

The background of the entire page is a dark grey architectural line drawing of a building's interior. It shows a multi-level structure with various rooms, corridors, and structural elements like beams and columns, all rendered in a light grey line-art style.

QUAR TIERS

**YEAR-END REPORT
JANUARY TO DECEMBER
2017**

The background of the image is a dark gray color with a complex, white line-art sketch of a building's structural framework. The sketch consists of numerous overlapping lines that form a grid-like pattern, representing the walls, windows, and structural elements of a multi-story building. The lines are thin and vary in density, creating a sense of depth and architectural complexity.

H2

2017

SUMMARY OF THE PERIOD

- Net sales amounted to SEK 9,494 thousand (SEK 4,242 thousand), of which H2 accounted for SEK 4,261 thousand (SEK 4,114 thousand).
- Operating earnings totalled SEK 28,363 thousand (SEK 41,359 thousand), of which H2 accounted for SEK 32,781 thousand (SEK 15,783 thousand).
- Changes in the value of investment properties totalled SEK 39,042 thousand (SEK 49,188 thousand), of which H2 accounted for SEK 39,042 thousand (SEK 14,322 thousand).
- Post-tax earnings amounted to SEK 14,285 thousand (SEK 23,987 thousand), of which H2 accounted for SEK 21,873 thousand (SEK 8,536 thousand).
- Basic earnings per share for the period totalled SEK 0.40 (SEK 0.89). There was a negative impact on earnings resulting from a write-down of the company's holding in the Spanish bank Banco Popular in the amount of SEK 1,005 thousand. Compensation was offered for the shares in the form of bonds in Banco Santander.
- Equity totalled SEK 344,157 thousand (SEK 141,333 thousand). Equity includes the estimated market value of the 99 apartments in Hacienda de Cifuentes. Other properties in the project portfolio have been recorded in the balance sheet at cost plus capitalised expenses.
- The net value of the company's properties (market value less loans associated with the property) is SEK 402.9 million.

SIGNIFICANT EVENTS DURING THE SECOND HALF OF THE YEAR

- In September, the company's warrants were exercised for the subscription of ordinary shares, the proceeds of which raised approximately SEK 27 million for the company.
- In December, an issue of preference shares was carried out via private placement, the proceeds of which raised roughly SEK 20 million for the company. The proceeds from the issue were paid in January 2018.

OTHER DISCLOSURES

- The company's rental operator for the 99 apartments in Hacienda de Cifuentes has conducted rental operations throughout the entire year.
- On 20 July 2017, Andreas Bonnier stepped down from the Board of Directors.
- The company opened an office in Marbella in August.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On 17 January, the company published an updated valuation report from CBRE, which indicated an increase in value (incl. exchange rate effects) in the amount of SEK 75.4 million during the 2017 financial year for the properties/projects Hacienda de Cifuentes, Gran Vista and Ocean View. The change in value is considered to be the result of a favourable market trend and targeted investments.

MESSAGE FROM THE CEO

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

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

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

Several exciting projects taking shape

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

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

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

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

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

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



Katri Lind
Chief Executive Officer

PROJECT UPDATE

Hacienda de Cifuentes

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

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

Gran Vista

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 first phase comprising 12 apartments is now for sale. Of the total of 12 apartments in phase one, 10 will be sold. Two of the apartments are being converted into a reception, office and meeting area for the current operator of Hacienda de Cifuentes. Quartiers Properties is in discussions with the current operator regarding a service agreement for the apartments that will be sold as part of the Gran Vista and Ocean View projects. Offering services in the form of letting, inspection and maintenance to buyers is likely to boost the average price per apartment, because the target group largely consists of international buyers looking for holiday accommodation.

The first phase is for sale now just prior to completion in order to obtain a higher average price per apartment. Phase two will be sold during the construction period.

Ocean View

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

Amapura

Amapura is a villa project that Quartiers Properties is developing in partnership with a local construction firm. The project is located in Nueva Andalucia and boasts views of the Mediterranean and the city of Marbella. The company is waiting for a building licence to be issued and will begin selling the project as soon as this has been obtained.

