

# QUARTIERS TIERS

P R O P E R T I E S

**HALF-YEAR REPORT  
JANUARY TO JUNE 2020**

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**Quartiers Properties AB (publ)**  
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## SUMMARY OF THE PERIOD

- Net sales for the first six months of the year totalled SEK 28,136 thousand (SEK 56,389 thousand). By way of comparison, sales in the second quarter of 2020 totalled SEK 2,492 thousand, whereas sales for the seasonally weak first quarter were SEK 25,644 thousand. The company's hotel and restaurant business was shut completely from the end of March until 29 May. The company's sale of properties was also hit hard, with no sales made in the second quarter, compared with four in the first quarter.
- Despite the dramatic decrease in the second quarter, revenues from the operator business rose from SEK 7,155 thousand for the first half of 2019 to SEK 11,477 thousand in the same period in 2020.
- During this period four apartments in the company's apartment hotel in Benahavís were sold, all in the first quarter. Profit, less selling costs of SEK 1,668 thousand, totalled SEK 8,310 thousand, which corresponds to a margin of approximately 101%. SEK 8,571 thousand of this profit has been recognised in previous periods as an unrealised change in value. Recognised income in this period consequently amounts to SEK -261 thousand before tax.
- Operating income for the first six months of the year totalled SEK -23,241 thousand (SEK 212 thousand). Operating income includes the result of the revaluation of assets and liabilities of a net amount of SEK 2,513 thousand.
- Income after tax was SEK -27,133 thousand (SEK -3,764 thousand).
- A new third-party property valuation has been conducted by Savills Aguirre Newman since the Covid-19 outbreak, indicating that the property portfolio has a value corresponding to SEK 783 million. This represents a depreciation in value of 5.3% compared with 31 December 2019 (according to a valuation by CBRE). The premium on the carrying amount is approximately SEK 149 million, compared with around SEK 200 million at 31 December 2019.
- Earnings per share for the first six months of 2020 were SEK -0.49 (-0.06).
- Shareholders' equity at 30 June 2020 was SEK 333,578 thousand (SEK 378,079 thousand).
- The company's net asset value per ordinary share at 30 June 2020 was SEK 325,280 thousand (SEK 365,987 thousand), which equates to SEK 6.72 (7.56) per share and a decrease of 11.1%.

## SIGNIFICANT EVENTS IN THE FIRST HALF OF THE YEAR

- In January, the company completed a new issue of preference shares, generating proceeds of around SEK 25 million after share issue expenses.
- The coronavirus has had a dramatic impact on the operating business. The company's hotel and restaurant business closed in compliance with the Spanish government's lockdown decision to prevent the spread of the virus. This has, of course, had a negative impact on revenues. However, it has been possible to partially mitigate the loss of income in the personnel-intensive part of the business by furloughing staff. Parts of the business started to reopen in May.
- The AGM on 26 June approved an exchange offer to all preference shareholders in the company. See the report from the AGM and the financing section on page 8.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On 15 July the company entered into a financing agreement with global investment bank Alantra and Desalkiv Portfolios L.L.C regarding refinancing that safeguarded the company's liquidity position and assessed working capital requirements, as well as refinancing the company's investment loans that would have otherwise fallen due in 2021. See also the press release of 15 July 2020 and the financing section on page 8.

## OTHER EVENTS AFTER THE END OF THE PERIOD

- Quartiers increased its ownership in Boho Club SL, the operator company for the Boho Club hotel and restaurant business, from 80% to 100%. Raouf Lotfi remains a Board member of the subsidiary and, in connection with the transaction, received a call option to acquire 1.6% of the shares in the subsidiary at predetermined dates over the next 48 months. The purchase price is to be determined by the relevant equity in the subsidiary for such period.
- Boho Club hotel and Quartiers' apartment hotel in Benahavís reopened to guests in July.

# QUARTIERS IN BRIEF

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**Quartiers Properties is a Swedish-owned property company listed on Nasdaq First North in Stockholm. The company's business is geographically focused on Spain. Quartiers mainly invests in hotels and residential properties aimed at an affluent international target group.**

Quartiers is the only publicly listed property company in Sweden whose entire business is geographically focused on Spain. The company is active in two main segments: property refinement and property development.

The company benefits from its Nordic background, with expertise in design and customer service that generates value in its property portfolio. Its products are created with a focus on a discerning Scandinavian target group, which contributes to the high quality of projects and ensures an attractiveness that also appeals to numerous nationalities, including the local Spanish population.

In the area of property development, the company invests in underperforming properties with the aim of increasing the property's operating income and stabilising the property's cash flow – thus increasing its value. The company also runs an operator business comprising hotel and restaurant management, primarily aimed at supporting the creation of value in the two main segments: property development and property refinement.

At 30 June 2020 the Group had 71 employees, all of whom were based in Spain and 30 of whom were on the 'ERTE' furlough scheme in accordance with

the support measures launched by the Spanish government. The number of employees in the Group has decreased by just over 30% compared with the figure at 31 December 2019 as a result of Covid-19.



Boho Club hotel rooms



Gardens and one of the pool areas at Boho Club

# SUMMARY OF GROUP KEY PERFORMANCE INDICATORS

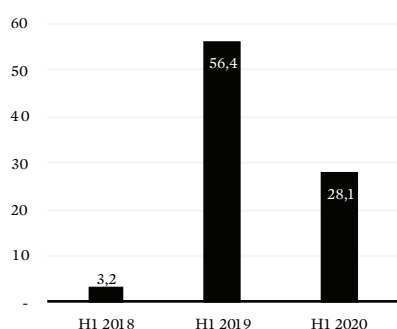
## SUMMARY OF KEY PERFORMANCE INDICATORS

Despite the shock of the second quarter, the company retains a high equity/assets ratio and a low loan to value ratio (LTV), which were 66% and 32% respectively at 30 June. For the first time the net asset value per ordinary share has decreased on previous periods, which is mainly the result of lower revenues in the second quarter and a depreciation in the value of the company's property portfolio as a result of Covid-19.

