



QUARTIERS TIERS

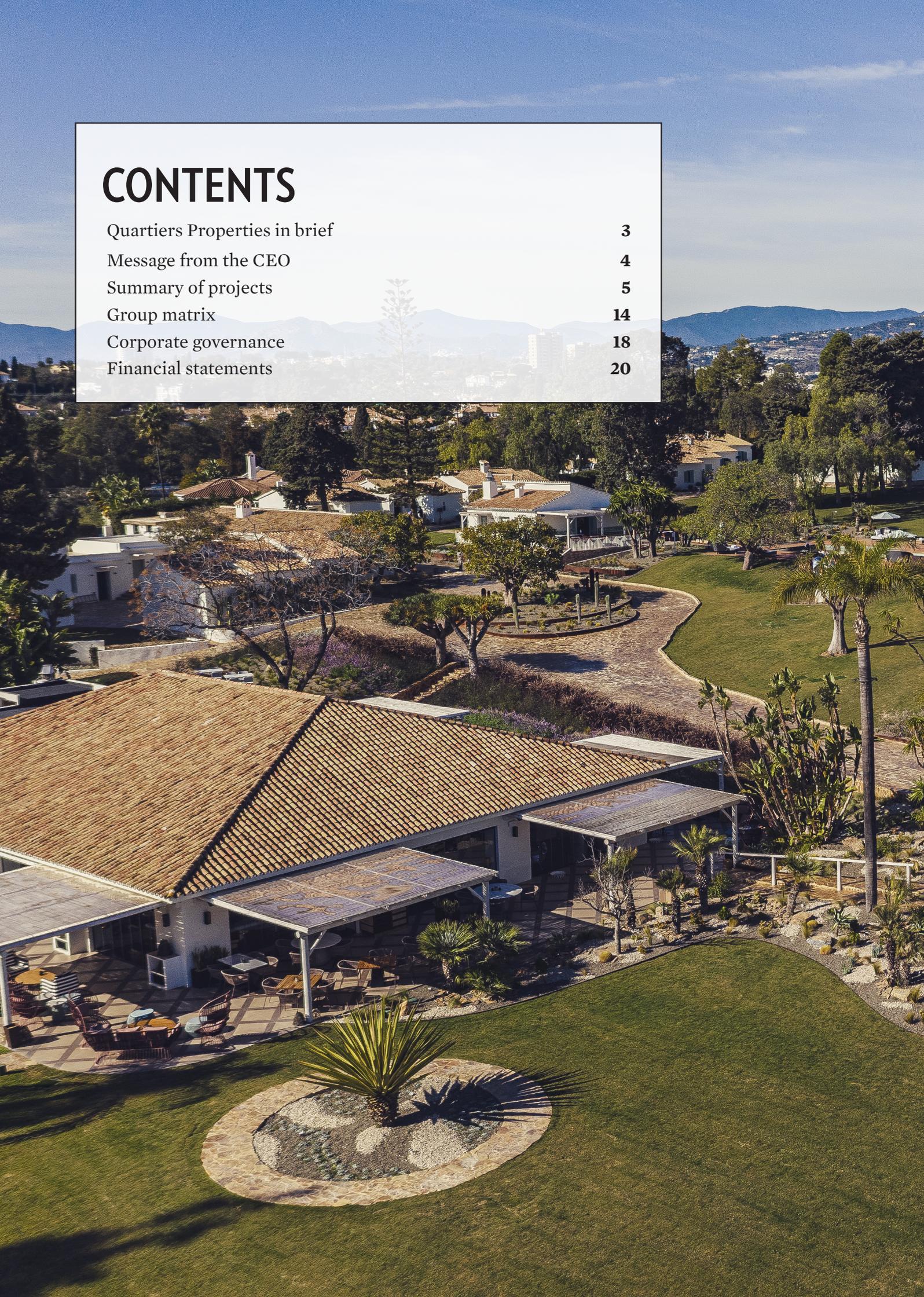
P R O P E R T I E S

**ANNUAL REPORT
JANUARY DECEMBER 2020**

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QUARTIERS PROPERTIES IN BRIEF

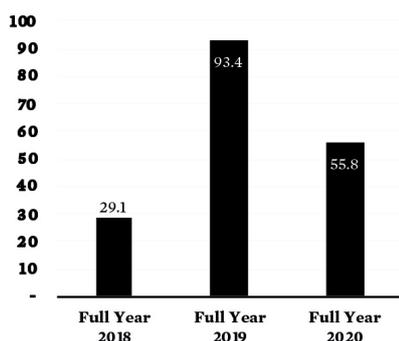
Quartiers Properties is a Swedish-owned real estate company listed on Nasdaq First North in Stockholm. The company's business is geographically focused on Spain. Quartiers mainly invests in properties aimed at an affluent international target group.

The company draws on 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 the projects and ensures an attractiveness that also appeals to numerous nationalities, including the local Spanish population.

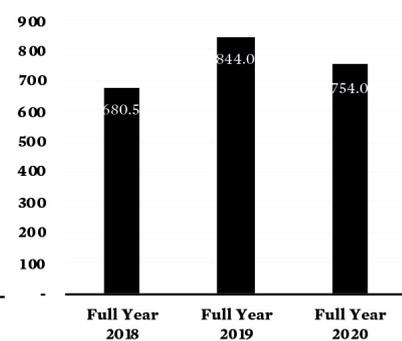
Quartiers is active in the premium segment and exposed to the tourism sector in particular, which has been affected very negatively by the travel restrictions resulting from Covid-19. The tourism industry in Marbella has historically shown a strong ability to return quickly after short-term disruptions to demand. In this crisis, which is not a financial crisis but a health crisis, strong stimulus packages and an expansionary monetary policy have helped the value of assets to continue to rise. This is evident not least in the Swedish housing market and stock market. Assuming a continued strong demand for travel in the Northern European premium market and an easing of the current travel restrictions, there are good conditions for an unusually strong summer and autumn for hotels, restaurants and property sales on the Costa del Sol in Spain.

On 31 December 2020, the Group had 68 employees, all of whom were based in Spain and 29 of whom were partially or fully 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 on 31 December 2019, as a result of Covid-19.

