



# QUAR TIERS

P R O P E R T I E S

**YEAR-END REPORT  
JANUARY TO DECEMBER  
2018**

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## SUMMARY OF THE PERIOD

- Net sales amounted to SEK 29,098 thousand (SEK 9,494 thousand), of which H2 accounted for SEK 25,856 thousand (SEK 4,261 thousand). The reason for the major increase in net sales in H2 was that the Company's sales of project properties began in 2018 and the first six buyers took up occupancy in 2018. Only properties where payment has been made in full and ownership rights have been transferred are recognised in earnings.
- Operating earnings totalled SEK 23,255 thousand (SEK 28,363 thousand), of which H2 accounted for SEK 15,128 thousand (SEK 32,781 thousand).
- Changes in the value of investment properties totalled SEK 45,567 thousand (SEK 39,042 thousand), of which H2 accounted for SEK 26,717 thousand (SEK 39,042 thousand).
- Post-tax earnings amounted to SEK 10,158 thousand (SEK 14,285 thousand), of which H2 accounted for SEK 8,474 thousand (SEK 21,873 thousand).
- Basic earnings per share for the period totalled SEK 0.35 (SEK -0.40).
- Equity totalled SEK 373,172 thousand (SEK 344,157 thousand).
- The net value of the Company's properties (market value less loans associated with the property) is SEK 479.2 million (402.9 million).

## SIGNIFICANT EVENTS DURING THE SECOND HALF OF THE YEAR

- Acquisition of two sites ready for development in Los Flamings, with an underlying value of around SEK 16.4 million. The transaction was conducted in corporate form via the acquisition of all shares outstanding in Wecap Spain SL. The purchase consideration totalled an amount corresponding to SEK 7.2 million.
- The first phase of project 22byQuartiers was completed in the autumn. The new owners of the apartments sold began taking up occupancy on 28 September. The sales value realised, based on apartments where payment had been made in full and occupancy had been taken up on 31 December 2018, totalled SEK 23.9 million, representing 6 out of a total of 22 apartments in the process of being sold.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On 1 January 2019, the Company took over the rental business from the former operator of the Company's investment properties. Termination of the agreement with the operator resulted in an impairment of rent income amounting to SEK 2,577 thousand for H2. Due to assuming control of the rental business, an improvement in rent earnings is expected.
- The current sales status for project 22byQuartiers is that 16 out of 22 apartments have been sold. Occupancy is being taken up on a continuous basis in H1 2019.

## MESSAGE FROM THE CEO

*Anyone who has followed Quartiers' progress since we launched on the stock market in early summer 2016 can see that the Company has achieved robust growth. As with all growth companies, expansion is taking place in phases in which capital acquisitions are alternated with investments and sales. We remain in a growth phase and are pleased to be able to confirm that in 2018 we successfully launched our first project for sales, 22byQuartiers. To take the Company to the next level, in the second half of 2018 we invested time and resources in recruiting qualified personnel and building up an effective organisation. Today, we have a basic team who will enable us to scale up the business via existing and new projects.*

One of the organisational changes that we have made is to have ourselves taken over operation and management of the now 101 apartments that form our apartment complex Hacienda del Señorío de Cifuentes at Benahavis. Serving as manager responsible for the apartment complex, which has also been renamed Marbella Apartment Hotel & Resort, is Henric Persson. Henric has a solid background in the hotel industry and joins us from a position as hotel manager at the Falkenberg Strandbad hotel, part of the ESS Group. In addition to taking a number of purely operational rationalisations, we can already report today that the reservation situation for 2019 is considerably better than last year, and in January we were nominated by Expedia as the fastest-growing hotel in southern Spain, measured by growth in the number of reservations. By taking over operations, we have also been able to gain synergies through the ability of our operating company to offer buyers in the 22byQuartiers and Ocean View projects a hotel-standard concierge service.

Our jointly owned sales company Quartiers Estates, with a sales office in Puerto Banús, represents another step in building a stable organisational structure. Since being established in summer 2018, the Company has performed well and the team has, in addition to closing several external sales, achieved excellent results in sales of 22byQuartiers, where we now only have six apartments left to sell. It is estimated that occupancy of phase 2 will take place in March 2019.

Most recently, we succeeded last week in selling two apartments at a price of EUR 435,000 each. This gives us a clear indication that prices in Hacienda del Señorío de Cifuentes are on the way up. Our existing 101 apartments, which are located in the same area, are currently valued at an average of EUR 343,500, while in the Ocean View project, which is being developed next door to 22by Quartiers, we have forecast an average selling price of EUR 460,000 per apartment. Ocean View is being developed in association with one of Sweden's leading concept developers, Whyte&Lilja, and will be built in a considerably more modern style than 22by Quartiers. High-end choices of

materials will set the project apart from the region's otherwise relatively homogeneous property market.