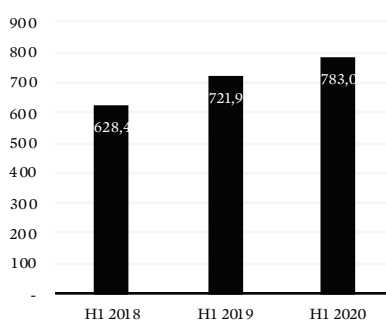
Equity per share increased despite the decrease in net asset value as the market value of the property portfolio exceeds its carrying amount and the depreciation in value is not deemed sufficient to warrant an impairment loss. In addition, the company carried out a share issue, registered in January, that strengthened the company's equity.



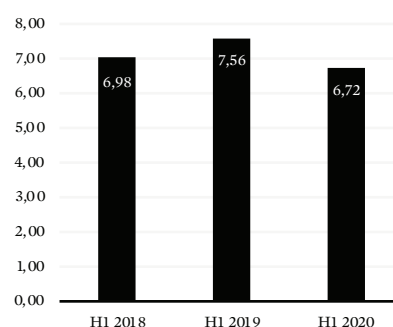
## SALES (SEK MILLION)



## PROPERTY VALUE (SEK MILLION)



## NET ASSET VALUE PER ORDINARY SHARE (SEK)



Key performance indicators (SEK thousand)	30/6/2020 (Half-year)	31/12/2019 (Full year)	30/6/2019 (Half-year)	31/12/2018 (Full year)
Sales revenues	28,136	93,377	56,389	29,098
Operating profit/loss, EBITDA	-15,625	-14,823	212	-22,312*
Property values**	783,006	843,999	721,881	680,460
Interest-bearing liabilities	276,287	292,657	208,988	207,139
Loan to value (LTV)	32.03%	34.68%	28.95%	30.44%
Equity/assets ratio – carrying amount	49%	48%	53%	57%
Equity/assets ratio – property market value	66%	69%	67%	70%
Number of employees (Group)	71	105	65	8
Net asset value per ordinary share***	6.72	8.20	7.56	7.44
Equity per share	6.89	6.91	9.88	9.51
Share price per ordinary share	2.78	5.10	5.60	6.54
Market capitalisation – ordinary shares	134,727	246,977	271,392	316,947

\*Excluding unrealised changes in value.

\*\* 30/6/2020: According to the valuation conducted in June 2020 by Savills Aguirre Newman in accordance with RICS (Royal Institution of Chartered Surveyors).

\*\*\*Equity adjusted for market valuation of the property portfolio after tax, and taking into account preference shareholders' share of equity.

# MESSAGE FROM THE CEO

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## SHUTDOWN AND RESUMPTION

We have finally resumed our business operations and are now looking ahead with confidence. Nevertheless, the company has experienced one of its most challenging periods ever. The Covid-19 outbreak had a major impact on both our operating business and the financing processes that we had underway. The hotel and restaurant business, as well as apartment sales, was halted immediately when Spain went into lockdown, resulting in almost no sales in the second quarter.

We took rapid action to limit damage to the company, which involved lay-offs (temporary and permanent) of a large percentage of personnel, raising small liquidity loans from BBVA, negotiating payment plans with suppliers and stopping ongoing investments. These measures helped limit the damage and were implemented quickly and resolutely by company management.

Unfortunately the outbreak of the virus led many national and global loan providers to reconsider and, in view of the change in circumstances for our business, which was hit hard by Covid-19, the ongoing refinancing process with JLL was discontinued.

We have been operating again since July, albeit with some restrictions, and we are now endeavouring to gradually return to full capacity and continue developing our business based on the new circumstances. I am positive about the future and am already seeing signs that the difficult period that we have been through has forged a real team spirit in which everyone has been incredibly determined and constantly committed to finding new, innovative solutions to take the business forward. Overall, I believe we have so far managed the situation in an effective and balanced way.

## FINANCING

We have also had to change tack on financing solutions, and during this period have worked hard to find a solution to get us through the current market climate and the risk of a second wave of Covid-19.

As we have noted in our press releases, it became clear early on in the process that new financiers would not allow us to pay dividends on our shares until the Covid-19 situation was resolved and the global economic outlook was more predictable.

Halfway into the year, we have succeeded in putting key financing in place for the company. This ensures the necessary working capital and enables the company to continue generating growth and developing its long-term business strategy by gradually reassigning capital from projects that have already been developed, such as

Hacienda del Señorío de Cifuentes, to new projects that can be developed and generate added value.

## EMPHASIS ON CASH FLOW

The financing from Alantra and DESALKIV PORTFOLIOS L.L.C (part of the D. E. Shaw Group, a global investment and technology development company with over USD 50 billion in invested capital at 1 June 2020) allows us to now focus fully on optimising the operating side of our business.

The company is also now entering a new phase. We have previously had a firm focus on generating value and developing our business and organisation through investments in our properties, structures and processes. Today many of these elements are in place and we are now instead able to begin reaping the benefits of the value we have generated, both within our organisation and in our property portfolio.

This is particularly reflected in our success in selling apartments at value increases of almost 100% since acquisition. Along with the operation of Boho Club, sales will now bring cash flow into the business.

## FUTURE INVESTMENTS

Of course, given the circumstances we need first and foremost to get to grips with the current situation and get through this effectively without exposing the company to excessive risk. We are also maintaining our proactive stance and keeping up to date on trends and business opportunities that often arise in these types of situation. With an organisation that is stronger than ever, financing in place and now with much more experience in the company, Quartiers is well placed to continue growing and flourishing.