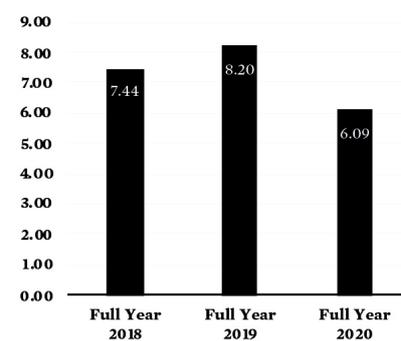
SALES (SEK MILLION)



PROPERTY VALUE (SEK MILLION)



NET ASSET VALUE PER ORDINARY SHARE (SEK)



Key performance indicators (SEK thousand)	31/12/2020 (Full year)	30/06/2020 (Half year)	31/12/2019 (Full year)	31/12/2018 (Full year)
Sales revenues	55,800	28,136	93,377	29,098
Operating profit/loss, EBITDA	-29,975	-15,625	-14,823	-22,312*
Property values**	754,008	783,006	843,999	680,460
Interest-bearing liabilities	314,736	276,287	292,657	207,139
Loan to value (LTV)	39.64%	32.03%	34.68%	30.44%
Equity/assets ratio – carrying amount	43%	49%	48%	57%
Equity/assets ratio – property market value	67%	66%	69%	70%
Number of employees (Group)	68	71	105	8
Net asset value per ordinary share***	6.09	6.72	8.20	7.44
Equity per share	5.44	6.89	6.91	9.51
Share price per ordinary share	9.50	2.78	5.10	6.54
Market capitalisation – ordinary shares	491,668	134,727	246,977	316,947

* Excluding unrealised changes in value.

** 31/12/2020: According to the valuation conducted in January 2021 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

In December 2019 we had the pleasure of welcoming our first hotel guests to Boho Club. In the annual accounts, we also noted that during the year we had sold all the flats in the 22byQuartiers project. In January and February, we completed further flat sales in the Hacienda Collection project. The year started strongly, and I personally sat in negotiations with banks to refinance Boho Club and thus free up cash flow and repay short-term loans that we had used to complete the renovation of Boho Club. We looked forward to 2020 as the year when our crown jewel Boho Club would establish itself in earnest and contribute positive cash flow to the business, and when our financing costs would be drastically reduced through our far-reaching refinancing plans. Everything looked good, and I was pleased with the excellent timing of the refinancing. But timing would turn out to be easier said than done.

When news of the coronavirus first broke, not many people thought it would become a major problem. In Spain, the government allowed a large demonstration with thousands of people on the streets of Madrid. It turned out to be an event that helped put Madrid and Spain in the world spotlight as one of the most affected countries in the world. For us, the pandemic meant a complete transformation of our operations from preparations for the summer and refinancing discussions to immediate crisis management and temporary shutdown of our operations. In this context, it was not a huge shock that the banks became cautious and withdrew from all ongoing financing discussions relating to hotels and restaurants.

Although we are far from normal levels, much of the current restrictions are expected to be phased out during May, which in turn is expected to contribute to an overall increase in demand across our business.

Our focus on the premium segment looks set to benefit us in the ongoing recovery phase. Our target audience, both for Boho Club and for buying flats, villas and plots, has in many cases seen their fortunes grow over the last twelve months. Both equity markets and property markets in many of the countries where our clients are located have risen sharply over the past year, spurred by an unprecedented expansion of monetary and fiscal policy. We look set to benefit from this trend in several ways.

First and foremost, it means that our customers have had the opportunity to accumulate a larger travel fund, which they will now spend on travel, hotel accommodation and restaurants. In addition, the fact that asset prices in many of our customers' home markets have risen sharply, not least in the form of real estate prices, is having an impact. It affects the willingness to spend more money on travel and hotel accommodation, which benefits us. Finally, it

also provides an increased borrowing capacity and the possibility to refinance the primary residence in order to free up money to buy a holiday home in the Costa del Sol.

In addition to the sense of recovery that I have conveyed above, I would also like to take this opportunity to tell you about the work underway on the new master plan in Marbella, which is expected to have a hugely positive effect on Boho Club and the neighbouring properties that we own. During the quarter, we started working with HCP Architects in Malaga, one of the region's most experienced and reputable architectural firms. Together, we have developed sketches analysing the great potential of the project and how to strengthen the successful concept we have created at Boho Club by multiplying the number of square metres of building space with more restaurants, hotel rooms, public spaces, commercial spaces and sports facilities. The results are strikingly positive, and the potential of the property in the context of how we want to develop Boho Club on Marbella's most exclusive street for hotels and restaurants is unique. In early 2020, the municipality presented a timetable for the completion and approval of the new master plan by mid-2023. The first part of the process was on schedule, and a vision plan was published in the summer of 2020. The next step is an initial approval of the plan, which is expected to be published in the second half of 2021. It is deemed to confirm that we will get back the square meters of building rights that we were entitled to in a previously approved but annulled general plan for the Marbella municipality, on which our business case for the development of the area is based.

Last but not least, I would like to highlight the teamwork that the whole Group has contributed. We have evolved as a company in many different ways, and despite the fact that we have been through the toughest period ever in the company's history, everyone has contributed, stood up and been understanding even when many have unfortunately had to leave their jobs or were temporarily laid off. Although the pandemic year has been costly in many ways, we are stronger today as a company than ever before, and we look forward to demonstrating this when demand returns to Marbella.



Marcus Johansson Prakt, CEO Quartiers Properties

QUARTIERS HOLIDAY FLAT COMPLEX IN BENAHAVÍS

THE PROPERTY IN BRIEF

- Status: Operational holiday flat complex, with individual flats for sale.
- Municipality: Benahavís.
- Market value at 31/12/2020: EUR 33,912 thousand.
- Average value per flat: EUR 365 thousand.
- Taken over and paid for in full.
- Purchase price: EUR 17,200 thousand.
- Purchase price per flat: EUR 170 thousand.

ACTIVITIES

Quartiers has been running short and long-term rental operations at the company's flat complex in Benahavís since 2016. The company initially acquired 99 flats, and in addition has completed two flats currently used as offices and meeting rooms, bringing the initial offering to 101 flats. Following the upgrading of the area, which was largely made possible by the rental activity, the company has started to realise profits through the sale of flats. As of 31 December 2020, the company owned 94 flats, meaning that 6 had been sold.

Quartiers took over the operating business from an external operator from 1 January 2019. The decision to take over the operations has had a positive effect and as a result, the costs of the operations have decreased and the revenues have increased.



Source: Google Maps

QUARTIERS HOLIDAY FLAT COMPLEX IN BENAHAVÍS

FINANCIAL COMMENTS

The flats in the complex are owned by Flexshare Espana SL (wholly owned by Quartiers Properties), which in turn rents the flats to Quartiers' wholly owned subsidiary Quartiers Management SL. Quartiers Management SL pays a fixed, profit-based rent to Flexshare Espana SL.

The financial table summarises the business as a consolidated whole. The comparison figures refer to income and costs from hiring to an external operator.

Net sales of the business in 2020 amounted to SEK 9,151 thousand, corresponding to a decrease of 51.5% compared to 2019. The sharp decline is explained by reduced demand due to Covid-19. Sales costs totalled SEK 1,057 thousand and principally comprise commissions to booking agents including booking.com and Expedia.

Operating costs include costs to the joint association for maintenance (SEK 4,462 thousand), personnel costs (SEK 2,953 thousand), electricity and water (SEK 1,387 thousand) and repairs and maintenance (SEK 552 thousand).

EBITDA for 2020 amounted to SEK -2,685 thousand. The company succeeded in limiting the negative impact on its operating result by reducing its operating costs through various measures.