Like other growth companies, one of our major challenges lies in financing new and existing projects. Against that background, in the autumn we linked up with Antonio Diaz-Barceló, who has broad experience of the Spanish financial and capital markets. With Antonio, we have extended our network of contacts beyond our Swedish investors to sources of finance above all in Madrid and are continuing to work proactively on an ongoing basis on identifying financial solutions that are compatible with our short- and long-term needs. This is an initiative that will enable continued growth over the next few years.

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

For those not wanting to stay very long when visiting the Costa del Sol, we are progressing our Boho Club hotel project on Marbella's Golden Mile. The last details of the project are currently being finalised.

We have entered into a collaboration with the share trading and investment site Trade Venue and in association with the site have recorded a video showing our properties and describing our current activities and plans for the future. If you do not personally have the opportunity to visit us in Marbella, I can wholeheartedly recommend viewing the video, which is available on our website.

With an eventful year in 2018 behind us, we are now looking forward to 2019, with business opportunities to develop that are at least as attractive.



*Marcus Johansson Prakt*  
*Acting Chief Executive Officer*

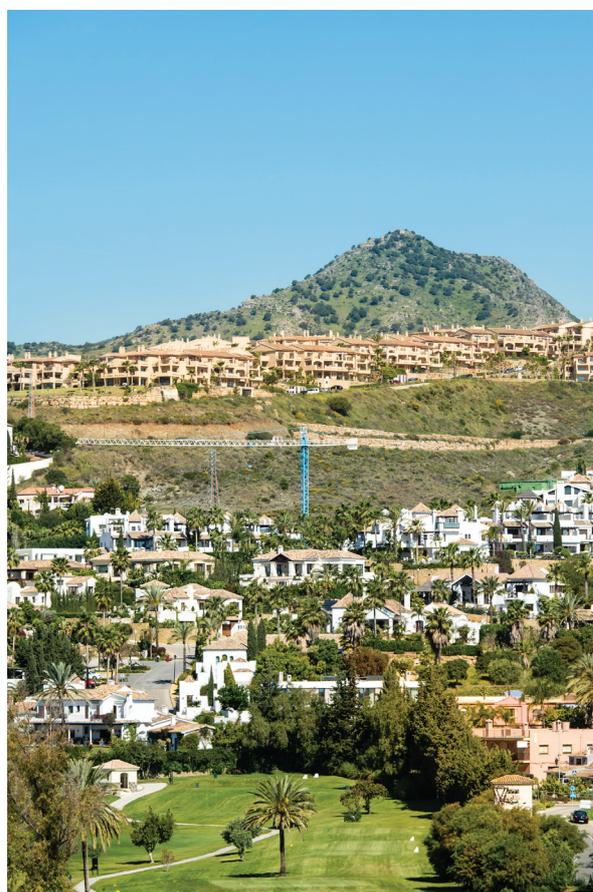
# UPDATING AND DEVELOPMENT OF NET WORTH

## DEFINITION OF NET WORTH

Quartiers' net worth is calculated on the basis of the fair value of the Company's assets and liabilities. Estimated values for the Company's property portfolio are based on an up-to-date valuation report drawn up by the Spanish real estate company CBRE. In Quartiers' case, the value of equity on the balance sheet differs from the Company's actual net worth, as the Company applies the IFRS accounting policy. The IFRS accounting policy does not allow certain types of property to be recognised at fair value on the balance sheet.

On 31 December 2018, Quartiers' net worth, including deferred tax on off-balance-sheet surplus values in the Company's property portfolio and excluding preferential shareholders' share of equity, totalled SEK 360.6 million, corresponding to SEK 7.44 per ordinary share. This represents an increase of 10.5 percent, SEK 0.71, per ordinary share, compared with the same point in 2017.

Based on the closing price of SEK 6.54 per share on 31 December 2018, Quartiers' assets are measured at a discount of 12.1 percent on their underlying value.



Hacienda del Señorío de Cifuentes, located at the top of the picture, has a view over the Mediterranean.

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

## NOTES TO TABLE

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

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

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

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

# PROPERTY REFINEMENT

## PROPERTY REFINEMENT SEGMENT

In the Property Refinement segment, we develop properties with the primary aim of creating value growth in the property portfolio. The business area comprises two properties, the hotel project Boho Club that is under development in part of Centro Forestal Sueco, and our apartment complex in Benahavis, Quartiers Marbella Apartment Hotel & Resort.