Marcus Johansson Prakt  
CEO, Quartiers Properties

## OUR SUBSIDIARIES AND ASSOCIATES

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### BOHO CLUB SL (WHOLLY OWNED)

Boho Club is Quartiers' operating company for the hotel and restaurant project on Marbella's Golden Mile. The company was founded in 2018 and, following a share capital increase in July 2020, Quartiers owns all shares in the operating company. The hotel opened in December 2019 and the first six months of 2020 were to be the first with the entire business open. However, the period has been hit by the Covid-19 outbreak and the shutdown of the Spanish economy. The business was shut in March 2020 because of the coronavirus pandemic and the shutdown of most businesses in Spain. The restaurant reopened gradually from 29 May 2020 and the hotel reopened in July.

**Sales:** SEK 7.8 million (0)

**EBITDA:** SEK -10.1 million

**Employees:** 50 employees at 30 June 2020, 21 of whom are furloughed on Spain's 'ERTE' scheme.

The logo for Boho Club features the word "BOHO" in a bold, black, sans-serif font above the word "CLUB" in a similar font. The letters are closely spaced and have a slightly irregular, hand-drawn appearance.

### QUARTIERS MANAGEMENT SL (WHOLLY OWNED)

Quartiers Management operates the Quartiers Apartment Hotel & Resort apartment complex in Benahavís, and provides concierge and letting services to buyers of apartments in Quartiers Properties projects. The company commenced operations in January 2019. Sales for the first six months were SEK 3.8 million and EBITDA was SEK -3.2 million. Of sales for the first six months of 2020, short-term rental accounted for SEK 2.6 million and long-term rental for SEK 1.2 million. The company's business was largely shut for the entire second quarter of 2020.

**Sales:** SEK 3.8 million (7.2)

**EBITDA:** SEK -3.2 million (-1.2)

**Employees:** 17 employees at 30 June 2020, 9 of whom are furloughed on the 'ERTE' scheme.

The logo for Quartiers is enclosed in a speech bubble shape. The word "QUARTIERS" is written in a bold, black, sans-serif font, with "QUAR" on the top line and "TIERS" on the bottom line.

### QUARTIERS ESTATES SL (50% OWNERSHIP)

Quartiers Estates is Quartiers Properties' former sales company. The company marketed and sold Quartiers' own projects, as well as external projects and projects sold and developed by the Otero Group.

Quartiers has agreed with Otero Group to end the cooperation. Quartiers will instead manage the sale of its projects using its own in-house sales department, which has already been appointed.

**Sales:** SEK 3.1 million (3.9)

**EBITDA:** SEK -0.6 million (0.4)

**Employees:** 0 as the company has started to be discontinued.

The logo for Quartiers Estates is enclosed in a speech bubble shape. The word "QUARTIERS" is written in a bold, black, sans-serif font, with "QUAR" on the top line and "TIERS" on the bottom line. Below "TIERS", the word "ESTATES" is written in a smaller, spaced-out, black, sans-serif font.

# PROPERTY DEVELOPMENT

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## PROPERTY DEVELOPMENT SEGMENT

In the segment of property development, Quartiers develops and sells villas and apartments. Below are the most important updates on each project.

### Ocean View

- This architecture and design project was in the final phase before the Covid-19 outbreak and the company intended to begin sales in 2020. The start of sales has been postponed and Quartiers is currently prioritising sales of existing apartments in the Hacienda del Señorío de Cifuentes apartment hotel in Benahavís.
- The company will continually evaluate market conditions to assess when sales could start.
- Quartiers intends to sell part of the project and finance construction using a combination of sales deposits and bank financing.

### Villa project in Nueva Andalucía

- Construction of the villa in Nueva Andalucía is ongoing and around 70 percent complete.
- Financing to complete the villa has been secured.
- The villa is expected to be completed by the end of 2020.

### CFS Residential – Serviced Apartments

- The project is expected to involve the construction of approximately 40 luxury apartments and will be located right next to Boho Club.
- The apartments will feature a unique service concept in cooperation with Boho Club.
- In addition, project planning, the start of sales and construction depend on a new local development plan in Marbella.



Outdoor seating at the Boho Club restaurant.

# FINANCING

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Quartiers is financing the operation with a combination of sales revenues, bank loans, alternative loan financing, preference shares and ordinary share capital. At 30 June 2020 the company's interest-bearing loans amounted to SEK 276.3 million (248.0), of which SEK 160.6 million (170) consisted of bank loans and the remainder mainly of investment loans.

Besides loan financing, the company has issued a total of 10,061,492 preference shares. The 2020 AGM approved an exchange offer to all preference shareholders in the company, involving the redemption of preference shares. The registration and subscription period for this offer is expected to run from 28 July 2020 through 28 August 2020. The AGM also resolved not to pay a dividend on the company's preference shares until the next AGM.

In July 2020 the company entered into a loan agreement with a fund controlled by D. E. Shaw & Co, and with Alantra Debt Solutions, S.L regarding the raising of a loan totalling EUR 17 million. The term of the loan is up to 48 months. Interest on the loan will be 12.5 percent for the first 24 months, plus taxes and charges. Interest for the remainder of the loan period could be higher if 3-month EURIBOR exceeds 0 percent. For the first 24 months of the loan, under certain conditions, Quartiers Properties is entitled to forego payment of part of the interest in exchange for this instead being capitalised. The loan is secured through, among other things, a pledge on shares in subsidiaries and certain properties. Under the terms and conditions of the loan, no dividend may be paid on the company's shares (ordinary or preference shares) over the term of the loan. The purpose of the loan was to refinance existing debt in the Group and put in place the necessary working capital.