The Foundation Hotel

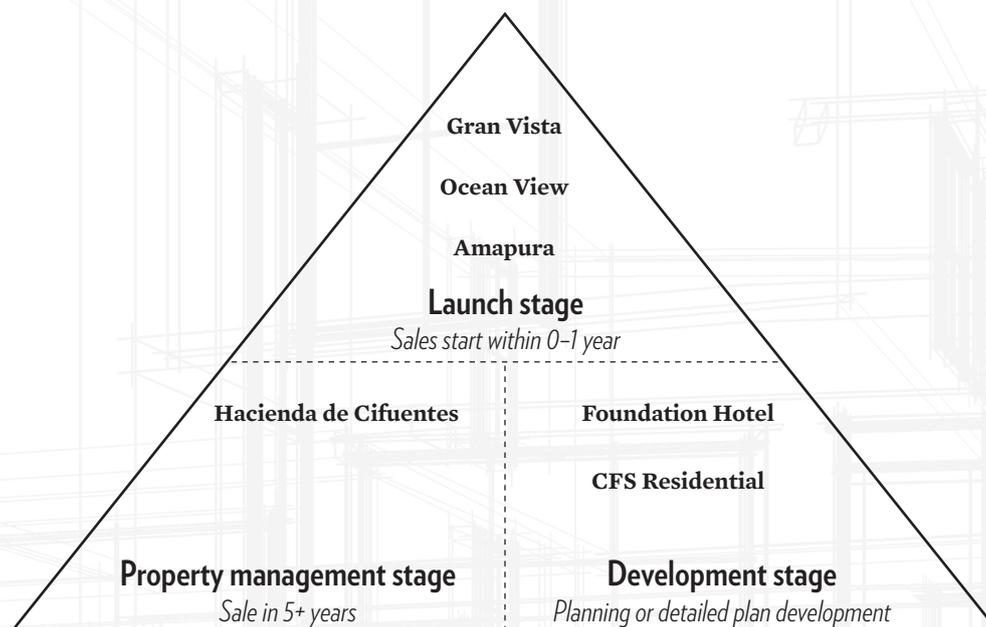
The Foundation Hotel is Quartiers Properties' hotel project and comprises two plots included in the Centro Forestal Sueco property. The company is currently working on the development of the property in close cooperation with concept agency Stylt Trampoli. Meanwhile, discussions are under way with an operator regarding operation of the hotel and restaurant business.

Forestal Residential

Forestal Residential 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. The company is holding discussions with Marbella municipality to find a solution that will enable Quartiers to develop the plot sooner than initially planned, which was in conjunction with the adoption of a new detailed plan by the municipality. The company will issue a separate press release regarding any progress in this process but does not expect a decision before 2019.



SCHEDULE AND NET WORTH



Properties in the management stage include properties that Quartiers Properties intends to keep in its property portfolio for the long term. Those properties and projects that are in the development stage include properties that are being improved and that on completion will either be transferred to the launch stage or the management stage. The intention for properties in the launch stage is for them to be put up for sale over the subsequent 12 months. Current projects in the launch stage will be sold before or during the construction period. The values presented in the table below are current property values, which is not the same as sales value after development.

Net value of property portfolio – 31 December 2017

Amounts in SEK million			
Current status, not project values	Market value	Loans	Net value
Ocean View	64.0	12.8	51.2
Gran Vista	40.4	10.8	29.5
Amapura	5.9	3.0	3.0
Hacienda de Cifuentes	290.6	131.0	159.6
CFS Residential	59.1	0.0	59.1
Foundation Hotel	100.5	0.0	100.5
Total	560.5	157.6	402.9

The table provides a summary of market values according to current valuation reports from CBRE. The values correspond to the actual values of the properties were they to be sold today. They do not correspond to estimated sales values once the projects have been completed.

FINANCING

Quartiers Properties pursues capital intensive operations, and access to capital is a fundamental prerequisite for the continued development of the company. The company uses various sources of financing, including loans from credit institutions and preference shares. In 2017, the company carried out new share issues that raised a total of approximately SEK 198.4 million in equity for the Group before issue expenses.