**Quartiers Marbella Apartment Hotel & Resort**  
Quartiers Marbella Apartment Hotel & Resort, also renamed Hacienda de Cifuentes, is a completed apartment complex in Benahavis Municipality. It was formerly leased to an external operator, but as of 1 January 2019 Quartiers has itself taken over operations. By controlling operations itself, Quartiers obtains clear synergies with the 22byQuartiers and Ocean View projects, as the same organisation can provide buyers with a concierge service and help with renting out.

Henric Persson has been appointed as manager with responsibility for hotel operations. Henric has a Bachelor of Science in Hospitality Management from Endicott College in Beverly, Massachusetts, USA, plus a diploma in hotel management from Les Roches Hotel Management School, at Bluche, Switzerland. He has held eminent positions at leading hotels around the world and was most recently hotel manager at Falkenberg Strandbad, which is part of the ESS Group. In addition to Henric, seven people are currently employed in operations at the complex.



Henric Persson - Manager with responsibility for Quartiers' apartment complex, with concierge service, in Benahavis.

As communicated in the investor presentation published on 13 December 2018, Quartiers' objective is to increase the value of its apartment portfolio by investments and by operating the complex in a way that generates value. Compared with the value reported in the investor presentation, the value reported on 31 December 2018 had increased by 9 percent, or SEK 30.6 million.

## Boho Club

Development of Quartiers' hotel and restaurant project on Marbella's Golden Mile is currently progressing. The concept produced in association with Stylt Trampoli will now be implemented. Renovation of the hotel has begun. It is intended that the hotel and restaurant will open in 2019.

Quartiers is working with the municipality in Marbella to enable a further area to be built on within the property concerned. According to the 2010 detailed plan, which was cancelled before Quartiers acquired the property, construction comprising 16,207 square metres was permitted, compared to the 4,182 square metres allowed today. This represents an increase of more than 12,000 square metres, which Quartiers is actively striving to regain.



# PROPERTY DEVELOPMENT

## PROPERTY DEVELOPMENT SEGMENT

In the segment of property development, Quartiers develops and sells villas and apartments. During the year, the 22byQuartiers project was marketed and sold. At the time of presentation of this report, only six out of 22 apartments remained for sale.

In association with Whyte&Lilja, we are developing the Ocean View project, which comprises 60 high-end apartments in Benahavis. In December 2018, Quartiers received an approval from the joint property where the apartments are located. This will enable the project to be developed in a more modern style than the 22byQuartiers project. All in all, it is considered that the change will deliver a higher sales value for the project than if it had been developed in line with the original drawings.

In addition to the above-mentioned projects, Quartiers also has two villa projects in Marbella and Benahavis, together with a large villa and apartment project on Marbella's Golden Mile, located right next to Boho Club, for which detailed planning is currently in progress.



Working sketches for Quartiers' villa project in Los Flamingos, Benahavis.



Working sketch for the Ocean View project in Benahavis.

# FINANCING

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

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

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

## EQUITY AND BORROWINGS

On 31 December 2018, the Group's equity totalled SEK 373.2 million (SEK 344.2 million). Its equity assets ratio was 57 percent (61).

The balance sheet total amounted to SEK 657.5 million (SEK 563.6 million), an increase of 17 percent compared with 31/12/2017. The debt/equity ratio was 36 percent (33).

During 2018, the Company raised new loans totalling the equivalent of SEK 47.7 million (0).

The Group's interest-bearing liabilities amounted to SEK 201.7 million (SEK 160.4 million), of which SEK 197.8 million (SEK 158 million) comprised secured liabilities to credit institutions and a property fund. In 2018, the Company had amortised/repaid loans corresponding to SEK 14.8 million (SEK 9.5 million) to credit institutions. Exchange rate effects have increased recognised debt by SEK 4.5 million (SEK 4.7 million).



## LIQUIDITY

At 31 December 2018, the Group's cash and cash equivalents amounted to SEK 8.4 million (SEK 6.1 million).

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. 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 meeting 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 classes, in the form of ordinary shares and a series of preference shares. 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 an issue of preference shares totalling SEK 11.9 million. At 31 December 2018, Quartiers Properties had a total of approximately 800 shareholders.

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

## WARRANTS

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

## AUTHORISATION

The Annual General Meeting of 30 May 2018 resolved to authorise the Board of Directors up until the next AGM and within the limitations of the Articles of Association, on one or more occasions, with or without deviation from shareholders' preferential rights, to decide on the issue of shares (ordinary shares and/or preference shares), warrants and/or convertible shares. When deciding on the number of preference shares to be issued, the Board of Directors shall ensure that the Company is able to fulfil its commitments

relating to dividends for preference shares, in accordance with the decision regarding the distribution of profit. The decision regarding the distribution of profit means that dividends can be distributed for a maximum total amount of SEK 12.0 million on the Company's existing shares and on shares that may be issued. The Board has decided to exercise this authority to the extent that it results in an increase in the share capital of no more than 15 percent.