As a result of the measures that Quartiers undertook to strengthen its financial position following the coronavirus pandemic, no dividend can be paid on the company's preference shares until the abovementioned loan has been repaid. Over the next two years the company will focus on strengthening its ongoing cash flow and, after around two years, on finding a solution for refinancing the above debt. Prior to the coronavirus pandemic the company was in the process of refinancing primarily Boho Club using financing with a lower interest rate, but the adverse effect of Covid-19 on global and Spanish tourism has meant that it is not possible to complete this financing in the current circumstances.

Following the refinancing, the company's interest-bearing liabilities consist solely of property loans from Banco Santander and BBVA, lease liabilities and the investment loan from Desalkiv Portfolios L.L.C and Alantra.

## Exchange offer

The offer of exchanging preference shares for ordinary shares means that preference shareholders are being

offered an exchange of each preference share for one ordinary share, as well as one Series 3, 2020/2021 share warrant and one Series 4, 2020/2022 share warrant.

Each share warrant in the exchange offer entitles the holder to subscribe for one newly issued ordinary share in the company. The share warrants can be used to subscribe for ordinary shares during the period from 17 August 2021 through 31 August 2021 (for Series 3 share warrants) and from 17 March 2022 through 31 March 2022 (for Series 4 share warrants). The share warrants entitle holders to subscribe for new ordinary shares at whichever is higher of the value of (i) 75 percent of the volume-weighted average price according to Nasdaq First North's official list of prices for the shares for a period of 10 trading days immediately prior to (and excluding) 13 August 2021 and 15 March 2022, respectively, and (ii) SEK 3.50.

Where the dividend is consistent with the Swedish Companies Act, Chapter 17, and the shareholders meeting resolves regarding a dividend next time, the preference shareholders take precedence ahead of ordinary shareholders to receive the accumulated dividend that would have been determined at the 2020 AGM (which is adjusted upwards by a factor of 12%) and a dividend totalling SEK 0.96 per preference share for the forthcoming year. This therefore means that preference shareholders who opt to retain their shares until the date when a dividend on preference shares will once again be possible will, given that a dividend is resumed, receive payment of a dividend that has accumulated over the period from the cancellation of the dividend until the date of payment, along with corresponding late payment interest of 12% per year on unpaid amounts.

## LIQUIDITY

At 30 June 2020, the Group's cash and cash equivalents amounted to SEK 2.2 million (47.6). On 15 July 2020 the company signed a loan financing agreement for EUR 17 million that ensured the company's liquidity position and assessed working capital requirements, and refinanced investment loans that would otherwise have fallen due in 2021.

When Spain's economy reopened, the company resumed the sale of apartments in the company's apartment complex in Benahavís. The company believes that income from the operating business together with cash flow from the sale of apartments with low LTV over the next 12–18 months will exceed the company's financial expenses and repayments of interest-bearing liabilities.

A previously recognised purchase price for Centro Forestal Sueco of approximately SEK 14 million at 30 June has been cancelled as the contractual conditions for repaying the purchase price are not expected to occur.



# 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.

The market value of the company's ordinary shares at 30 June 2020 totalled SEK 134.7 million, based on a closing price of SEK 2.78 per share. The company's preference shares are subject to an exchange programme. See the section regarding financing above.

## WARRANTS

There were no outstanding warrants in the company at 30 June 2019. Share warrants may, however, be issued as part of the programme launched by the company to exchange preference shares for ordinary shares.

## AUTHORISATION

The AGM resolved to authorise the Board of Directors, up until the next AGM and within the scope of the Articles of Association, on one or more occasions, with or without deviation from shareholders' preferential rights, to decide on the issue of ordinary shares, warrants and/or convertible shares. An issue may be made against a cash payment, via assets contributed in kind and/or via offsetting, or otherwise according to conditions.

Share warrants should only be issued in conjunction with the issue of ordinary shares, i.e. as part of a unit or equivalent. Decisions regarding the issue of shares, based on such authorisation, may generate an increase in the company's share capital of no more than 15 percent, based on the size of the share capital when such authorisation is first used. For private cash issues the subscription price must be set on a market basis.

## MARKET MAKER AND CERTIFIED ADVISER

Mangold is the company's certified adviser, while ABGSC is the company's market maker for the ordinary shares. Mangold can be contacted on +46 8 503 015 50, and ABGSC can be reached at +46 8 566 286 00.

## TEN LARGEST SHAREHOLDERS - 30 JUNE 2020

#	Shareholder	Ordinary shares	Preference shares	Capital	Votes
1	Egonomics AB	10,043,340	–	17.16%	20.30%
2	Fastighets Aktiebolag Bränneröd	6,171,018	105,370	10.72%	12.50%
3	LMK Companies & Foundation	4,627,714	1,649,968	10.73%	9.69%
4	Rocet AB	3,917,334	223,866	7.08%	7.96%
5	Bosmac Invest AB	2,671,651	20,000	4.60%	5.40%
6	Bernt Lundberg Fastigheter Lund AB	1,980,000	256,500	3.82%	4.05%
7	Swedbank Robur Funds (Nordic Small Cap Fund)	1,897,699	0	3.24%	3.84%
8	Mats Invest AB	1,700,000	374,800	3.55%	3.51%
9	House of K Investment AB	1,500,000	–	2.56%	3.03%
10	Leif Edlund	1,333,334	66,666	2.39%	2.71%
	<b>Other</b>	<b>12,620,806</b>	<b>7,364,322</b>	<b>34.15%</b>	<b>27.01%</b>
	<b>Total</b>	<b>48,462,896</b>	<b>10,061,492</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Euroclear

# COMMENTS ON THE PERIOD

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Profit/loss, balance sheet and cash flow items relate to the January to June 2020 period. The comparison items in brackets relate to the corresponding period of the previous year.

