015
Trade receivables	7,885	0
Less: provision for doubtful receivables	0	0
Total	**7,885**	**0**

Of the Group's trade receivables, SEK 4,404 thousand relates to receivables on operator companies for letting. The receivable is within the credit framework detailed in the agreement with the operator company. All receivables mature within 12 months.

Parent Company	01/01/2016 –31/12/2016	01/07/2014 –31/12/2015
Trade receivables	3,623	0
Less: provision for doubtful receivables	0	0
Total	**3,623**	**0**

The trade receivable pertains to the sale of equipment and was settled in its entirety in January 2017.

Note 19 Other receivables

Group, SEK thousand	31/12/2016	31/12/2015
Deposit paid	13,000	0
VAT-related receivables	84	2,788
Other items	107	2,065
Total	**13,191**	**4,853**

Parent Company	31/12/2016	31/12/2015
Deposit paid	13,000	0
VAT-related receivables	0	223
Other items	63	0
Total	**13,063**	**223**

The deposit paid relates to the acquisition of Centro Forestal Sueco. Following the balance sheet date, the deposit was allocated to the acquired units that comprise newly established Spanish companies. The claim then changed character in the Parent Company to a receivable from Group companies.

Note 20 Prepaid expenses and accrued income

Group, SEK thousand	31/12/2016	31/12/2015
Prepaid rent	51	21
Prepaid insurance	0	12
Advance payments to suppliers	246	954
Total	**297**	**987**

Parent Company	31/12/2016	31/12/2015
Prepaid leases, short-term component	200	
Prepaid rent	51	21
Prepaid insurance	0	12
Advance payments to suppliers	246	954
Total	**497**	**987**

Note 21 Shareholders' equity

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

Share capital in the Parent Company, Quartiers Properties AB (publ), amounts to SEK 868 thousand and is allocated across 3,473,807 shares. Of these shares, 3,065,800 are ordinary shares and 408,700 are preference shares. The company's preference shares are traded on NGM Nordic MTF.

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 issued warrants with the following maturities and exercise prices.

Series	Maturity	Exercise price in SEK per share	Number of shares
Series 1	September 2017	35.00	460,000
Series 2	September 2017	35.00	332,914
			792,914

A split of the company's shares was carried out after the balance sheet date (split 10:1). Thus the exercise price and number of shares has also changed.

Changes in share capital

Year	Event	Increase in number of shares	Number of shares	Issue amount	Comparable subscription price per share[1]	Change in share capital	Registered
2016	New share issue	309,457	3,473,807	SEK 21,650,700	SEK 10.00 (P) & SEK 3.50 (O)	77,364.25	14/12/2016
2016	New share issue	11,550	3,164,350	SEK 1,155,000	SEK 10.00 (P)	2,887.50	25/08/2016
2016	New share issue	60,775	3,152,800	SEK 6,077,500	SEK 10.00 (P)	15,193.75	15/08/2016
2016	New share issue	48,962	3,092,025	SEK 4,896,200	SEK 10.00 (P)	12,240.50	13/07/2016
2016	New share issue	120,263	3,043,063	SEK 12,026,300	SEK 10.00 (P)	30,065.75	04/07/2016
2016	New share issue	2,307	7,307	SEK 27,684,000	SEK 3.00 (O)	230,700.00	01/06/2016
2015	New share issue	4,000	5,000	SEK 400,000	SEK 0.01 (O)	400,000.00	25/11/2015
2015	New share issue	500	1,000	SEK 25,000,000	SEK 12.50 (O)	50,000.00	21/09/2015
2014	Company formation	500	500	–	–	50,000.00	01/07/2014

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

A share split (400:1) carried out on 25 May 2016 increased the number of shares from 7,307 to 2,922,800. An extraordinary general meeting on 23 February 2017 resolved on a further split of the company's shares (10:1).

Note 22 Borrowings

Group, SEK thousand	31/12/2016	31/12/2015
Long-term		
Bank borrowings	152,690	81,029
	152,690	**81,029**
Short-term		
Leasing liability	2,898	0
Bank borrowings	9,305	2,254
Accrued interest on loans	0	99
Total	**12,203**	**2,353**

Loans have been raised via Banco Popular in Spain and shall be amortised over a period of 15 years. The total loan amount is EUR 16,933 thousand, which corresponds to SEK 161,996 thousand. Revaluation into SEK has been carried out in accordance with the Rikbank's exchange rate at the balance sheet date.

Opening borrowings in EUR amounted to the equivalent of SEK 83,382 thousand. An amount corresponding to SEK 1,869 thousand was repaid in 2016. Raised borrowings amount to SEK 83,380 thousand and closing borrowings in EUR to the equivalent of SEK 164,893 thousand.