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

## MARKET 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.



Conference room at the Company's apartment complex in Benahavis.

## TEN LARGEST SHAREHOLDERS - 31 DECEMBER 2018

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

Source: Euroclear

# COMMENTS ON THE PERIOD

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Profit/loss, balance sheet and cash flow items relate to the January to December 2018 period. The comparison items relate to the corresponding period of the previous year.

## REVENUE

Quartiers' net sales amounted to SEK 29,098 thousand (SEK 9,494 thousand). The increase in revenue arose from revenue from sales of fully paid-for and delivered apartments in the 22byQuartiers project. Revenue from leasing apartments to an independent operator was adversely affected by facade renovation work, which led to rent discounts over the first half-year, as well as by a provision for bad debts arising from termination of the collaboration with the operator.

## OPERATING EXPENSES

Quartiers' operating expenses during the period were made up of the cost of properties sold, SEK 19,479 thousand (0) and property expenses of SEK 14,067 thousand (SEK 11,531 thousand). The cost of properties sold included an already recognised change in value of properties totalling SEK 2,776 thousand, a building cost of SEK 12,508 thousand, selling costs of SEK 1,536 thousand and capitalised interest expenses of SEK 2,660 thousand.

## GROSS EARNINGS

Gross earnings totalled SEK -4,448 thousand (SEK -1,574 thousand). Earnings were negatively affected by rent discounts and impairments of rent receivables in the Company's rental business. The profit margin in the property sales concluded by the Company totals 36 percent before selling costs, which average 6.5 percent of the selling price.

## EARNINGS FROM SHARES IN JOINT VENTURES

During the year, the Company entered into two joint ventures, both of which are 50 percent owned. The holdings are accounted for as associated companies. Quartiers' share of earnings totals SEK -1,165 thousand.

## OTHER SIGNIFICANT OPERATING ITEMS

Expenses relating to central administration totalled SEK 16,699 thousand (SEK 9,105 thousand) during the period. The increase of SEK 7,594 thousand was attributable for the most part to a buildup of the organisation at the Company's office in Spain, legal expenses in connection with drawing up joint ventures and rental agreements, as well as marketing and costs associated with loan financing.

## CHANGES IN THE VALUE OF INVESTMENT PROPERTIES

In December 2018, the Company's investment properties were reclassified as operating properties. The background to this reclassification was the takeover of the rental business from an independent operator on 1 January 2019.

A market valuation of the Company's portfolio of the 99 apartments held as investment properties was carried out in December 2018. The valuation indicated a change in value amounting to SEK 45,567 thousand (SEK 39,042 thousand). The increase arose through a combination of the trend of the market and the result of investments. The market value was the initial value at this reclassification of the properties as operating properties.

## INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

The Company's interest expenses and similar profit/loss items during the period totalled SEK 2,711 thousand (SEK 4,395 thousand). Capitalised interest expenses in the period totalled SEK 2,919 thousand.

## DEFERRED TAX

The deferred tax recognised is tax on recognised surplus values in properties. The deferred tax for the period is SEK 10,807 thousand.

## PROFIT/LOSS AFTER TAX

Profit for the period amounted to SEK 10,158 thousand (SEK 14,285 thousand). The profit includes changes in values of investment properties, amounting to SEK 45,567 thousand (SEK 39,042 thousand)

## CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to SEK -13,407 thousand (SEK -18,183 thousand) during the period. Cash and cash equivalents at the end of the period totalled SEK 8,422 thousand (SEK 6,131 thousand).

## INVESTMENTS IN PROPERTY PORTFOLIO

Investments during the period amounted to a total (including project properties) of SEK 67,298 thousand (SEK 152,784 thousand). Divestments totalled SEK 20,893 thousand (0).

## INVESTMENT AND OPERATING PROPERTIES

Operating properties consisted of a hotel property and 101 apartments that, as of 1 January 2019, are being rented out under the Company's own management as an apartment complex. Investments in operating properties, excluding reclassifications, during the period amounted to SEK 1,294 thousand (SEK 672 thousand).

## PROJECT PROPERTIES

During the period, gross investments in project properties amounted to SEK 66,632 thousand (SEK 57,760 thousand). Of the total, SEK 41,941 thousand consisted of investments in the properties entitled 22byQuartiers, which were completed, and a number sold, in 2018. Divestments of project properties during the period totalled SEK 20,893 thousand (0).

# COMMENTS ON THE PERIOD

## FINANCING

During the year, SEK 11,915 thousand was raised in equity before share issue expenses. Preference shares were issued as part-payment for property acquisitions. In addition, the Company raised loans totalling SEK 47,748 thousand.