Quartiers is continually working to expand its network regarding both bank financing and other alternative financing. Efforts were stepped up in the latter half of 2017 in order to strengthen the company's network of contacts, primarily in Madrid. A clear trend is emerging on the market, which involves banks being extremely restrictive as regards lending for land and development properties that do not come directly from their own portfolios. This trend is expected to limit smaller operators' access to capital over the next few years, and thus opportunities for them to carry out acquisitions. For Quartiers Properties, this has meant difficulties in raising bank financing on the Centro Forestal Sueco property, while at the same time looking ahead it is expected to result in a distinct competitive advantage. The listing of both ordinary and preference shares on Nasdaq First North gives the company a clear link to the Nordic capital market and an opportunity to acquire capital for land purchases and development properties as appropriate, based on prevailing market conditions. Furthermore, in H2 the company established good contacts with alternative investment funds offering short- and medium-term financing at a higher interest rate. This type of financing incurs higher costs, but in return offers the company greater flexibility and the ability to implement more projects in the region.

The Spanish banks are still willing to offer construction loans for the completion of villa and apartment projects. Such financing usually requires a certain portion of the project to be sold in advance (at the technical drawing stage).

EQUITY AND BORROWINGS

On 31 December 2017, the Group's equity totalled SEK 344.2 million (SEK 141.3 million) and the equity assets ratio was 61 percent (41).

The balance sheet total amounted to SEK 563.6 million (SEK 340.9 million), which is an increase of 65 percent compared with 31 December 2016. The debt/equity ratio was 33 percent (52).

The Group's interest-bearing liabilities amounted to SEK 160.4 million (SEK 164.9 million), of which SEK 158 million (SEK 162 million) comprised secured liabilities to credit institutions. In 2017, the company had amortised/

repaid loans corresponding to SEK 9.5 million to credit institutions. Exchange rate effects have increased recognised debt by SEK 4.7 million.

LIQUIDITY

At 31 December 2017, the Group's cash and cash equivalents amounted to SEK 6.1 million (SEK 10.1 million). However, immediately after the end of the year, around SEK 20.0 million was paid in to the company in the form of a new share issue. At 31 December 2017, this amount was recognised as subscribed but not yet paid in capital.

At 30 June, the company took over three properties referred to as Centro Forestal Sueco. A cash purchase price of EUR 10.8 million (SEK 105.8 million) was paid on handover.

The company is currently experiencing an expansive period, focusing on development and investments in both existing and new property projects. This means that the company's liquidity position may vary over time. The Board of Directors of Quartiers Properties is of the opinion that the company's healthy equity/assets ratio enables it to take out short-term loan financing as needed to guarantee working capital requirements for the forthcoming 12-month period. Moreover, the company holds liquid assets in the form of land and apartments, which can be divested within the framework of the company's operating activities should a financing need arise that cannot be met via borrowings.



SHAREHOLDER INFORMATION

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

During the second half of the year, Quartiers Properties carried out two share issues totalling SEK 47 million. In September 2017, a redemption issue of warrants was carried out (see description below), and in December, an issue of preference shares was carried out via private placement in the amount of SEK 20 million. At 31 December 2017, Quartiers Properties had a total of approximately 800 shareholders.

The market value of the company's ordinary shares at 31 December 2017 totalled SEK 322.3 million, based on a closing price of SEK 6.65. The preference share pays an annual dividend of 96 öre per share, which, given the closing price on 31 December of SEK 10.05 per share, corresponds to a yield of 9.6 percent.

WARRANTS

Quartiers Properties issued 792,914 series 1 and series 2 warrants in 2016. A warrant from each series entitled the holder to subscribe to ten ordinary shares at SEK 3.50 per share (adjusted for the share split carried out in 2017). On redemption of the warrants in September 2017, 7,709,580 ordinary shares were subscribed for by exercising warrants, raising a total of SEK 26,983,530 for the company before transaction expenses. This means that

770,958 warrants of a total of 792,914 were exercised. There were no outstanding warrants in the company at 31 December 2017.