Interest expenses on loans (not preference shares) directly related to the business amounted to SEK 1,691 thousand in 2020, while repayments linked to the current business totalled SEK 10,294 thousand.

In all, cash flow related to leasing operations before investments amounted to SEK -14,670 thousand for 2020, which is a decline of SEK 3,815 thousand (26%) compared to 2019, when the corresponding cash flow totalled SEK -10,855 thousand.

VALUATION AND YIELD

At 31 December 2020, the company owned 92 flats for rent in the holiday flat complex. These were valued according to the comparable sales method as if they were to have been sold separately, one by one. The valuation at 31 December 2020 amounted to the equivalent of SEK 341,060 thousand, corresponding to a decrease in value of 1% in local currency for the comparable portfolio compared to the same date in 2019.

For the full year 2020, direct yield on allocated capital to the business, measured as EBITDA over current market value, amounted to -0.79%, while the corresponding figure for 2019 was 0.35%.

FUTURE PLANS

The company aims to sell the flats and reinvest the cash in new projects. The company will continue with the rental business while the sale is ongoing.

FINANCIAL SUMMARY

	2020	2019
Net sales	9,151	18,890
Sales expenses	-1,057	-1,861
Gross profit	7,901	17,029
Other operating expenses	-10,586	-15,699
EBITDA	-2,685	1,330
Interest expenses	-1,691	-2,259
Depreciation/amortisation	-9,560	-10,750
Profit/loss before tax	-13,936	-11,679
Repayments	-10,294	-9,956
Operating cash flow	-14,670	-10,855
Investments	-800	-3,758
Property valuation	341,060	385,466
EBITDA yield	-0.79%	0.35%



BOHO CLUB

THE PROPERTY IN BRIEF

- Status: Operational hotel & restaurant.
- Municipality: Marbella.
- Buildable area: awaiting new local development plan.
- Area of existing buildings: 4,954 square metres.
- Plot area: 23,231 square metres.
- Purchase price: EUR 9,582 thousand.
- Valuation: EUR 22,000 thousand.
- Number of units: Two restaurants and approximately 30 rooms.
- Taken over and paid for in full.

THE BUSINESS

In 2017, Quartiers acquired the Centro Forestal Sueco complex on the Golden Mile in Marbella, consisting of 36,894 square metres of land with associated buildings. Part of the land area corresponding to 23,231 square meters of land and 4,182 square meters of building area was renovated in 2019. Additionally, the company has an option agreement to acquire an adjacent undeveloped plot of 3,781 square metres (see page 9, Boho Club – Plot for further development'. Quartiers intends to build more hotel rooms on this plot in the future.

Boho Club currently comprises two restaurants, two pools and 30 rooms and bungalows. Both the restaurant and the hotel have received several awards for their design, as well as the food and beverage experience.



Source: Google Maps

BOHO CLUB

FINANCIAL COMMENTS

The property and the operating company are 100% owned by Quartiers Properties through subsidiaries.

While the business was only active for a short portion of 2019, the financial year was nevertheless affected by costs related to renovation, concept development and so on. In 2020, both hotel and restaurant operations were negatively affected by Covid-19. Operations were completely closed for parts of the year.

Net turnover during the year amounted to SEK 23,489 thousand, of which SEK 14,649 thousand was attributable to the restaurant and SEK 8,840 thousand to the hotel.

The interest expenses and repayments reported are directly linked to loans related to the project and do not include dividends or accrued dividends on preference shares.

FUTURE PLANS

The Municipality of Marbella is working on a project intended to implement a new local development plan. The company believes there is a potential upside to obtaining many times the square metres of additional building space in the project, which could allow for further expansion of facilities, restaurants and new hotel rooms and correspondingly increase the value of the property.



FINANCIAL SUMMARY

The Boho Club SL

	2020	2019
Net sales	23,489	6,356
Sales expenses	-7,231	-2,640
Gross profit	16,258	3,716
Other operating expenses	-27,287	-17,847
EBITDA	-11,029	-14,131
Interest expenses	-8,452	-135
Depreciation/amortisation	-1,843	-738
Profit/loss before tax	-21,324	-15,004
Repayments	-1,100	-274
Investments	-7,883	-65,864
Cash flow	-28,464	-80,404

FINANCIAL SUMMARY

CFS Marbella Hotel Property SL

	2020	2019
Rental income	4,270	0
Property expenses	-360	-1,235
EBITDA	3,910	-1,235
Interest expenses	-1,229	-507
Depreciation/amortisation	-3,129	-102
Profit/loss before tax	-448	-1,844
Repayments	0	-1,161
Investments	0	-12,912
Cash flow	-2,681	-15,816
Property valuation	221,258	249,157
EBITDA - yield	1.77%	neg.

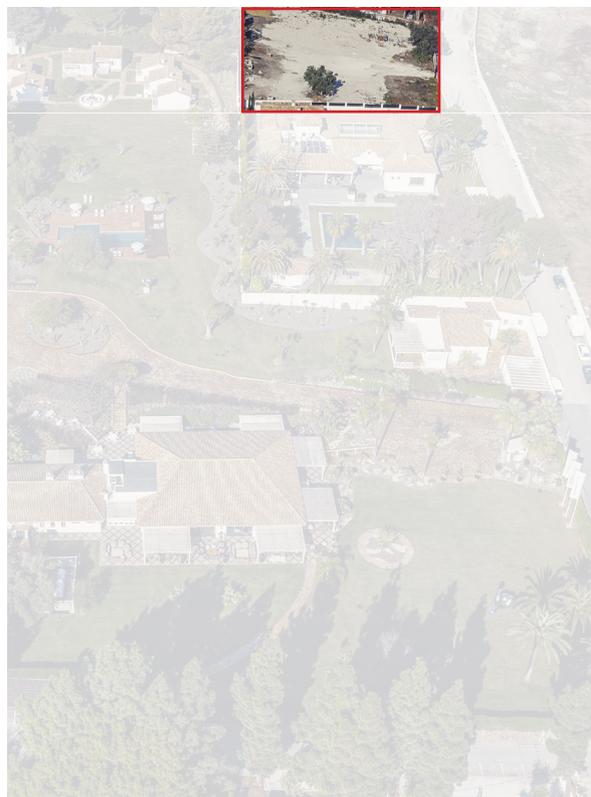
BOHO CLUB – PLOT FOR FURTHER DEVELOPMENT

THE PROPERTY IN BRIEF

- Status: Unzoned land acquired for future expansion with more hotel rooms.
- Municipality: Marbella.
- Buildable area: awaiting new local development plan.
- Area of existing buildings: 0 square metres.
- Plot area: 3,781 square metres.
- Purchase price: EUR 2,160 thousand (adjusted for extended payment schedule).
- Valuation: EUR 1,748 thousand.
- Option agreement with planned occupancy in January 2022, with the possibility to postpone occupancy until 2023.