The loans carry a variable interest rate and the company has been repaying them since August 2016. The loans raised in 2015 carry an interest rate of 1.375 percent. This rate will be adjusted for the first time in August 2017. The interest rate on the loans raised in 2016 is 1.25 percent. This rate will be adjusted for the first time in March 2018.

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

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

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

Group, 31 December 2016 SEK thousand	<1 year	1–2 years	2–5 years	>5 years
Liabilities to credit institutions	9,312	12,249	33,659	106,782
Leasing liability	2,898	0	0	0
Trade payables	1,301	0	0	0
Other current liabilities	11,053	0	0	0

Parent Company, 30 December 2016, SEK thousand	<1 year	1–2 years	2–5 years	>5 years
Trade payables	2,317	0	0	0
Other current liabilities	10,048	0	0	0

An increase in interest would have increased the company's interest expenses by SEK 1,620 thousand/year per percentage point.

Note 23 Other liabilities

Group, SEK thousand	31/12/2016	31/12/2015
Liabilities to related parties	3,847	3,716
Personnel-related liabilities	0	40
Liability, preference share dividend	1,739	0
Other	4,021	50
Total	**9,607**	**3,806**

Parent Company	31/12/2016	31/12/2015
VAT-related liabilities	291	0
Liabilities to related parties	3,847	1,792
Personnel-related liabilities	0	40
Liability, preference share dividend	1,739	0
Other	3,227	0
Total	**9,104**	**1,832**

Note 24 Accrued expenses and deferred income

Group, SEK thousand	31/12/2016	31/12/2015
Accrued holiday pay	240	11
Accrued social security charges	58	12
Other accrued expenses	1,155	396
Total	**1,453**	**419**

Parent Company	31/12/2016	31/12/2015
Accrued salaries and holiday pay	240	11
Accrued social security charges	58	12
Other accrued expenses	646	130
Total	**944**	**153**

Note 25 Commitments for future investments

The Group has entered into agreements on the acquisition of properties with a purchase price totalling EUR 13,500 thousand, of which 10 percent has been paid in deposits at 31 December 2016.

Note 26 Pledged assets

Group, SEK thousand	31/12/2016	31/12/2015
For liabilities to credit institutions:		
Leased non-current assets with reservation of title	2,898	0
Property mortgages	201,973	97,811
Total	**204,871**	**97,811**

Parent Company	31/12/2016	31/12/2015
For liabilities to credit institutions:		
Leased non-current assets with reservation of title	2,898	0
Total	**2,898**	**0**

Note 27 Investments in Group companies

Parent Company, SEK thousand	31/12/2016	31/12/2015
Opening accumulated cost	*19,480*	*0*
Purchases	0	19,480
Closing accumulated cost	**19,480**	**19,480**
Closing carrying amount	**19,480**	**19,480**

Name Corp. reg. no	Share of equity	Share of voting power	Carrying amount	Share-holders' equity	Earnings	Registered office
Flexshare España, S.L. B19567130	100%	100%	19,480	12,693	-5,469	Malaga

Note 28 Receivables from Group companies

The receivable relates to a short-term loan for Flexshare España, S.L.

Parent Company, SEK thousand	31/12/2016	31/12/2015
Opening carrying amount	4,653	0
Additional receivables	43,452	4,653
Closing carrying amount	**48,105**	**4,653**

Note 29 Earnings per ordinary share

The calculation of earnings per ordinary share has been based on earnings for the year attributable to the Parent Company's ordinary shareholders amounting to 24,973, having taken account of the preference shares' portion of earnings for the year of 2,319. Earnings less the preference shares' portion, 22,654, have been divided by a weighted average number of shares during the year, amounting to 2,544,258.

Weighted average number of ordinary shares outstanding	31/12/2016	31/12/2015
Opening total number of shares:	2,000,000	200,000
Effect of newly-issued shares	544,258	123,862
Average number of ordinary shares	**2,544,258**	**323,862**

Weighted average number of diluted ordinary shares outstanding	31/12/2016	31/12/2015
Average number of ordinary shares before dilution	2,544,258	323,862
Effect of warrants	228,678	0
	2,772,936	**323,862**

The dilution effect is calculated as the number of shares that may be issued upon full exercise of warrants.

Note 30 Appropriations

The following funds are at the disposal of the AGM:

Share premium reserve, SEK thousand	*92,856*
Retained earnings, SEK thousand	*-5,176*
Profit/loss for 2016, SEK thousand	*-4,188*
Total available funds, SEK thousand	*83,492*

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 6,000,000. The remaining amount, i.e. SEK 77,492,062, shall be carried forward.

Record dates for dividends for preference shares are 30 June 2017, 30 September 2017, 31 December 2017 and 31 March 2018, in accordance with the company's Articles of Association. The dividend adopted by the 2016 AGM with a record date of 31 March 2017 has been taken into account within the framework of the annual accounts for the 2016 financial year and has thus already been deducted from the amount at the disposal of the AGM.