## SIGNIFICANT EVENTS DURING THE SECOND HALF OF THE YEAR

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

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On 1 January 2019, the Company took over the rental business from the former operator of the Company's investment properties. Termination of the agreement with the operator led to an impairment of rent income amounting to SEK 2,577 million in the second half of the year. Assumption of control of the rental business is expected to result in an improvement in rent earnings.
- The current sales status for project 22byQuartiers is that 16 out of 22 apartments have been sold. Occupancy is being taken up on a continuous basis in H1 2019.

## RELATED-PARTY TRANSACTIONS

In 2017, Andreas Bonnier received a pledge in the form of shares in the subsidiary CFS Residential SL, as per press release issued on 30 June 2017. In connection with the furnishing of security for loans in the form of shares in the same company, Andreas instead received a secondary pledge, ranking behind Banco Popular, in 13 of the 99 apartments owned by Quartiers in Hacienda de Cifuentes i Benahavis. The value of the security corresponds to the commitment that Andreas has pledged.

## OUTLOOK

No forecast is presented for 2019. In a press release on 13 December, the Company announced an investor presentation including detailed analyses and plans for value creation in the Company's project activities.

## 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 2017 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

The Board intends to present the following resolutions for decision at the Annual General Meeting to be held on 30 May 2019:

- 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 no later than 8 May 2019.

## NEXT REPORT DATE

The Half-year Report January–June 2019 will be released on 31 July 2019.

## CERTIFICATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and Chief Executive Officer certify that this period-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, 22 February 2019.

Jörgen Cederholm, Chairman of the Board  
Lars Åke Olofsson, Board member  
Jimmie Hall, Board member  
Sten Andersen, Board member  
Marcus Johansson Prakt, Acting Chief Executive Officer



Financial  
information

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts are stated in SEK thousand	Note	01/07/2018 31/12/2018	01/07/2017 31/12/2017	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Divestment of properties		23,910	0	23,910	0
Rent income		1,946	4,261	5,188	9,494
Other income		0	463	0	463
<b>Total</b>		<b>25,856</b>	<b>4,724</b>	<b>29,098</b>	<b>9,956</b>
Cost of sold properties		-19,479	0	-19,479	0
Property expenses		-5,629	-7,151	-14,067	-11,531
<b>Total operating expenses</b>		<b>-25,108</b>	<b>-7,151</b>	<b>-33,546</b>	<b>-11,531</b>
<b>Gross earnings</b>		<b>747</b>	<b>-2,427</b>	<b>-4,448</b>	<b>-1,574</b>
Central administration		-11,172	-3,834	-16,699	-9,105
Earnings from shares in joint ventures/associated companies		-1,165	0	-1,165	0
Unrealised change in value of investment properties		26,717	39,042	45,567	39,042
<b>Operating profit/loss</b>		<b>15,128</b>	<b>32,781</b>	<b>23,255</b>	<b>28,363</b>
Other interest income and similar profit/loss items		-414	78	421	78
Interest expenses and similar profit/loss items		-145	-1,226	-2,711	-4,395
<b>Profit/loss from financial items</b>		<b>-560</b>	<b>-1,148</b>	<b>-2,291</b>	<b>-4,317</b>
<b>Profit/loss before tax</b>		<b>14,568</b>	<b>31,633</b>	<b>20,965</b>	<b>24,045</b>
Deferred tax		-6,095	-9,761	-10,807	-9,761
<b>Profit/loss for the period</b>		<b>8,474</b>	<b>21,873</b>	<b>10,158</b>	<b>14,285</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Profit/loss for the period</b>		<b>8,474</b>	<b>21,873</b>	<b>10,158</b>	<b>14,285</b>
Items that have been or may be transferred to profit/loss for the year		-	-	-	-
Translation differences on translation of foreign operations		-7,349	5,849	13,322	4,966
<b>Total comprehensive income</b>		<b>1,125</b>	<b>27,722</b>	<b>23,480</b>	<b>19,251</b>
<i>Earnings and comprehensive income for the period attributable to:</i>					
Parent Company holders of ordinary shares		-2,034	25,674	17,163	15,334
Basic earnings per ordinary share, SEK		-0.04	0.58	-0.35	0.40
Diluted earnings per ordinary share, SEK		-0.04	0.58	-0.35	0.40
Average number of ordinary shares before dilution		48,462,896	44,608,106	48,462,896	38,520,134
Average number of ordinary shares after dilution		48,462,896	44,608,106	48,462,896	38,520,134