## NET SALES

Quartiers' net sales amounted to SEK 28,136 thousand (SEK 56,389 thousand) for the first six months, of which SEK 25,644 thousand, corresponding to 91% of sales in the first six months, related to the first quarter. Sales in the second quarter were hit hard by Covid-19 and amounted to SEK 2,492 thousand.

## COST OF PROPERTIES SOLD

The cost of properties sold totalled SEK 16,920 thousand (SEK 37,350 thousand), comprising acquisition costs of SEK 6,681 thousand (SEK 27,623 thousand), selling costs of SEK 1,668 thousand (SEK 4,206 thousand) and the previously reported change in value of properties of SEK 8,571 thousand (SEK 5,521 thousand). All sales relate to properties valued at market price in the balance sheet to 31 December 2018. The increase in value for these properties has consequently been recognised as a positive item in the income statement. The average realised increase in value for properties sold, including selling costs, was 101 percent, which underlines the value that Quartiers has generated in its property portfolio in the apartment hotel in Benahavis.

## OPERATING EXPENSES

Operating expenses totalled SEK 33,823 thousand (SEK 14,477 thousand). The biggest single costs comprised personnel costs and consulting expenses totalling SEK 13,005 thousand (SEK 6,503 thousand), depreciation of SEK 7,616 thousand (SEK 2,412 thousand), repair and maintenance costs of SEK 3,319 thousand (SEK 1,483 thousand), and association fees for the joint property association in the company's apartment hotel of SEK 2,327 thousand (SEK 2,411 thousand).

## GROSS EARNINGS

Gross income, i.e. income before central administrative expenses, amounted to SEK -22,607 thousand (SEK 4,562 thousand). The decrease on the first six months of 2019 is largely due to the Covid-19 outbreak, which resulted in the company essentially generating no revenue in the second quarter.

## EARNINGS FROM INTERESTS IN JOINT VENTURES

Profit for the year includes earnings from joint ventures of SEK -812 thousand (SEK 498 thousand). The company's holding of 50% of shares in Quartiers Estate SL is recognised as a joint venture. Income refers to Quartiers' share of profit for the period.

## OTHER SIGNIFICANT OPERATING ITEMS

Expenses relating to central administration totalled SEK 2,335 thousand (SEK 4,848 thousand) during the period.

## INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

The company's interest expenses and similar income statement items for the period totalled SEK 6,367 thousand (SEK 5,508 thousand).

## INCOME TAX

Tax on recognised surplus property values is recognised as income tax. The deferred tax for the period is SEK +2,142 thousand (SEK +1,380 thousand). The positive tax expense results from the dissolution of deferred tax on previous changes in value from apartments that were sold, boosting the calculation of the company's net asset value per ordinary share.

## PROFIT/LOSS AFTER TAX

Income for the period amounted to SEK -27,133 thousand (SEK -3,764 thousand).

## CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to SEK -28,530 thousand (SEK 13,916 thousand) during the period. Cash and cash equivalents at the end of the period totalled SEK 2,162 thousand (SEK 47,593 thousand).

## OPERATING PROPERTIES

Operating properties consisted of a hotel property and 94 apartments that are being rented out under the company's own management as an apartment hotel. Investments in operating properties during the period amounted to SEK 5,186 thousand (SEK 21,206 thousand). The investment mainly relates to the Boho Club project. Divestments of operating properties during the period totalled SEK 14,714 thousand (SEK 0 thousand).

## PROJECT PROPERTIES

During the period, investments in project properties amounted to SEK 373 thousand (SEK 6,664 thousand). Divestments of project properties during the period totalled SEK 0 thousand (SEK 38,517 thousand).

## FINANCING

In the first six months of the year the company raised loans totalling SEK 12,078 thousand (SEK 64,279 thousand). Repayments amounted to SEK 15,724 thousand (SEK 22,990 thousand).

# COMMENTS ON THE PERIOD

## SIGNIFICANT EVENTS IN THE FIRST HALF OF THE YEAR

In January, the company completed a new issue of preference shares, generating proceeds of around SEK 25 million after share issue expenses.

The coronavirus has led to dramatic changes in the operating business. The company's hotel and restaurant business closed in compliance with the Spanish government's lockdown decision to prevent the spread of the virus. This has, of course, had a negative impact on revenues. However, it has been possible to mitigate the loss of income in the personnel-intensive part of the business by furloughing staff. Parts of the business started to reopen in May.

The AGM on 26 June approved an exchange offer to all preference shareholders in the company. See the report from the AGM and the financing section on page 8.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On 15 July the company entered into a financing agreement with global investment bank Alantra and Desalkiv Portfolios L.L.C regarding refinancing to safeguard the company's liquidity position, as well as refinancing the company's investment loans that would have otherwise fallen due in 2021. See also the press release of 15 July 2020 and the financing section on page 8.

## OTHER EVENTS AFTER THE END OF THE PERIOD

- Quartiers increased its ownership in Boho Club SL, the operator company for the Boho Club hotel and restaurant business, from 80% to 100%. Raouf Lotfi remains a Board member of the subsidiary and, in connection with the transaction, received a call option to acquire 1.6% of the shares in the subsidiary at predetermined dates over the next 48 months. The purchase price is to be determined by the relevant equity in the subsidiary for such period.
- Boho Club hotel and Quartiers' apartment hotel in Benahavis reopened to guests in July.

## RELATED-PARTY TRANSACTIONS

No related-party transactions took place during the period.

## 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 2019 Annual Report. The description contained in the report remains relevant.

This half-year report has not been subject to examination by an auditor.

## NEXT REPORT DATE

The year-end report for the full year 2020 will be issued on 19/02/2021.

## CERTIFICATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and Chief Executive Officer certify that this half-year 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, 17 July 2020

Jörgen Cederholm, Chairman of the Board  
Jimmie Hall, Board member  
Sten Andersen, Board member  
Andreas Bonnier, Board member  
Marcus Johansson Prakt, Chief Executive Officer



# Financial information

# CONSOLIDATED INCOME STATEMENT

Amounts are stated in SEK thousand	Note	01/01/2020 30/06/2020	01/01/2019 30/06/2019	01/01/2019 31/12/2019
Divestment of properties		16,659	49,234	68,132
Revenue, operator business		11,477	7,155	25,245
<b>Total net sales</b>		<b>28,136</b>	<b>56,389</b>	<b>93,377</b>
Cost of properties sold		-16,920	-37,350	-55,704
Operating expenses		-33,824	-14,477	-56,253
<b>Total operating expenses</b>		<b>-50,744</b>	<b>-51,827</b>	<b>-111,957</b>
<b>Gross earnings</b>		<b>-22,607</b>	<b>4,562</b>	<b>-18,580</b>
- of which profit/loss from operator business		-22,347	-7,322	-31,008
- of which profit/loss from divestment of properties		-261	11,884	12,428
Central administration		-2,335	-4,848	-10,546
Change in operating receivables		-11,645	0	0
Other income		14,158	0	0
Earnings from interests in joint ventures/associates		-812	498	2,677
<b>Operating profit/loss</b>		<b>-23,241</b>	<b>212</b>	<b>-26,449</b>
- of which EBITDA		-15,625	2,624	-14,823
Finance income		333	152	732
Finance costs		-6,367	-5,508	-13,872
<b>Profit/loss from financial items</b>		<b>-6,034</b>	<b>-5,357</b>	<b>-13,140</b>
<b>Profit/loss before tax</b>		<b>-29,275</b>	<b>-5,144</b>	<b>-39,589</b>
Income tax		2,142	1,380	2,146
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>-27,133</b>	<b>-3,764</b>	<b>-37,443</b>
<b>Attributable to:</b>				
Parent Company's shareholders		-23,749	-3,131	-32,778
Non-controlling interests		-3,384	-633	-4,665
		-27,133	-3,764	-37,443
Earnings per ordinary share, SEK (no dilution)		-0.49	-0.06	-0.82

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Amounts are stated in SEK thousand</b>	<b>Note</b>	<b>01/01/2020 30/06/2020</b>	<b>01/01/2019 30/06/2019</b>	<b>01/01/2019 31/12/2019</b>
<b>Profit/loss for the period</b>		-27,133	3,764	-37,443
Other comprehensive income				
<i>Items that have been or may be transferred to profit/loss for the year</i>				
Translation differences regarding foreign operations		1,625	15,022	5,966
<b>Comprehensive income for the year</b>		<b>-25,508</b>	<b>11,251</b>	<b>-31,477</b>
<i>Attributable to:</i>				
Parent Company shareholders		-22,124	11,884	-26,812
Non-controlling interests		-3,384	-633	-4,665
		-25,508	11,251	-31,477

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	30/06/2020	30/06/2019	31/12/2019
<b>ASSETS</b>				
<b>Non-current assets</b>				
<i>Property, plant and equipment</i>				
Operating properties	4	519,695	502,281	532,617
Equipment, tools and fixtures and fittings		17,994	11,488	16,846
<b>Other non-current assets</b>				
Interests in joint ventures/associates		0	1	478
Other securities held as non-current assets		12	12	12
Other non-current receivables		0	38	30
<b>Total non-current assets</b>		<b>537,701</b>	<b>513,820</b>	<b>549,983</b>
<b>Current assets</b>				
Project properties	5	113,392	119,329	111,938
Inventories		0	0	783
Receivables from joint ventures/associates		967	1,706	1,280
Trade receivables		1,336	1,383	1,645
Other receivables		3,871	2,450	5,174
Prepaid expenses and accrued income		18,621	27,406	22,412
<b>Cash and cash equivalents</b>		<b>2,162</b>	<b>47,593</b>	<b>6,874</b>
<b>Total current assets</b>		<b>140,349</b>	<b>199,867</b>	<b>150,106</b>
<b>Total assets</b>		<b>678,050</b>	<b>713,687</b>	<b>700,089</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	30/06/2020	30/06/2019	31/12/2019
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		1,463	1,393	1,393
Other contributed capital		316,646	291,673	291,673
Reserves, translation differences		27,398	34,829	25,773
Retained earnings incl. profit/loss for the period		-7,439	50,817	16,979
<b>Shareholders' equity attributable to Parent Company shareholders</b>		<b>338,068</b>	<b>378,712</b>	<b>335,818</b>
<b>Non-controlling interests</b>		<b>-4,490</b>	<b>-633</b>	<b>-1,106</b>
<b>Total shareholders' equity</b>		<b>333,578</b>	<b>378,079</b>	<b>334,712</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities		43,541	46,718	45,443
Interest-bearing liabilities	7	245,074	216,034	253,893
Other non-current liabilities		0	19,265	14,103
<b>Total non-current liabilities</b>		<b>288,615</b>	<b>282,017</b>	<b>313,439</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	7	31,213	31,948	24,661
Trade payables		7,012	3,726	9,306
Other current liabilities		17,373	17,112	16,777
Accrued expenses and deferred income		259	805	1,194
<b>Total current liabilities</b>		<b>55,857</b>	<b>53,591</b>	<b>51,938</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>678,050</b>	<b>713,687</b>	<b>700,289</b>