PROPERTY DESCRIPTION

Right next to the property where Boho Club is being developed, Quartiers has acquired a 3,781 square-metre plot through an option agreement. So far, the company has paid EUR 688 thousand for the option, and the plan is to take possession of the property in January 2022 or January 2023, depending on how Quartiers decides to use the current cash. The purpose of the property is to expand the Boho Club hotel with more rooms once a local development plan comes into effect in Marbella. For this reason, the company has negotiated an advantageous instalment plan, whereby the purchase price is paid off in monthly instalments. Until a new zoning plan is in place, the company will use the site as parking for the Boho Club.



The plot is located adjacent to Boho Club and is therefore suitable for the development of more hotel rooms with a new master plan.



Source: Google Maps

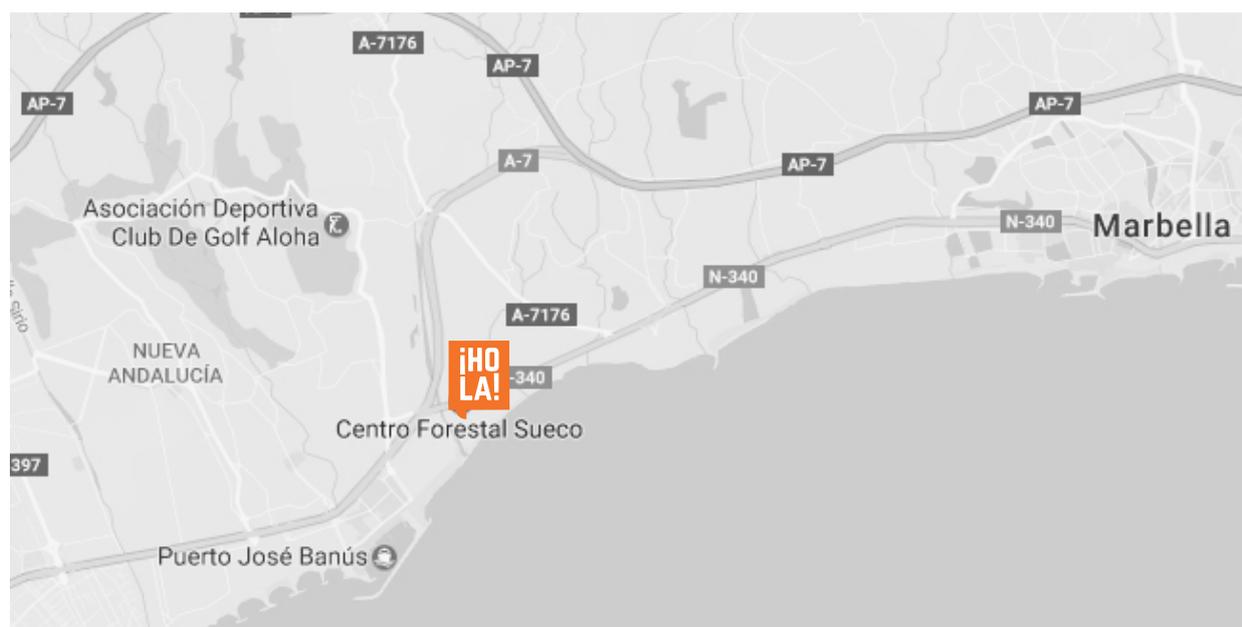
FORESTAL RESIDENTIAL

THE PROPERTY IN BRIEF

- Status: Work under way on plan changes.
- Municipality: Marbella.
- Buildable area: Awaiting new local development plan.
- Area of existing buildings: 2,329 square metres.
- Plot area: 13,730 square metres.
- Purchase price: EUR 4,195 thousand.
- Valuation: EUR 5,745 thousand.
- Taken over and paid for in full.

PROPERTY DESCRIPTION

This 13,730 square-metre property is located next to Boho Club and is less than two minutes' walk from the beach in Marbella. Quartiers plans to develop the site into an exclusive gated community of villas and/or flats and market these as part of the Boho Club. For Quartiers, this unique aspect of the project is expected to lead to a higher selling price per square metre than other projects in equivalent locations. Quartiers is actively participating in discussions with the Marbella municipality to enable as many square metres as possible in a new zoning plan for the property. At the same time, work is underway with architects for the development and design of the extension.



Source: Google Maps

OCEAN VIEW

THE PROPERTY IN BRIEF

- Status: Under development.
- Municipality: Benahavís.
- Buildable area: 8,064 square metres.
- Number of units: 60 to be sold.
- Purchase price: EUR 2,760 thousand.
- Valuation: EUR 7,737 thousand.
- Taken over and paid for in full.

Project description

Flat project in Benahavís with approximately 10,000 square meters of building rights to develop 60 new flats. The company is currently exploring the possibility of positioning the project within the sharing economy and selling parts of flats during certain periods of the year. The concept is deemed suitable for a target group that only intends to use the flat for part of a year and thus wants to avoid the costs and administration related to full ownership.



Source: Google Maps

VILLA IN NUEVA ANDALUCIA

THE PROPERTY IN BRIEF

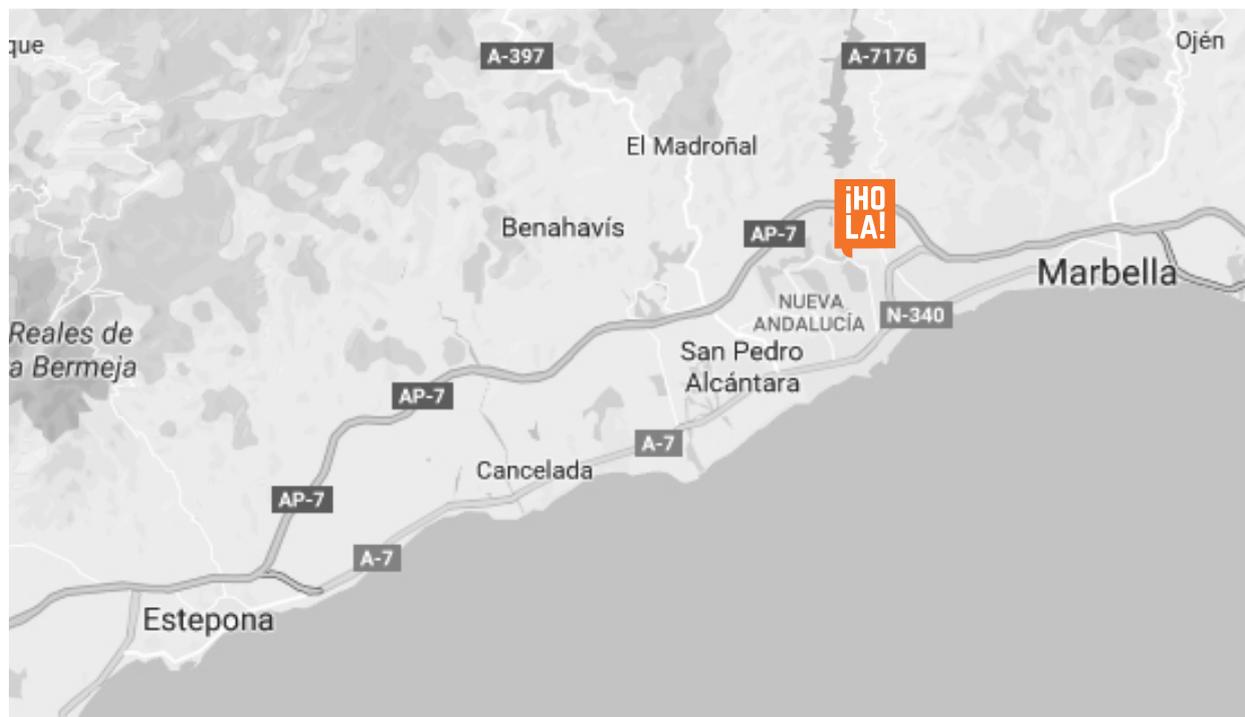
- Project type: Detached villa, turnkey project.
- Municipality: Marbella.
- Plot: 831 sqm, acquired with deeds.
- Construction volume: 365 square metres.
- Number of units: 1.
- Purchase price land: EUR 550 thousand.
- Asking price: EUR 2,100 thousand.
- Plot taken over and paid for in full.