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2018	31/12/2017
<b>ASSETS</b>			
Subscribed but not paid-in capital		0	20,000
<b>Non-current assets</b>			
<i>Property, plant and equipment</i>			
Investment properties	4	0	290,241
Operating properties	5	455,369	94,502
Equipment, tools and installations		5,806	8,235
<b>Non-current financial assets</b>			
Shares in joint ventures/associated companies		7,295	
Other long-term holdings of securities		1,194	5,003
Other non-current receivables		38	38
<b>Total non-current assets</b>		<b>469,702</b>	<b>398,019</b>
<b>Current assets</b>			
Project properties	6	153,150	111,284
Receivables from joint ventures/associated companies		1,705	
Trade receivables		2,372	6,767
Other receivables		1,801	7,161
Prepaid expenses and accrued income		20,371	14,288
<b>Cash and cash equivalents</b>		<b>8,422</b>	<b>6,131</b>
<b>Total current assets</b>		<b>187,821</b>	<b>145,631</b>
<b>Total assets</b>		<b>657,523</b>	<b>563,649</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2018	31/12/2017
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		1,393	1,314
Ongoing new share issue		0	20,000
Other contributed capital		291,673	259,902
Reserves, translation differences		19,807	6,485
Retained earnings incl. profit/loss for the period		50,299	56,457
<b>Total shareholders' equity</b>		<b>373,172</b>	<b>344,157</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		46,782	33,979
Liabilities to credit institutions	8	155,126	147,338
Other non-current liabilities		13,872	13,297
<b>Other provisions</b>		<b>5,394</b>	
<b>Total non-current liabilities</b>		<b>221,173</b>	<b>194,613</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	8	16,884	13,030
Trade payables		6,669	2,010
Other current liabilities		37,966	8,453
Accrued expenses and deferred income		1,659	1,296
<b>Total current liabilities</b>		<b>63,178</b>	<b>24,879</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>657,523</b>	<b>563,649</b>

# 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
<b>Opening balance, 01/01/2017</b>	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
<b>Total comprehensive income</b>	-	-	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
<b>Total transactions with shareholders</b>	495	186,996	0	-3,916	183,575
<b>Closing balance, 31/12/2017</b>	1,363	279,852	6,485	56,458	344,158
<b>Opening balance, 01/01/2018</b>	1,363	279,852	6,485	56,458	344,158
<i>Comprehensive income</i>					
Profit/loss for the period				10,158	10,158
Translation differences			13,322		13,322
<b>Total comprehensive income</b>			13,322	10,158	23,480
<i>Transactions with shareholders</i>					
New share issue	30	11,915			11,945
Dividend paid, preference shares				-3,685	-3,685
Change in expensed unpaid dividend, preference shares				-2,632	-2,632
Share issue expenses		-94			-94
<b>Total transactions with shareholders</b>	30	11,821	0	-6,317	5,534
<b>Closing balance, 31/12/2018</b>	1,393	291,673	19,807	60 299	373,172

# CONSOLIDATED CASH FLOW STATEMENT

Amounts are stated in SEK thousand	01/07/2018 31/12/2018	01/07/2017 31/12/2017	01/01/2018 31/12/2018	01/01/2017 31/12/2017
<b><i>Cash flow from operating activities</i></b>				
Operating profit/loss	15,128	32,782	23,255	28,363
Depreciation, amortisation and impairment	975	957	1,901	1,829
Share in earnings of associated companies	1,165		1,165	
Other non-cash items	-39,184	-39,142	-45,568	-38,947
Interest income and similar profit/loss items	421	161	421	78
Interest paid (attributable to financing activities)	-145	-1,377	-2,711	-3,393
<b>Cash flow from operating activities before changes in working capital</b>	<b>-21,640</b>	<b>-6,619</b>	<b>-21,537</b>	<b>-12,070</b>
<b><i>Changes in working capital</i></b>				
Increase/decrease in trade receivables	1,557	-29	4,395	1,118
Increase/decrease in financial investments	0	302	0	263
Increase/decrease other current receivables	3,666	-4,375	-2,428	-7,961
Increase/decrease trade payables	6,200	769	4,659	709
Increase/decrease other current liabilities	9,965	-7,074	3,462	-242
<b>Cash flow from operating activities</b>	<b>-252</b>	<b>-17,026</b>	<b>-11,449</b>	<b>-18,183</b>
<b><i>Cash flow from investing activities</i></b>				
Investments in non-current financial assets	-8,459	0	-8,459	0
Sale of non-current financial assets	529	0	3,990	0
Investments in operating properties	0	0	-1,294	0
Investments in property, plant and equipment	1,105	-3,202	628	-87,270
Investments in project properties	-35,656	-5,999	-54,140	-53,707
Sale of project properties	20,893	0	20,893	0
<b>Cash flow from investing activities</b>	<b>-21,588</b>	<b>-9,202</b>	<b>-38,383</b>	<b>-140,978</b>
<b><i>Cash flow from financing activities</i></b>				
New share issue	4,750	26,393	24,750	167,491
Borrowings raised	6,061	0	47,748	0
Loan repayments	-8,083	-5,902	-14,797	-9,483
Dividend paid, preference shareholders	-3,685	-1,958	-5,643	-2,937
<b>Cash flow from financing activities</b>	<b>-957</b>	<b>18,533</b>	<b>52,058</b>	<b>155,071</b>
<b>Cash flow for the period</b>	<b>-22,797</b>	<b>-7,695</b>	<b>2,226</b>	<b>-4,090</b>
Cash and cash equivalents at start of period	31,422	13,722	6,131	10,117
Exchange rate differences in cash and cash equivalents	203	104	65	104
<b>Cash and cash equivalents at end of period</b>	<b>8,422</b>	<b>6,131</b>	<b>8,422</b>	<b>6,131</b>