AUTHORISATION

The Annual General Meeting on 26 May 2017 resolved to authorise the Board of Directors up until the next AGM and within the limitations of the Articles of Association, on one or more occasions, with or without deviation from shareholders' preferential rights, to decide on the issue of shares (ordinary shares and/or preference shares), warrants and/or convertible shares.

When deciding on the number of preference shares to be issued, the Board of Directors shall ensure that the company is able to fulfil its commitments relating to dividends for preference shares, in accordance with the decision regarding the distribution of profit. The decision regarding the distribution of profit means that dividends can be distributed for a maximum total amount of SEK 6.0 million on the company's existing shares and on shares that may be issued.

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

MARKET MAKER AND CERTIFIED ADVISER

Mangold is the company's Certified Adviser and market maker for the ordinary share. Mangold can be contacted on +46 (0)8-503 015 50.

TEN LARGEST SHAREHOLDERS - 31 DECEMBER 2017

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

Source: Euroclear

COMMENTS ON THE PERIOD

Profit/loss, balance sheet and cash flow items relate to the January to December 2017 period. The comparison items relate to the corresponding period the previous year.

REVENUE

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

GROSS EARNINGS

Gross earnings totalled SEK -1,574 thousand (SEK -436 thousand). The negative gross earnings are due to the fact that rental operations are not yet completely under way, and also due to investments made by the company.

OPERATING EXPENSES

Quartiers' operating expenses during the period comprised property expenses, which amounted to SEK 11,531 thousand (SEK 4,716 thousand).

OTHER SIGNIFICANT OPERATING ITEMS

Expenses relating to central administration totalled SEK 9,105 thousand (SEK 7,393 thousand) during the period.

CHANGES IN THE VALUE OF INVESTMENT PROPERTIES

On 31 December 2017, the investment property portfolio comprised 99 completed apartments. The apartments are let to an independent operator, which in turn runs an apartment complex offering both short- and long-term rental. Independent valuations of Quartiers' investment properties were made at 31 December 2017. The change in value amounted to SEK 39,042 thousand and is attributable to the work carried out and investments made in the property, coupled with a favourable market trend.

INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

The company's interest expenses and similar profit/loss items during the period totalled SEK 4,395 thousand (SEK 6,459 thousand).

SEK 3,293 thousand (SEK 2,636 thousand) relates to interest for the company's mortgages and interest on short-term loans in the Parent Company. SEK 1,005 thousand (SEK 3,822 thousand) relates to the write-down of the company's shareholding in Banco Popular. Banco Popular's operations were taken over in 2017 by the major Spanish bank Banco Santander. Outstanding shares in Banco Popular lost their value in connection with the takeover. Quartiers and other shareholders that acquired shares as part of a new share issue in 2016 were offered compensation in the form of bonds in Banco Santander. The company acquired the bonds in December 2017 and their carrying amount corresponds to the current market value.

PROFIT/LOSS AFTER TAX

Profit for the period amounts to SEK 14,285 thousand (SEK 23,987 thousand). The decline in profit compared with the previous year is primarily attributable to the difference in the increase in the value of investment properties.

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to SEK -18,183 thousand (SEK -22,214 thousand) during the period. Cash and cash equivalents at the end of the period totalled SEK 6,131 thousand (SEK 10,117 thousand).

INVESTMENTS IN PROPERTY PORTFOLIO

Investments during the period amounted to a total (including project properties) of SEK 152,784 thousand (SEK 101,409 thousand).

INVESTMENT AND OPERATING PROPERTIES

The company's 99 apartments in Hacienda de Cifuentes are recognised as investment properties. The acquisition of the hotel properties included as two of three properties in the acquisition of the properties referred to as Centro Forestal Sueco is recognised as an operating property.

PROJECT PROPERTIES

During the period, investments in project properties amounted to SEK 57,760 thousand. Of this investment, SEK 45,093 thousand relates to the property referred to as Forestal Residential. For further information, see the description on page 5 regarding the Ocean View, Gran Vista and Forestal Residential projects.