PROPERTY DESCRIPTION

This luxury residence, located in exclusive Nueva Andalucia, has recently been completed and is now for sale. The villa has both sea and golf views and is being marketed by the estate agency Maiti Homes. Please contact Maiti Homes to book a viewing.

Email: marketing@maitihomes.com

Tel.: +34 684 38 54 86



Source: Google Maps

LOS FLAMINGOS VILLAS

THE PROPERTY IN BRIEF

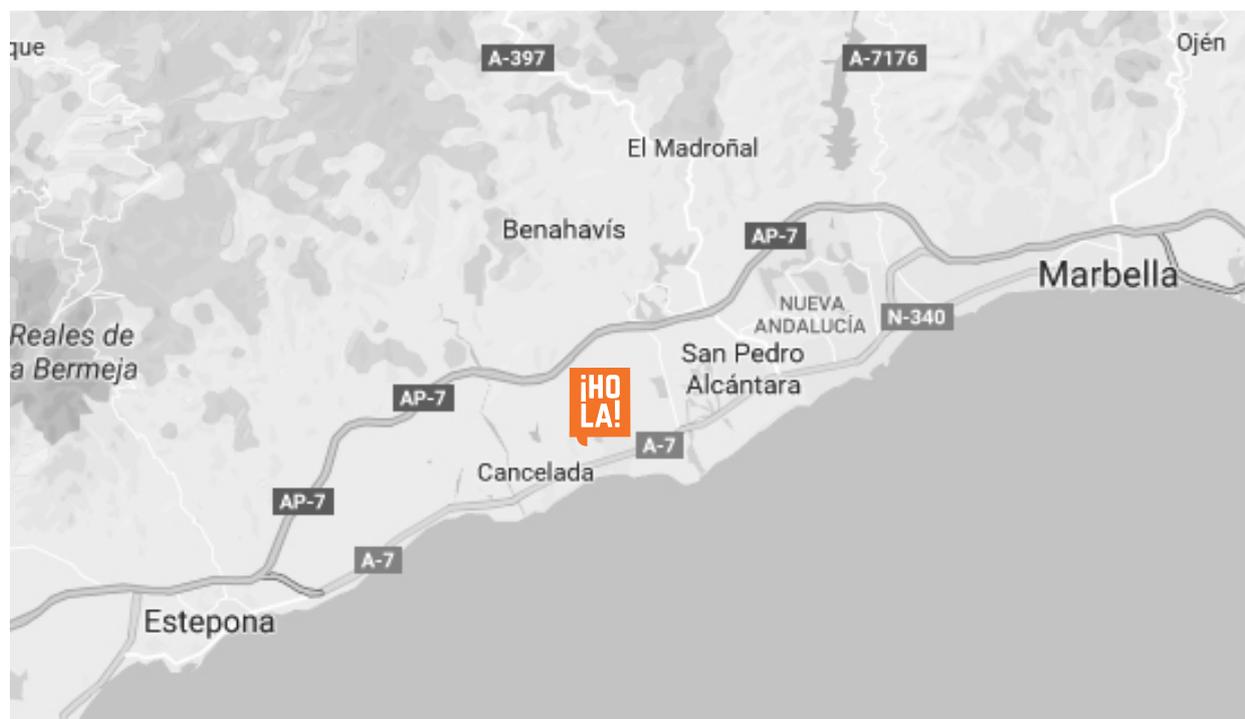
- Project type: Two villa plots.
- Municipality: Benahavís.
- Plot: 2,950 sqm.
- Construction volume: 1,255 square metres.
- Number of units: 2.
- Purchase price: EUR 1,600 thousand.
- Acquired through companies and paid for in full.



PROJECT DESCRIPTION

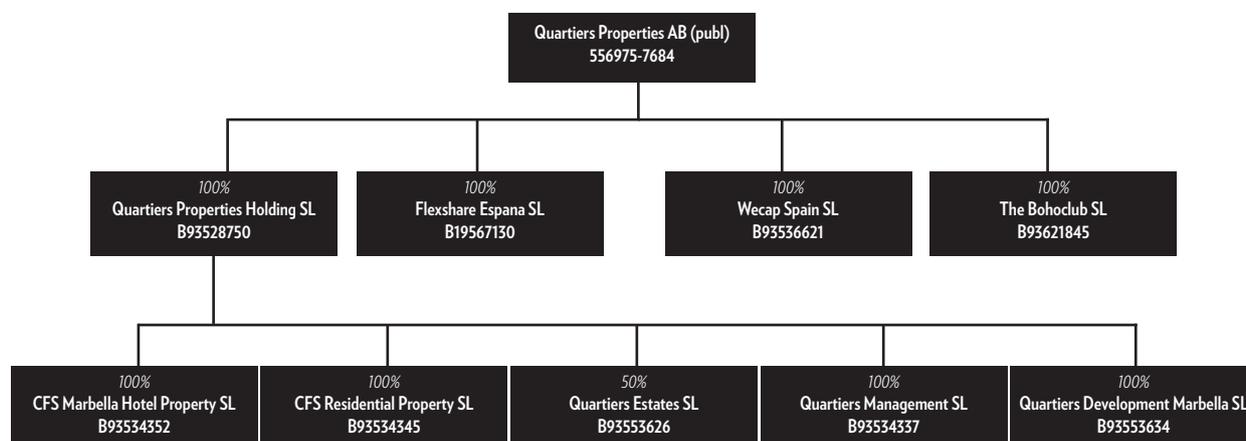
Two residential plots in the exclusive Los Flamingos area in Benahavís municipality. The plots have sizes of 1,583 and 1,360 square metres. The largest of them is currently for sale. Both plots can be developed immediately using a quick and easy licensing process. Please contact the Quartiers sales team for more information.