# CONDENSED PARENT COMPANY FIGURES

<b>Income statement (amounts are stated in SEK thousand)</b>	<b>01/07/2018 31/12/2018</b>	<b>01/07/2017 31/12/2017</b>	<b>01/01/2018 31/12/2018</b>	<b>01/01/2017 31/12/2017</b>
Operating revenue	4,032	5,691	4,794	6,453
Operating expenses	-1,810	-6,190	-8,791	-14,790
Operating profit/loss	2,222	-499	-3,997	-8,337
Profit/loss from financial items	993	2,277	2,169	3,892
<b>Profit/loss before tax</b>	<b>3,215</b>	<b>1,778</b>	<b>-1,828</b>	<b>-4,445</b>
<b>Profit/loss for the period</b>	<b>3,215</b>	<b>1,778</b>	<b>-1,828</b>	<b>-4,445</b>

## 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.

<b>Balance sheet (amounts are stated in SEK thousand)</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>ASSETS</b>		
Subscribed but not paid-in capital	0	20,000
Non-current assets	240,250	223,070
Non-current receivables from Group companies	27,584	19,871
Current assets	6,337	8,351
<b>Total assets</b>	<b>274,171</b>	<b>271,292</b>
<b>Equity and liabilities</b>		
Shareholders' equity	266,335	263,490
Current liabilities	7,836	7,802
<b>Total shareholders' equity and liabilities</b>	<b>274,171</b>	<b>271,292</b>

# 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 Strandvägen 7A, SE-114 56 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 2017. 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 2017 financial year. The accounting policy for revenue recognition stated in IFRS 15 as applying to the sale of properties is applied for the first time in 2018 and is not described in the 2018 annual report. Revenue from the sale of properties is recognised after the buyer has taken up occupancy of the property and payment has been received in full.

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. IFRS 9 entered into force on 1 January 2018. The adoption of IFRS 9 and an impairment model based on expected future credit losses has not had any impact on the Group's financial statements for 2018. IFRS 15 entered into force on 1 January 2018. According to IFRS 15, revenue is to be recognised when the customer obtains control over the product or service and is able to use and obtain the benefit from the product or service. Analysis of IFRS 15 led to the conclusion that the Group's rental activities during 2018 did not fall within the scope of IFRS 15. IFRS 16 entered into force on 1 January 2019. The Group has a small number of lease contracts that fall within the scope of IFRS 16 and that from 1 January 2019 will be accounted for in accordance with the new standard. The Group applies the modified retrospective transition method.

## NOTE 4. INVESTMENT PROPERTIES

The Company's investment properties were reclassified on 31 December 2018. The background to the change is that the Company has taken the rental business into its own management.

Before this reclassification took place, the Company's investment properties were subject to an external valuation and recognised at fair value. This value also represents the opening value as operating property. Fair value, also known as market value, is the estimated price that is likely to 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.

**Table: Note 4. Investment properties**

Investment property (SEK thousand)	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Fair value at beginning of year	290,241	245,027
Purchases	–	–
Investments	1,287	521
Exchange rate differences	12,218	6,858
Change in value for the year	45,567	39,042
Reclassifications	-349,313	-1,207
<b>Closing carrying amount</b>	<b>0</b>	<b>290,241</b>

## NOTE 5. OPERATING PROPERTIES

The Company's portfolio of one hotel property and rental properties with their own management have been reported as operating properties.