FINANCING

The company finances investments via bank loans and equity. During the year, SEK 198,413 thousand was raised in equity before share issue expenses. The Board of Directors has a long-term plan to expand and develop Quartiers and its property portfolio via the acquisition of new properties and the development and sale of project properties.

On 30 June, a cash consideration was paid for the acquisition of the properties included in Centro Forestal Sueco, corresponding to SEK 105,820 thousand. The first 10 percent was paid via a deposit in 2016, and up to 10 percent of the total purchase price, EUR 1.35 million, will be paid on the establishment of a new detailed plan in Marbella municipality. The liability was stated in its entirety and is recognised under 'Other non-current liabilities'.

SIGNIFICANT EVENTS DURING THE SECOND HALF OF THE YEAR

- In September, the company's warrants were exercised for the subscription of ordinary shares,

COMMENTS ON THE PERIOD

the proceeds of which raised approximately SEK 27 million for the company.

- In December, an issue of preference shares was carried out via private placement, the proceeds of which raised roughly SEK 20 million for the company. The proceeds from the issue were paid in January 2018.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On 17 January, the company published an updated valuation report from CBRE, which indicated an increase in value (incl. exchange rate effects) in the amount of SEK 75.4 million during the 2017 financial year for the properties/projects Hacienda de Cifuentes, Gran Vista and Ocean View. The change in value is considered to be the result of a favourable market trend and targeted investments.

RELATED PARTY TRANSACTIONS

Jörgen Cederholm

Quartiers Properties has entered into a loan agreement with Fastighets Aktiebolag Bränneröd and Rocet AB. The company's Chairman, Jörgen Cederholm, owns shares in Fastighets Aktiebolag Bränneröd and Rocet AB, which in turn owns shares in Quartiers Properties. Interest has been paid at 1.5 percent per month. A total of around SEK 272,000 in interest has been paid during the year. In the rights issue that was carried out in May, the lenders offset 100 percent of the outstanding claim of SEK 4,100 thousand against shares.

Andreas Bonnier

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

FUTURE PROSPECTS

No forecast is being submitted for 2018. In a press release dated 14 June 2017, the company announced that it anticipates the business will have a positive cash flow during the second quarter of 2018, coinciding with the

sale of objects (apartments and villas) in the company's projects.

RISKS AND UNCERTAINTIES

Quartiers Properties is exposed to risks and uncertainties via its operations. For information about the Group's risks and uncertainties, please refer to the 2016 Annual Report. The description contained in the report remains relevant.

This Year-end Report has not been subject to examination by an auditor.

BOARD OF DIRECTORS' PROPOSAL TO THE 2018 AGM

Prior to the AGM on 30 May 2018, the Board intends to propose that the AGM resolve on the following:

- That no dividend be paid for the ordinary share.
- That a dividend of SEK 0.96 be paid per preference share.
- To authorise the Board of Directors for the period extending up until the next AGM, on one or more occasions, to resolve on the issue of new preference and/or ordinary shares, as well as convertibles and/or warrants. It should be possible to subscribe to the shares against a cash payment, via assets contributed in kind and/or via offsetting, or otherwise according to conditions.
- The company reserves the right to propose additional decision points ahead of the notice convening the AGM.
- The Annual Report will be made available on the company's website by 8 May 2018.

NEXT REPORT DATE

The Half-year Report January–June 2018 will be released on 15 July 2018.

CERTIFICATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and Chief Executive Officer certify that this Year-end Report provides a true and fair overview of the Parent Company and Group's operations, position and earnings and describes significant risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 23 February 2018.