Email: sales@quartiersproperties.com
 Tel.: +34 633 094 628



Source: Google Maps

GROUP MATRIX



DESCRIPTION OF GROUP COMPANIES

Quartiers Properties AB (publ)

Quartiers Properties AB (publ) is a Swedish-registered limited liability company with registration number 556975-7684. The company is the parent company of the Group. Its activities are focused on the development and management of the holdings of the subsidiaries, as well as on issues related to the financing of the subsidiaries' activities. The parent company is an important link to the strong and active capital markets in Scandinavia, as illustrated by its listing on the Nasdaq First North Growth Market. All of the Group's subsidiaries, except Quartiers Estates SL, are directly or indirectly 100% owned by the parent company. The Parent Company's indirect ownership in Quartiers Estates SL amounts to 50%.

Quartiers Properties Holding SL

Quartiers Properties Holding SL, with registration number B93528750, is a Spanish holding company which owns shares in the majority of the Group's Spanish subsidiaries. The company also acts as an employer for the company's management, which is based in Spain.

Flexshare Espana SL

Flexshare Espana SL, with registration number B19567130, is a Spanish subsidiary that owns the Quartier holiday flat complex in Benahavis (see pages 5–6), Ocean View (see page 11) and the villa project in Nueva Andalucía (see page 12). The company is active in property management and operations. This was the first Spanish company to be formed in the Group when the business was founded in 2015. For this reason, the company is presented separately and directly below the parent company in the group matrix.

Wecap Spain SL

Wecap Spain SL, with registration number B93536621, is a project company that owns the Group's residential plots in Los Flamingos (see page 13). The acquisition of the plots was made through the purchase of the shares in Wecap Spain SL. Payment was made through the issue of new preference shares in the Parent Company, which explains why the company is directly below the Parent Company in the consolidated matrix.

The Bohoclub SL

The Bohoclub SL, with registration number B93621845, is the operating company that runs the Boho Club (see page 8). Quartiers initially owned 50% of the company but has now taken over 100% ownership following a number of transactions. The company only owns the operation of the Boho Club; the property is owned by CFS Marbella Hotel Property SL (see below).

CFS Marbella Hotel Property SL

CFS Marbella Hotel Property SL, with registration number B93534352, owns the property where the Boho Club operates. The property is leased to The Bohoclub SL, which in turn pays a fixed, turnover-based rent. The corporate structure is adapted to have the flexibility to separate operations from property ownership in the future.

CFS Residential Property SL

CFS Residential Property SL, with registration number B93534245, is a real estate/project company that owns the project with the working name Forestal Residential (see page 10).

Quartiers Estates SL

Quartiers Estates SL, with registration number B93553626, is the company that previously operated the Group's part-owned real estate agency with offices in Puerto Banús. Following agreement with the co-owner of the remaining part of the company, the activities have ceased and the company will be liquidated as soon as all outstanding commissions from previous sales have been received.

Quartiers Management SL

Quartiers Management SL, with registration number B93534337, is an operating company that runs short and long-term rentals in its holiday flat complex in Benahavis (see pages 5–6). The company rents the flats from Flexshare Espana SL and pays a fixed and performance-based rent.

Quartiers Development Marbella SL

Quartiers Development Marbella SL, with registration number B93553634, is a dormant shell company held by the Group to quickly be able to define a purchasing company for future acquisitions of new projects.



Bungalows at Boho Club



CORPORATE GOVERNANCE

Quartiers Properties AB (publ) is a Swedish public property company, with registered offices in Stockholm, whose shares are listed on Nasdaq First North in Stockholm. The external framework for corporate governance is the Swedish Companies Act, the Articles of Association and Nasdaq's rules for issuers on First North. Prior to the listing on First North, which took place in June 2017, the company complied with NGM Nordic MTF's rules for issuers. The company complies with internal regulations issued by the Board, the most important of which include the Board's rules of procedure, the CEO instructions and the company's inside information policy. The company is not obliged to apply the Swedish Corporate Governance Code, but does so insofar as it is financially viable given the size and nature of the business.

Principles of corporate governance within Quartiers Properties

Corporate governance within Quartiers Properties aims to support the Board of Directors and management in ensuring that all operations create long-term value for shareholders and other stakeholders.

Governance involves upholding:

- an efficient organisational structure,
- risk management and internal control systems, and
- transparent internal and external reporting.

Shareholders and the Annual General Meeting

Shareholders' influence in the company is exercised at the AGM, which is the company's highest decision-making body. At the AGM, each shareholder votes by right of the number of votes associated with the share type held. Quartiers Properties has two classes of shares: ordinary shares carrying ten votes and preference shares carrying one vote. At the date of publication of this annual report, the company had 51,754,520 ordinary shares, each carrying 10 votes, corresponding to 517,545,200 votes, and 6,769,868 preference shares, each carrying one vote, corresponding to 6,769,868 votes. There are consequently a total of 58,524,388 shares and a total of 524,315,068 votes in the Company.

BOARD OF DIRECTORS



Jörgen Cederholm



Sten Andersen



Jimmie Hall



Andreas Bonnier

Board of Directors

The company's Articles of Association state that the Board of Directors shall comprise a minimum of three and maximum of nine members, including the Chairman. The Board currently consists of four ordinary members, including two members who are independent in relation to both the company and company management, as well as the company's major shareholders. Two members are independent in relation to the company and its management but not in relation to the company's major shareholders. The company's Board of Directors is elected at the AGM. The election of the Board relates to the period extending up to and including the next AGM. The company does not appoint any special committees for auditing or remuneration issues, as the entire Board is engaged in these matters. The Board shall monitor operations and actively support the development of the company. The Board is composed of individuals with expertise and experience in business development, marketing, property and project development, financing and capital market issues.

The Chairman of the Board ensures that the Board performs its duties. The Chairman also monitors operations in consultation with the CEO and is responsible for ensuring that other Board members receive the information required in order to facilitate discussion and decisions of high quality. The Chairman is also responsible for evaluating the work of both the Board and the CEO.