**Table: Note 5. Operating properties**

Operating properties (SEK thousand)	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Opening cost	94,502	0
Purchases	–	92,848
Investments	6	121
Reclassifications	-357,013	–
Exchange rate differences	3,848	1,533
<b>Closing carrying amount</b>	<b>455,369</b>	<b>94,502</b>

## 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)	01/01/2018 31/12/2018	01/01/2016 31/12/2016
Opening cost	111,284	50,373
Purchases	24,367	49,704
Reclassification	-7,699	922
Investments	42,265	8,057
Divestments	-20,893	0
Exchange rate differences	3,826	2,228
<b>Closing carrying amount</b>	<b>153,150</b>	<b>111,284</b>

# 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. The Company's properties are exclusively located on Spain's Costa del Sol.

Project properties (SEK thousand)	Project development	Property management	Hotel operations	Group items and eliminations	Total	Project development	Property management	Hotel operations	Group items and eliminations	Total
01/01/2018 to 31/12/2018						01/01/2017 to 31/12/2017				
Operating revenue						-	-	-	-	-
Sale of properties	23,910				23,910					
Rent income		5,188			5,188	-	9,494	-	-	9,494
Other income									463	463
<b>Net sales</b>	<b>23,910</b>	<b>5,188</b>			<b>29,098</b>	<b>-</b>	<b>9,494</b>		<b>463</b>	<b>9,956</b>
<i>Operating expenses</i>										
Cost of sold properties	-19,479				-19,479	-				
Property expenses	-1,918	-12,149			-14,067	-	-11,531			-11,531
Central administration				-16,699	-16,699	-			-9,105	-9,105
Other operating expenses						-				
<b>Total operating expenses</b>	<b>-21,397</b>	<b>-12,149</b>			<b>-50,245</b>	<b>-</b>	<b>-11,531</b>		<b>-9,105</b>	<b>-20,636</b>
<i>Other significant operating items</i>						-				
Change in the value of investment properties		45,567			45,567	-	39,042			39,042
Shares in earnings of JVs/associated companies	-1,165				-1,165	-				
<b>Total other significant operating expenses</b>	<b>-1,165</b>	<b>45,567</b>			<b>44,402</b>	<b>-</b>	<b>39,042</b>			<b>39,042</b>
<b>Operating profit/loss</b>	<b>1,348</b>	<b>38,606</b>		<b>-16,699</b>	<b>23,255</b>		<b>37,005</b>		<b>-8,643</b>	<b>28,363</b>
Finance income				421	421				78	78
Finance costs	-21	-1,807		-884	-2,711	-315	-1,764		-2,317	-4,395
<b>Profit/loss from financial items</b>	<b>-21</b>	<b>-1,807</b>		<b>-463</b>	<b>-2,291</b>	<b>-315</b>	<b>-1,764</b>		<b>-2,238</b>	<b>-4,317</b>
Income tax		-10,807			-10,807		-9,761			-9,761
<b>Profit/loss for the period</b>	<b>1,327</b>	<b>25,993</b>	<b>0</b>	<b>-17,162</b>	<b>10,158</b>	<b>-315</b>	<b>25,481</b>		<b>-10,881</b>	<b>14,285</b>
<b>Assets</b>										
Investment properties		0					290,241			290,241
Operating properties			455,369		455,369			94,502		94,502
Other property, plant and equipment		5,618	189		5,807	631	7,400	203		8,235
Project properties	153,150				153,150	111,284				111,284

# SUPPLEMENTARY DISCLOSURES

## NOTE 8. BORROWINGS

- Loans have primarily been raised via Banco Popular in Spain and are being amortised over a period of 15 years.
- In addition, credit lines mainly to finance project activities have been secured via other Spanish credit institutions, as well as via the property fund Frux Capital.
- 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.

In addition to security in properties as above, security has also been furnished in the form of shares in the subsidiary CFS Residential Property SL.

In addition, a second-hand pledge has been submitted in 13 of the 99 apartments that Quartiers owns in Hacienda de Cifuentes in Benahavis as security for Andreas Bonnier, who has pledged a surety commitment in the Company's interest for the Company's obligations in connection with the acquisition of Centro Forestal Sueco. The value of the security corresponds to the commitment that Andreas has pledged.

There are no additional pledged assets or contingent liabilities.

## NOTE 9. PLEDGED ASSETS AND CONTINGENT LIABILITIES

The Group has pledged property mortgages totalling SEK 496,434 thousand as security for liabilities to credit institutions.

**Table: Note 8. Borrowings**

Group, 31 December 2018 (SEK thousand)	< 1 year	1-2 years	2-5 years	> 5 years
Liabilities to credit institutions	16,883	16,440	44,148	92,382
Liabilities to other financial institutions	25,773	-	-	-
Liability purchase price	-	13,872	-	-
Leasing liability	950	986	215	-
Trade payables	6,669	-	-	-
Other current liabilities	14,089	-	-	-





# QUARTIERS TIERS

P R O P E R T I E S

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