# CONSOLIDATED CHANGES IN EQUITY

Amounts are stated in SEK thousand	Share capital	Other contributed capital	Reserves, translation differences	Retained earnings incl. profit/loss for the period	Shareholders' equity attributable to Parent Company owners	Non-controlling interests	Total shareholders' equity
<b>Opening balance, 01/01/2019</b>	1,393	291,673	19,807	60,299	373,172	0	373,172
<i>Comprehensive income</i>							
Profit/loss for the period			–	-32,778	-32,778	-4,665	-37,443
Translation differences			5,966		5,966		5,966
<b>Total comprehensive income</b>			5,966	-32,778	-26,812	-4,665	-31,477
<i>Transactions with shareholders</i>							
Transactions with minority shareholders				-3,559	-3,559	3,559	0
Dividend paid, preference shares				-6,983	-6,983		-6,983
<b>Total transactions with shareholders</b>	–	–	–	-10,542	-4,757		-6,983
<b>Closing balance, 31/12/2019</b>	1,393	291,673	25,773	16,979	335,818	-1,106	334,712
<b>Opening balance, 01/01/2020</b>	1,393	291,673	25,773	16,979	335,818	-1,106	334,712
<i>Comprehensive income</i>							
Profit/loss for the period				-23,749	-23,749	-3,384	-27,133
Translation differences			1,625		1,625		1,625
<b>Total comprehensive income</b>			1,625	-23,749	-22,124	-3,384	-25,508
<i>Transactions with shareholders</i>							
New share issue	70	24,973			25,043		25,043
Dividend paid, preference shares				-669	-669		-669
<b>Total transactions with shareholders</b>	70	24,973		-669	24,374		24,374
<b>Closing balance, 30/06/2020</b>	1,463	316,646	27,398	-7,439	338,068	-4,490	333,578

# CONSOLIDATED CASH FLOW STATEMENT

Amounts are stated in SEK thousand	01/01/2020 30/06/2020	01/01/2019 30/06/2019	01/01/2019 31/12/2019
<b><i>Cash flow from operating activities</i></b>			
Operating profit/loss	-23,241	212	-26,449
Of which profit/loss from divestment of properties	261	-11,884	-12,428
Of which attributable to minority	3,384	633	4,665
Depreciation, amortisation and impairment	7,616	2,412	11,464
Share in earnings of associates	812	-498	-2,677
Other non-cash items	-2,513	4,888	0
Interest income and similar profit/loss items	333	152	732
Interest paid (attributable to financing activities)	-6,367	-5,508	-13,872
<b>Cash flow from operating activities before changes in working capital</b>	<b>-19,715</b>	<b>-9,593</b>	<b>-38,565</b>
<b><i>Changes in working capital</i></b>			
Sale of project properties	0	50,226	61,855
Investments in project properties	-1,587	-6,664	-6,954
Change in other inventories	783	0	-783
Change in operating receivables and liabilities	-8,011	-20,053	4,149
<b>Total change in working capital</b>	<b>-8,815</b>	<b>23,509</b>	<b>58,267</b>
<b>Cash flow from operating activities</b>	<b>-28,530</b>	<b>13,916</b>	<b>19,702</b>
<b><i>Cash flow from investing activities</i></b>			
Divestment of operating properties	14,992	0	2,932
Reduction in non-current financial assets	0	1,219	511
Acquisitions and investments in operating properties	-5,186	-21,451	-74,006
Investments in plant and equipment	-2,558	-6,768	-17,364
<b>Cash flow from investing activities</b>	<b>7,248</b>	<b>-27,000</b>	<b>-87,927</b>
<b><i>Cash flow from financing activities</i></b>			
New share issue	25,043	0	0
Borrowings raised	12,078	78,133	123,399
Loan repayments	-15,724	-22,990	-50,960
Dividend paid, preference shareholders	-4,830	-3,492	-6,983
<b>Cash flow from financing activities</b>	<b>16,567</b>	<b>51,651</b>	<b>65,456</b>
Cash flow for the period	-4,715	38,567	-2,769
<b>Cash and cash equivalents at start of period</b>	<b>6,874</b>	<b>8,422</b>	<b>8,422</b>
Exchange rate differences in cash and cash equivalents	3	604	1,221
<b>Cash and cash equivalents at end of period</b>	<b>2,162</b>	<b>47,593</b>	<b>6,874</b>

# CONDENSED PARENT COMPANY FIGURES

<b>Income statement (amounts are stated in SEK thousand)</b>	<b>01/01/2020 30/06/2020</b>	<b>01/01/2019 30/06/2019</b>	<b>01/01/2019 31/12/2019</b>
Operating revenue	1,700	1,232	2,587
Operating expenses	-3,102	-2,035	-5,927
Operating profit/loss	-1,402	-803	-3,340
Profit/loss from financial items	1,488	897	1,357
<b>Profit/loss before tax</b>	<b>86</b>	<b>94</b>	<b>-1,983</b>
<b>Profit/loss for the period</b>	<b>86</b>	<b>94</b>	<b>-1,983</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. Operating revenue relates for the most part to the invoicing of services to subsidiaries, and to a lesser extent to the invoicing of services to external companies.

<b>Balance sheet (amounts are stated in SEK thousand)</b>	<b>30/06/2020</b>	<b>30/06/2019</b>	<b>31/12/2019</b>
<b>ASSETS</b>			
Non-current assets	249,323	248,232	247,679
Non-current receivables from Group companies	47,414	24,594	25,714
Other non-current receivables	200	3,597	200
Current assets	8,274	9,019	12,002
<b>Total assets</b>	<b>305,211</b>	<b>285,442</b>	<b>285,595</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	281,829	259,257	257,368
Non-current liabilities	16,457	8,899	18,145
Current liabilities	6,925	17,286	10,082
<b>Total shareholders' equity and liabilities</b>	<b>305,211</b>	<b>285,442</b>	<b>285,595</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, 114 56 Stockholm, Sweden.

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

Quartiers Properties AB (publ) applies IFRS (International Financial Reporting Standards) 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 that ended on 31 December 2019. The interim report comprises pages 1–22, and pages 1–12 thus constitute an integral part of this financial report.