Jörgen Cederholm, Chairman of the Board
Lars Åke Olofsson, Board Member
Jimmie Hall, Board Member
Sten Andersen, Board Member
Katri Lind, Chief Executive Officer

Financial information

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts are stated in SEK thousand	Note	01/07/2017 31/12/2017	01/07/2016 31/12/2016	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Rental income		4,261	4,114	9,494	4,242
Other income		463	38	463	38
Total		4,724	4,152	9,956	4,280
Property expenses		-7,151	-2,104	-11,531	-4,716
Total operating expenses		-7,151	-2,104	-11,531	-4,716
Gross earnings		-2,427	2,048	-1,574	-436
Central administration		-3,834	-587	-9,105	-7,393
Unrealised change in value of investment properties		39,042	14,322	39,042	49,188
Operating earnings		32,781	15,783	28,363	41,359
Other interest income and similar profit/loss items		78	1,384	78	1,384
Interest expenses and similar profit/loss items		-1,226	-5,050	-4,395	-6,459
Profit/loss from financial items		-1,148	-3,666	-4,317	-5,075
Profit/loss before tax		31,633	12,117	24,045	36,284
Deferred income tax		-9,761	-3,581	-9,761	-12,297
Profit/loss for the period		21,873	8,536	14,285	23,987
OTHER TOTAL COMPREHENSIVE INCOME					
Profit/loss for the period		21,873	8,536	14,285	23,987
Items that have been or may be transferred to profit/loss for the year		-	-	-	
Translation differences on translation of foreign operations		5,849	-1,478	4,966	966
Total comprehensive income		27,722	7,058	19,251	24,973
<i>Earnings and comprehensive income for the period attributable to:</i>					
Parent Company holders of ordinary shares		25,764	7,058	15,334	22,654
Basic earnings per ordinary share, SEK*		0.58	0.25	0.40	0.89
Diluted earnings per ordinary share, SEK*		0.58	0.25	0.40	0.82
Average no. of ordinary shares before dilution*		44,608,106	29,352,350	38,520,134	25,442,580
Average no. of ordinary shares after dilution*		44,608,106	29,352,350	38,520,134	27,729,360

*The number of shares in the comparison periods has been adjusted to take account of the share split (split 1:10) carried out in 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2017	31/12/2016
ASSETS			
Subscribed but not paid in capital		20,000	-
Non-current assets			
<i>Property, plant and equipment</i>			
Investment properties	4	290,241	245,027
Operating properties	5	94,502	-
Equipment, tools and installations		8,235	7,915
Non-current financial assets		-	-
Other long-term securities holdings		5,003	5,814
Other non-current receivables		38	38
Total non-current assets		398,019	258,794
Current assets			
Project properties	6	111,284	50,373
Trade receivables		6,767	7,885
Other receivables		7,161	13,191
Prepaid expenses and accrued income		14,288	297
Financial investments		-	263
Cash and cash equivalents		6,131	10,117
Total current assets		145,631	82,126
Total assets		563,649	340,920

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED CHANGES IN EQUITY

Amounts are stated in SEK thousand	Share capital	Other contributed capital	Reserves, translation differences	Other equity incl. profit/loss for the period	Total shareholders' equity
Opening balance, 01/01/2016	500	24,950	-619	24,421	49,252
<i>Comprehensive income</i>					
Profit/loss for the period	-	-	-	23,987	23,987
Translation differences	-	-	2,138	-	2,138
Total comprehensive income	0	0	2,138	23,987	26,126
<i>Transactions with shareholders</i>					
New share issue	368	73,121			73,489
Dividend paid, preference shares				-580	-580
Change in expensed unpaid dividend, preference shares				-1,739	-1,739
Share issue expenses		-5,215			-5,215
Total transactions with shareholders	368	67,906		-2,319	65,595
Closing balance, 31/12/2016	868	92,856	1,519	46,089	141,333
Opening balance, 01/01/2017	868	92,856	1,519	46,089	141,332
<i>Comprehensive income</i>					
Profit/loss for the period				14,285	14,285
Translation differences			4,966		4,966
Total comprehensive income	-	-	4,966	14,285	19,251
<i>Transactions with shareholders</i>					
Ongoing new share issue	50	19,950			20,000
New share issue	445	177,968			178,413
Dividend paid, preference shares	-	-	-	-2,937	-2,937
Change in expensed unpaid dividend, preference shares	-	-	-	-979	-979
Share issue expenses	-	-10,922			-10,922
Total transactions with shareholders	495	186,996	0	-3,916	183,575
Closing balance, 31/12/2017	1,363	279,852	6,485	56,458	344,157