Note 31 Transactions with related parties

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

In 2016, Chairman of the Board Jörgen Cederholm invoiced consultancy fees in the amount of SEK 300 thousand, in addition to his ordinary director's fee. A provision was made for the amount at year-end on 31 December 2016 and it was invoiced in 2017.

Quartiers has borrowed a total of SEK 3.5 million from Fastighets Aktiebolag Bränneröd and Rocet AB, both shareholders in Quartiers. Quartiers' Chairman of the Board Jörgen Cederholm indirectly owns shares in Fastighets Aktiebolag Bränneröd and Rocet AB.

In 2015, Quartiers Board member Andreas Bonnier paid EUR 210,000 in loans to Flexshare. The claim, which corresponds to approximately SEK 2,035 thousand, was taken over in 2016 by Fastighets Aktiebolag Bränneröd (in which Chairman of Quartiers' Board, Jörgen Cederholm, is indirectly a shareholder).

In 2015, Egonomics AB (shareholder in Quartiers and in which Andreas Bonnier, Quartiers Board member, is a shareholder) paid approximately SEK 1,791 thousand in loans to the company. A further SEK 1,305.772 thousand was paid in loans in 2016, a total of approximately SEK 3,000 thousand.

In 2016, Fastighets Aktiebolag Bränneröd (in which Chairman of Quartiers' Board, Jörgen Cederholm, is indirectly a shareholder) paid approximately SEK 5,000 thousand in loans to the company. Moreover, as detailed above the company assumed a claim of approximately SEK 2,035 thousand from Andreas Bonnier. For Fastighets Aktiebolag Bränneröd's loan to the company, interest of SEK 135 thousand has been posted (but not paid out) for 2016. The interest amounts to 1.5 percent per month.

Rocet AB (in which Chairman of Quartiers' Board, Jörgen Cederholm, is indirectly a shareholder) paid a total of SEK 6,000 thousand in loans in 2016 to Quartiers. Quartiers repaid SEK 500 thousand of the loan in the same year. Interest of SEK 168.75 thousand for 2016 has been recognised (but not paid out) for Rocet AB's loan to Quartiers. The interest amounts to 1.5 percent per month.

In 2016, LMK Forward AB paid in a total of SEK 15,500 thousand in loans to Quartiers. Quartiers repaid SEK 12,905 thousand of the loan in the same year. SEK 405 thousand was paid out in interest for the loan in 2016. The interest amounts to 1.5 percent per month.

In 2016, Daniel Bonnier (relative of Quartiers Board member Andreas Bonnier) paid a loan of SEK 2,000 thousand to Quartiers.

At the company's AGM in May 2016, the shareholders decided on an issue of ordinary shares, at which point LMK Forward AB, Fastighets Aktiebolag Bränneröd, Rocet AB and Daniel Bonnier settled receivables totalling approximately SEK 10.9 million as payment for ordinary shares.

In June 2016, the Board, with the support of the AGM's authorisation, decided on the issue of preference shares and free of charge warrants aimed at institutional investors and the general public in Sweden. The shareholder Egonomics AB subscribed for preference shares and warrants and thereby settled its claim of approximately SEK 3 million on the company as payment in the issue.

Note 32 Events after balance sheet date

In February 2017, the company entered into an agreement regarding the acquisition of part of a villa project in Marbella (Amapura). The purchase price is EUR 1.1 million. The company took over the property on 26 April 2017 and paid part of the purchase price on handover. The villa was acquired as a turnkey project. The company will pay a further EUR 925,000 of the purchase price once a licence has been obtained and work has begun on completion of the villa. EUR 325,000 will be paid in connection with a building licence being obtained, and EUR 600,000 relates to construction costs that are to be paid in accordance with certificates for completed works.

An extraordinary general meeting on 23 February 2017 resolved on the split of the company's shares. The split means that each share has been split into 10 shares. The EGM also resolved to elect Sten Andersen and Jimmie Hall as new Board members. At the same time, CEO Katri Lind was removed from the Board.

Work has begun on implementing a new corporate structure via the establishment of a Spanish holding company.

On 20 December 2016, the company announced in a press release that it was examining the possibility of raising capital by listing the company's ordinary share. The company is continuing to work on this plan.

The undersigned declare that the consolidated and annual accounts have been prepared in accordance with IFRS, as approved by the EU, and with generally accepted accounting practice, and provide a true and fair view of the position and performance of the Group and the Parent Company, and that the Directors' Report provides a true and fair view of the progress of the Group's and the Parent Company's operations, position and performance, as well as describing the material risks and uncertainty factors to which the companies that are members of the Group are exposed.