## NOTE 3. ACCOUNTING POLICIES

The consolidated accounts for Quartiers Properties AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) approved by the EU at 31 December 2019.

For a complete description of the accounting policies, please refer to Quartiers Properties AB (publ)'s Annual Report for the financial year 2019.

## NOTE 4. 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 4. Operating properties**

<b>Operating properties (SEK thousand)</b>	<b>01/01/2020 30/06/2020</b>	<b>01/01/2019 30/06/2019</b>
Opening cost	532,617	455,369
Divestments	-14,714	
Investments	5,186	21,206
Depreciation/amortisation	-5,758	-1,329
Exchange rate differences	2,364	13,247
<b>Closing carrying amount</b>	<b>519,695</b>	<b>502,281</b>

## NOTE 5. PROJECT PROPERTIES

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

**Table: Note 5. Project properties**

<b>Project properties (SEK thousand)</b>	<b>01/01/2020 30/06/2020</b>	<b>01/01/2019 31/12/2019</b>
Opening cost	111,938	151,150
Divestments	0	-38,517
Investments	373	6,664
Exchange rate differences	1,081	3,607
Other adjustments	0	-5,574
<b>Closing carrying amount</b>	<b>113,392</b>	<b>119,329</b>

# SUPPLEMENTARY DISCLOSURES

## NOTE 6. SEGMENT REPORTING

### Accounting policy

The Group's business is divided into operating segments based on how the company's chief operating decision-maker monitors performance. The chief operating decision-maker is the company's chief executive officer. Reporting takes place in two segments: property management, which mainly includes operation of hotels, and property development, which mainly comprises project development. All revenue and non-current assets are attributable to Spain.

No customer accounts for more than 10% of revenues.

	Property Management	Property Development	Group items and eliminations	Total	Property Management	Property Development	Group items and eliminations	Total
	01/01/2020 to 30/06/2020				01/01/2019 to 30/06/2019			
Operating revenue								
Sale of properties	16,659			16,659		49,234		49,234
Operator revenues	11,477			11,477	7,155			7,155
<b>Net sales</b>	<b>28,136</b>			<b>28,136</b>	<b>7,155</b>	<b>49,234</b>		<b>56,389</b>
<i>Operating expenses</i>								
Cost of properties sold	-16,920			-16,920		-37,350		-37,350
Depreciation/ amortisation	-7,616			-7,616	-2,412			-2,412
Other operating expenses	-24,823	-1,384		-26,207	-10,572	-1,493		-12,065
<b>Total operating expenses</b>	<b>-49,358</b>	<b>-1,384</b>		<b>-50,742</b>	<b>-12,984</b>	<b>-38,843</b>		<b>-51,827</b>
<b>Gross earnings</b>	<b>-21,222</b>			<b>-22,606</b>	<b>-5,829</b>	<b>10,391</b>		<b>4,562</b>
Central administration			-2,335	-2,335			-4,848	-4,848
Other		2,513		2,513				
<b>Operating profit/loss</b>	<b>-21,222</b>	<b>1,129</b>	<b>-2,335</b>	<b>-22,428</b>				<b>-286</b>
<b>Assets</b>								
Properties	519,695	113,392		633,087	427,112	136,346		563,458

# SUPPLEMENTARY DISCLOSURES

## NOTE 7. INTEREST-BEARING LIABILITIES

This section contains information about the company's contractual terms and conditions for interest-bearing liabilities. For further information about the relevant accounting policy and the company's exposure to interest rate risk and risk of exchange rate fluctuations, please refer to Note 28 of the 2019 annual accounts.

Quartiers' interest-bearing liabilities consist mainly of property loans from Spanish credit institutions raised in connection with the original acquisition of the properties acquired directly from the Spanish bank Banco Popular and investment loans.

The property loans are in euros and secured via property mortgages. The average interest rate was 1.88%.

The maturities average 15 years.


In addition, the company has raised investment loans at a higher interest rate, mainly in euros.

This financing may be regarded as a sort of bridge financing aimed at financing business and project development prior to future refinancing at lower, more long-term levels. The average interest rate on this alternative financing was 12.65%.

The average weighted cost of borrowing for the period was 6.4%.

The Group has also entered into leases concerning property plant and equipment, mainly furnishings for the hotel and restaurant business. Until 31 December 2018 the leases were classified as financial leases within the Group. These assets are recognised at the present value of future lease payments, less amortisation. On the liability side, the present value of remaining future lease payments is recognised as liabilities to credit institutions. The asset is amortised over its useful life, which corresponds to the lease term.

	30/06/2020	30/06/2019	31/12/2019
<b>Long-term</b>			
Property loans	143,786	154,521	150,731
Lease liability	3,193	547	3,497
Interest-bearing liability, purchase price	0	0	4,449
Investment loans	98,095	60,966	95,216
<b>Total</b>	<b>245,074</b>	<b>216,034</b>	<b>253,893</b>
<b>Short-term</b>			
Property loans	16,812	15,468	17,779
Lease liability	1,878	635	2,433
Interest-bearing liability, purchase price	4,384	0	4,449
Investment loans	8,139	15,845	0
<b>Total</b>	<b>31,213</b>	<b>31,948</b>	<b>24,661</b>
<b>Total interest-bearing liabilities</b>	<b>276,287</b>	<b>247,982</b>	<b>278,554</b>
<b>Liabilities at start of year</b>			
Borrowings raised	12,078	64,279	127,848
Repayments	-15,724	-22,990	-50,960
Foreign exchange adjustments	1,378	5,000	204
<b>Liabilities at year-end</b>	<b>276,286</b>	<b>247,982</b>	<b>278,554</b>



# QUARTIERS TIERS

P R O P E R T I E S

## CONTACT

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