CONSOLIDATED CASH FLOW STATEMENT

Amounts are stated in SEK thousand	01/07/2017 31/12/2017	01/07/2016 31/12/2016	01/01/2017 31/12/2017	01/01/2016 31/12/2016
<i>Cash flow from operating activities</i>				
Operating earnings	32,782	15,784	28,363	41,359
Depreciation, amortisation and impairment	957	1,088	1,829	1,088
Other non-cash items	-39,142	-15,123	-38,947	-53,131
Profit/loss from trading with financial instruments	161	831	78	831
Interest paid (attributable to financing activities)	-1,377	-1,228	-3,393	-2,637
Cash flow from operating activities before changes in working capital	-6,619	1,352	-12,070	-12,491
<i>Changes in working capital</i>				
Increase/decrease in trade receivables	-29	-7,743	1,118	-7,885
Increase/decrease in financial investments	302	-263	263	-263
Increase/decrease other current receivables	-4,375	22,798	-7,961	-7,295
Increase/decrease trade payables	769	-961	709	423
Increase/decrease other current liabilities	-7,074	-8,979	-242	5,097
Cash flow from operating activities	-17,026	6,203	-18,183	-22,214
Cash flow from investing activities				
Investments in property, plant and equipment	-3,202	-20,223	-87,270	-60,039
Investments in project properties	-5,999	-937	-53,707	-50,373
Increase/decrease in other non-current receivables		-189		-9,674
Cash flow from investing activities	-9,202	-21,349	-140,978	-120,086
Cash flow from financing activities				
New share issue	26,393	20,176	167,491	68,274
Loan repayments	-5,902	-1,869	-9,483	-1,869
Dividend paid, preference shareholders	-1,958	-580	-2,937	-580
Cash flow from financing activities	18,533	23,184	155,071	149,205
Cash flow for the period	-7,695	8,038	-4,090	6,905
Cash and cash equivalents at start of period	13,722	2,079	10,117	3,212
Exchange rate differences in cash and cash equivalents	104	0	104	-
Cash and cash equivalents at end of period	6,131	10,117	6,131	10,117

CONDENSED PARENT COMPANY FIGURES

Income statement (amounts are stated in SEK thousand)	01/07/2017 31/12/2017	01/07/2016 31/12/2016	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Operating revenue	5,691	0	6,453	0
Operating expenses	-6,190	-3,155	-14,790	-6,723
Operating earnings	-499	-3,155	-8,337	-6,723
Profit/loss from financial items	2,277	2,211	3,892	2,535
Profit/loss before tax	1,778	-943	-4,445	-4,188
Profit/loss for the period	1,778	-943	-4,445	-4,188

Comments on the income statement

The Parent Company's statement of comprehensive income is consistent with earnings for the period. The Parent Company's operations mainly consist of managing the Parent Company's investments in subsidiaries, as well as financing activities. Income relates for the most part to the invoicing of services to subsidiaries.

Balance sheet (amounts are stated in SEK thousand)	31/12/2017	31/12/2016
ASSETS		
Subscribed but not paid in capital	20,000	-
Non-current assets	223,070	24,783
Non-current receivables from Group companies	19,871	24,783
Current assets	8,351	71,941
Total assets	271,292	96,724
Equity and liabilities		
Shareholders' equity	263,490	84,360
Current liabilities	7,802	12,364
Total shareholders' equity and liabilities	271,292	96,724

SUPPLEMENTARY DISCLOSURES

NOTE 1. GENERAL INFORMATION

Quartiers Properties AB (publ) (Parent Company) and its subsidiaries acquire and develop properties 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.

NOTE 2. BASIS FOR PREPARATION OF THE COMPANY'S ACCOUNTS

Quartiers Properties AB (publ) applies International Financial Reporting Standards (IFRS) as adopted by the European Union. This interim report has been prepared in accordance with IAS 34 – Interim Financial Reporting. The interim report for the Parent Company has been prepared in accordance with Chapter 9 of the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities.

The interim report should be read together with the Annual Report for the financial year ended 31 December 2016. The interim report comprises pages 1–19 and pages 1–9 thus constitute an integral part of this financial report.