Composition of the Board of Directors in 2020

Name	Role	Independent of largest shareholder	Independent of management
Jörgen Cederholm	Chair	No	Yes
Sten Andersen	BM	Yes	Yes
Jimmie Hall	BM	Yes	Yes
Andreas Bonnier	BM	No	Yes

CORPORATE GOVERNANCE

Annual General Meeting 2020

Quartiers Properties' 2020 AGM was held on 26 June at the offices of law firm Advokatfirman Wåhlins AB at Engelbrektsgränd 7 in Stockholm, Sweden. In addition to the mandatory agenda items stipulated in the Articles of Association, decisions were made regarding the following matters:

- The AGM re-elected Jörgen Cederholm, Sten Andersen, Jimmie Hall and Andreas Bonnier as Board members for the period up until the end of the next AGM. Jörgen Cederholm was re-elected as Chairman of the Board. In addition, the AGM re-elected registered auditing firm Öhrlings PricewaterhouseCoopers AB with principal auditor Henrik Boman for the period up until the end of the next AGM. The AGM resolved that Board fees of SEK 290,000 shall be paid to the Chairman and SEK 150,000 to each of the other Board members elected by the AGM. In addition, the Board shall be entitled to make decisions on paying Board members (personally or via companies) market-based, reasonable compensation for consulting work carried out that is not part of the usual Board-related work. The AGM resolved that fees for the auditor would be paid on an ongoing basis according to invoices approved by the company.
- The AGM resolved to authorise the Board of Directors, up until the next AGM and within the 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. The issue may be made against payment in cash, payment in kind and/or by offsetting, or otherwise subject to conditions. Share warrants shall 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 of no more than 15% in the Company's share capital, 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.
- The AGM decided on an exchange offer to all preference shareholders in the company, involving the redemption of preference shares in exchange, per preference share redeemed, for one ordinary share and one fee-free Series 2020/2021 (TO 3) warrant and one fee-free Series 2020/2022 (TO 4) warrant. The AGM's decision involves (i) a reduction in the company's share capital via the cancellation of preference shares, whereby the share capital may be reduced by a maximum of SEK 251,537.30 via the cancellation



CORPORATE GOVERNANCE

of a maximum of all 10,061,492 preference shares in the company, and (ii) private placements of all ordinary shares and warrants to the preference shareholders who accept the offer. The private placements meant that a maximum of 10,061,492 ordinary shares could be issued, resulting in an increase in share capital of up to SEK 251,537.30, and a maximum of 10,061,492 Series 2020/2021 (TO 3) warrants could be issued, resulting in an increase in share capital upon exercise of the warrants of up to SEK 251,537.30, and a maximum of 10,061,492 Series 2020/2022 (TO 4) warrants could be issued, resulting in an increase in share capital upon exercise of the warrants of up to SEK 251,537.30. The sum of SEK 4 was received for each preference share cancelled. The right to have preference shares cancelled was dependent on preference shareholders subscribing for ordinary shares for the entire amount. The subscription price for each ordinary share was SEK 4. The warrants were issued free of charge. The notification and subscription period ran from 28 July 2020 through 28 August 2020. The offer was covered by a prospectus approved by the Swedish Financial Supervisory Authority.

- Decision that the Nomination Committee would consist of representatives of the two largest shareholders in the company in terms of voting rights.

Nomination Committee

The 2020 AGM decided that the members of the Nomination Committee for the 2021 AGM would consist of Andreas Bonnier (as representative of Egonomics AB) and Mats Lundberg (as representative of Fastighets Aktiebolag Bränneröd and Mats Invest AB).

Duties of the Nomination Committee:

The Nomination Committee shall prepare proposals for the following resolutions prior to the 2021 Annual General Meeting:

1. proposal regarding the number of Board members and auditors, and deputies for these posts where appropriate;
2. proposal regarding Board member fees and remuneration for the Company's auditors;
3. proposal for election of Board members, and deputies for these posts where appropriate;
4. proposal for the election of Chairman of the Board;
5. proposal regarding election of auditors, and deputies for these posts where appropriate; and
6. proposal for decision on Nomination Committee.



Proposals for Board members and auditors prior to the 2021 AGM

The Nomination Committee has proposed the re-election of Jörgen Cederholm, Sten Andersen, Jimmie Hall and Andreas Bonnier as Board members for the period up until the end of the next AGM. Jörgen Cederholm has been proposed to continue as Chairman of the Board.

Details of the Board members who are proposed for re-election are available on the Company's website, www.quartiersproperties.com.

The Nomination Committee has proposed re-election of registered audit firm Öhrlings PricewaterhouseCoopers AB for the period until the end of the next AGM. If Öhrlings PricewaterhouseCoopers AB is elected as auditors, Authorised Public Accountant Henrik Boman shall serve as principal auditor.

The Nomination Committee's proposal on Board and auditor fees

The Nomination Committee has proposed that Board fees of SEK 290,000 shall continue to be paid to the chairman and SEK 150,000 to each of the other Board members elected by the AGM.

In addition, the Board shall continue, unchanged, to be entitled to make decisions on paying Board members (personally or via companies) market-based, reasonable compensation for consulting work carried out that is not part of the usual Board-related work.

The Nomination Committee proposes that fees to auditors shall be paid on an ongoing basis in accordance with invoices approved by the Company.

Internal controls

Based on policy documents adopted by the Board of Directors, the CEO and company management are responsible for designing and documenting, as well as maintaining and testing the systems and processes required in order to minimise risk in operating activities and financial reporting. In addition to policy documents there are also delegation rules, process descriptions, checklists and job descriptions for each employee detailing their responsibilities and level of authority, as well as standardised reporting procedures.

Information and communication

The annual report, year-end report, interim reports and other regular information are produced according to Swedish law and practice. The disclosure of information is characterised by transparency and reliability. In order to ensure that external information for the equity market is issued correctly, the company has an inside information policy that regulates how information is to be disclosed. The aim is to create understanding and confidence in

the business among shareholders, investors, analysts and other stakeholders. Quartiers Properties discloses information to shareholders and other stakeholders via public press releases, year-end and interim reports, annual reports and the company's website. In order to keep Quartiers Properties' shareholders and stakeholders updated about the business and its performance, current information is published regularly on the website. Events deemed to be price sensitive are disclosed by means of press releases. Quartiers Properties also uses other marketing channels such as Mynewsdesk for non price-sensitive information.

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Shareholders

Annual General Meeting 2021



The Board of Directors and the Chief Executive Officer of Quartiers Properties AB (publ), 556975-7684, hereby submit the annual accounts and consolidated accounts for the financial year 2020.

DIRECTORS' REPORT

THE COMPANY IN BRIEF

Quartiers Properties AB (publ) is a Swedish limited company that, via Spanish subsidiaries, owns, develops and manages properties on the Costa del Sol in southern Spain. Operations began in July 2015. Today the Group consists of a number of wholly owned companies in Spain, with operations in property development, property management, hotel management and property sales.

BUSINESS CONCEPT

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

BUSINESS OBJECTIVES

Quartiers' objective is to actively identify properties with development potential and build up a property portfolio on the Spanish Costa del Sol, in order to become an established regional operator. In the long term, Quartiers aims to achieve high profitability and manage a broad project portfolio on an ongoing basis.

SIGNIFICANT EVENTS DURING THE FINANCIAL 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. In May, some operations were able to reopen, but the impact of Covid-19 has continued to be significant.
- In 2020, the company has benefited from support measures in Spain that have reduced personnel costs through so-called temporary layoffs (ERTE). The aid takes the form of the employees receiving their wages during the temporary lay-off from the Spanish State while the employer pays reduced social security contributions. In 2020, the Company received EUR 171 thousand in reimbursement of social security contributions. Otherwise, the Company has not received any state aid.
- On 15 July, the company signed a financing agreement with the global investment bank D. E. Shaw & Co,

and with Alantra Debt Solutions for a refinancing of the company's investment loan. Please also see the press release published on 15 July 2020.