Stockholm, 2 May 2017

Jörgen Cederholm
Chairman of the Board

Katri Lind
Chief Executive Officer

Andreas Bonnier
Board member

Åke Olofsson
Board member

Jimmie Hall
Board member

Sten Andersen
Board member

Our auditor's report was presented on 2 May 2017

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 2016. The company's annual accounts and consolidated accounts are provided on pages 27–63 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 2016 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 2016 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 responsibility'. 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 1–26 and pages 67–68. 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 control 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 good auditing standards in Sweden will always detect a material misstatement if it exists. Misstatements may occur because of fraud or error and are deemed material if individually or together they could be expected to affect the financial decisions that users take based on the annual accounts and the consolidated accounts.

As part of an audit in accordance with ISA, we use our professional judgement and have adopted professional scepticism throughout the audit. In addition:

- We identify and assess risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, we design and implement auditing procedures based in part on such risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement as a result of fraud is greater than for a material misstatement due to error, as fraud may comprise actions involving collusion, falsification, intentional omission, incorrect information or disregard of internal control.
- We obtain an understanding of the part of the company's internal control that is of significance for our audit in order to develop auditing measures that are appropriate in view of the circumstances, but not in order to give an opinion on the effectiveness of such internal control.
- We evaluate the suitability of the accounting policies used and the reasonableness of the Board of Directors and CEO's estimates in the accounts and associated disclosures.
- We draw a conclusion about the suitability of the Board of Directors and the CEO using the assumption of continued operations in preparing the annual accounts and the consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, about whether there is any uncertainty relating to such events or circumstances that could lead to significant doubt over the company's ability to continue operating. If we conclude that there is material uncertainty, our auditor's report must draw attention to the relevant information in the annual accounts and consolidated accounts about the material uncertainty or, if such information is insufficient, modify our opinion about the annual accounts and the consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may result in a company no longer being able to continue operating.
- We evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and the consolidated accounts reflect the underlying transactions and events in a manner that provides a fair view.
- We obtain sufficient and appropriate audit evidence regarding the financial information for the units or business activities within the Group in order to give an opinion on the consolidated accounts. We are responsible for the management, monitoring and implementation of the consolidated accounts. We are solely responsible for our opinions.

We must inform the Board of Directors about aspects such as the planned extent and focus of the audit and its date. We must also provide notification about significant observations during the audit, including significant deficiencies in internal control that we have identified.

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 2016 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 responsibility'. 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 risks 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we use our professional judgement and have adopted professional scepticism throughout the audit. The audit of management and the proposed appropriations of the company's profit or loss is mainly based on the audit of the financial statements. Additional auditing procedures are carried out according to our professional judgement based on risk and materiality. This means we focus the audit on such measures, areas and circumstances that are of significance to the business and in relation to which deviations and breaches would be of particular significance to the company's situation. We review decisions taken, documentation for decision-making, action taken and other circumstances that are relevant to our statement on discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Swedish Companies Act.

Stockholm, 2 May 2017
Öhrlings PricewaterhouseCoopers AB

Henrik Boman
Authorised Public Accountant

Shareholders

Shareholder information

The company's shares

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

Dividend policy

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

Shareholders

Quartiers Properties' largest shareholders at 31 December 2016.

Name	Number of ordinary shares	Number of preference shares	Votes, %	Capital, %
Egonomics AB	11,600,000	–	37.34%	33.39%
Fastighets Aktiebolag Bränneröd	5,768,000	85,370	18.59%	16.84%
Rocet AB	3,336,000	30,000	10.75%	9.69%
LMK Forward AB	3,000,000	180,000	10.24%	9.15%
Bernt Lundberg Fastigheter Lund AB	1,680,000	100,000	5.44%	5.12%
Petrus AS	1,430,000	750,000	4.84%	6.28%
Other	3,844,000	2,936,500	12.80%	19.52%
Total	**30,658,000**	**4,080,070**	**100%**	**100%**

Annual General Meeting 2017

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

- **Date and time:** Friday 26 May 2017, 10.00 a.m.
- **Venue:** Offices of law firm DLA Piper Sweden KB at Kungsgatan 9, 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 Friday 19 May 2017, and inform the company of their intention to participate by Friday 19 May 2017 at the latest.

Registration can be submitted by letter, or to:

- Quartiers Properties AB (publ), Östermalmstorg 5, 114 42 Stockholm, Sweden.
- By email to katri.lind@quartiersproperties.se
- By telephone on +46 (0) 72 252 5813.

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).

Financial reports

Half-year Report July–December 2016:	**23 Feb. 2017**
Annual Report 2016:	**2 May 2017**
Annual General Meeting 2017:	**26 May 2017**
Half-year Report January–June 2017:	**25 Aug. 2017**

Contact

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QUARTIERS

Contact

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