NOTE 3. ACCOUNTING POLICIES

The accounting policies are consistent with the policies applied the previous year. For a complete description of the accounting policies, please refer to Quartiers Properties AB (publ)'s Annual Report for the 2016 financial year.

The new and revised IFRS standards and IFRIC interpretations, applied as of the 2017 financial year, have not had any material impact on the Group's financial statements.

Preparations have been made for the introduction of the new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The conclusion is that these standards will not have any significant effects on the balance sheet and income statement.

NOTE 4. INVESTMENT PROPERTIES

The company's investment properties are recognised at fair value in the balance sheet. 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.

Independent valuations of the company's investment property holdings were made at 31 December 2017.

Table: Note 4. Investment properties

Investment property (SEK thousand)	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Fair value at beginning of year	245,027	138,267
Purchases	–	74,066
Investments	521	–
Reclassifications	-1,207	-21,991
Exchange rate differences	6,858	5,498
Change in value for the year	39,042	49,187
Closing carrying amount	290,241	245,027

NOTE 5. OPERATING PROPERTIES

The company's hotel holding has been classified as an operating property. The company took over the property on 30 June 2017 and it has been recognised at cost. No depreciation has been recognised, as the hotel property is in the process of being developed.

Table: Note 5. Operating properties

Operating properties (SEK thousand)	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Opening cost	0	–
Purchases	92,848	–
Investments	121	–
Exchange rate differences	1,533	–
Closing carrying amount	94,502	0

NOTE 6. PROJECT PROPERTIES

The company's project properties are recognised in the balance sheet at cost.

Table: Note 6. Project properties

Project properties (SEK thousand)	01/01/2017 31/12/2017	01/01/2016 31/12/2016
Opening cost	50,373	0
Purchases	49,704	27,342
Reclassification	922	21,991
Investments	8,057	–
Exchange rate differences	2,228	1,040
Closing carrying amount	111,284	50,373

SUPPLEMENTARY DISCLOSURES

NOTE 7. SEGMENT REPORTING

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

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

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

SUPPLEMENTARY DISCLOSURES

NOTE 8. BORROWINGS

- Loans have primarily been raised via Banco Popular in Spain and will be amortised over a period of 15 years.
- 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 on the balance sheet date, up until the contractual maturity date. The amounts stated in the table (Note 8: Borrowings) are the contractual, undiscounted cash flows.

NOTE 9. PLEDGED ASSETS AND CONTINGENT LIABILITIES

The Group has pledged property mortgages totalling SEK 201,973 thousand as security for liabilities to credit institutions.

In connection with the handover of Centro Forestal Sueco, 80 percent of the purchase price was paid. A deposit of 10 percent was paid on 8 March 2017. The remaining 10 percent, corresponding to EUR 1.35 million, will be paid on completion of the new detailed plan. Should the number of development rights in the

new detailed plan prove fewer than the number of development rights in the repealed detailed plan in Marbella, the remaining 10 percent of the purchase price may be revised down. The seller has requested external collateral as security for the deferred payment. Andreas Bonnier (indirectly the largest shareholder in Quartiers Properties via Egonomics AB) has therefore submitted a personal primary accessory surety commitment. Since the surety has been provided by Andreas Bonnier in the interests of Quartiers Properties, a condition was that Andreas Bonnier received acceptable security in turn. Consequently, an agreement has been entered into, according to which the company undertakes to hold Andreas Bonnier harmless in the event that the guarantee commitment is required. As security for the company holding him harmless, Andreas Bonnier has received a pledge for all shares in the subsidiary CFS Residential Property S.L. CFS Residential Property S.L. is a newly established subsidiary with no other assets, which was created to acquire one of the properties in the purchase of Centro Forestal Sueco.

There are no additional pledged assets or contingent liabilities.

Table: Note 8. Borrowings

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





QUARTIERS

CONTACT

The company – Quartiers Properties AB (publ)

Östermalmstorg 5, SE-114 42 Stockholm, Sweden

Email: info@quartiersproperties.se

Website: www.quartiersproperties.se