- In September, 3,291,624 preference shares were redeemed, which means that these were cancelled and a corresponding number of ordinary shares were issued together with 6,583,248 warrants. The warrants were issued free of charge.

NET SALES

Quartiers' net sales amounted to SEK 55,800 (93,377) thousand. Revenues from the sale of properties decreased by SEK 44,975 thousand, which can partly be attributed to the fact that the 22byQuartiers project was completed in 2019. Revenues from the operator business increased by SEK 7,398 thousand. The seasonally weak first quarter accounted for about 46% of sales in 2020. The company's hotel and restaurant operations have been completely or partially shut down since mid-March 2020 due to Covid-19. The company's sales of properties were also hit hard, with four of a total of six sales being completed during the first quarter.

COST OF PROPERTIES SOLD

The cost of properties sold totalled SEK 23,737 (55,704) thousand, comprising deferred costs of SEK 9,860 (38,663) thousand, sales costs of SEK 2,274 (6,219) thousand and the previously reported change in value of properties of SEK 11,603 (7,348) thousand.

OPERATING EXPENSES

Operating expenses totalled SEK 66,729 (56,253) thousand. The biggest individual costs are personnel and consultancy costs of SEK 22,169 (22,363) thousand, depreciation of SEK 15,692 (11,625) thousand, association fees to the community association in the company's flat hotel of SEK 4,496 (4,870) thousand and electricity and lighting SEK 3,138 (2,383) thousand.

GROSS PROFIT

Gross earnings totalled SEK -37,666 (-18,580) thousand.

EARNINGS FROM INTERESTS IN JOINT VENTURES

Income for the year included earnings from interest in joint ventures of SEK -284 (2,677) thousand. The remaining joint ventures have been wound up during the financial year.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include impairment of operating receivables SEK -6,150 (0) thousand, revaluation of debt SEK 7,648 (0) thousand and impairment of property values SEK -3,000 (0) thousand. Impairment of operating receivables relates to an advance receivable from a construction company with which the cooperation is terminated. The revaluation of debt refers to part of the purchase price for the properties called Centro Forestal Sueco and Boho Club, the payment of which is subject to conditions that have not been met.

At the time of publication of this report, however, there is a disputed interpretation of the relevant clause, which is why not the entire outstanding purchase price of SEK 14,158 thousand has been recognised as income.

INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

The company's interest expenses and similar income statement items for the period totalled SEK -21,823 (-13,140) thousand.

INCOME TAX

Tax on recognised surplus property values is recognised as income tax. Deferred tax for the period was SEK 2,886 (2,146) thousand. This positive tax expense results from the dissolution of deferred tax on previous unrealised changes in value.

PROFIT/LOSS AFTER TAX

Income for the year totalled SEK -67,604 (-37,443) thousand.

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to SEK -62,045 (19,702) thousand, of which cash flow from the sale of project properties SEK 0 (61,855) thousand. Cash and cash equivalents at the end of the year totalled SEK 16,959 (6,874) thousand.

INVESTMENTS

Cash flow from investing activities amounted to SEK 8,410 (-87,927) thousand, of which cash flow from disposal of operating properties SEK 20,992 (2,932) thousand.

OPERATING PROPERTIES

Operating properties consisted of a hotel property and 81 flats that are being rented out under the company's own management as a holiday flat complex. Investments in operating properties during the period amounted to SEK 8,683 (74,006) thousand. The investment mainly relates to the Boho Club project.

As of 31 December, 13 flats in the Hacienda portfolio were reclassified with a book value of SEK 40,318 thousand from operating properties to project properties. The reclassification was made because the flats are in the process of being sold and the purpose of the holding has thus changed. The flats remain in the rental business and the property management segment for the time being.

PROJECT PROPERTIES

During the period, investments in project properties amounted to SEK 5,748 (6,954) thousand. The investments mainly relate to the villa project in Nueva Andalucía in Marbella.

FINANCING

The cash flow from investment activities was SEK 63,274 (65,456) thousand. The cash flow includes cash flow from a new share issue of SEK 25,043 (0) thousand. The net cash flow from borrowing amounted to SEK 41,709 (72,439) thousand. According to the terms and conditions of the

preference shares, a dividend of 96 cents per preference share per year will be paid. The unpaid dividends on the preference shares are accumulated and compounded at an annual interest rate of 12% until payment is made.

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% 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 0.0%. 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.

Following the refinancing, the company's interest-bearing liabilities consist solely of loans with Banco Santander and BBVA, lease liabilities and the investment loan of SEK 176,400 thousand, including capitalised interest.

The company intends to start the process of refinancing the above loans with real estate loans as soon as possible. The company believes this will be possible when the hospitality business is again able to operate freely and demonstrate operating cash flows.

In order to ensure cash flow, the company will continue to dispose of low-rent flats in the portfolio that makes up the Benahavis flat hotel in 2021 and 2022. In total, at the date of this annual report, nine sales agreements have been concluded, three of which have been completed by occupation. A residential project and two plots are also being sold.

The company may issue new shares in September when the Series 3, 2020/2021 warrants expire. A total of 3,291,624 shares may be issued. The minimum subscription price is SEK 3.50, and if all warrants are exercised, the Company will receive at least SEK 11,521 thousand. With the current share price more than 40% above the minimum subscription price, it is likely that the options will result in a capital injection in the form of newly issued shares in September.

Since the relaxation of covenants at the end of March, the company has seen a gradual increase in occupancy, and the booking situation for the June–August high season is satisfactory.

Overall, the company believes that current funding is sufficient to cover existing commitments.

Additional funding needs may arise from the launch of new development projects. For such purposes, alternative financing through the sale of rights of use or similar may be considered.

ORGANISATION

The company's staff is mainly employed in the Spanish operating companies. The CEO and accounting staff are employed by the Spanish holding company. At 31 December 2020, besides the CEO, the management team consisted of the CFO and three other employees. In total, the Group employed 68 people, most of whom worked in the Boho Club hotel and restaurant business.

RISK

Quartiers is continually exposed to various risks that may have a significant impact on the company's earnings and financial position. The risk factors below have not been detailed in order of importance and are by no means comprehensive. See also description of financial risk factors under Note 27.

Risk in operating activities

Revenues consist mainly of variable income from rental and restaurant activities, while costs are largely fixed, particularly property costs. This implies a risk that declines in revenues cannot be offset by lower costs to the same extent. Covid-19 has brought dramatic drops in visitors and has forced the company to shut down completely for periods of time. The effects have been partially offset by taking advantage of the temporary layoff opportunities provided by the Spanish State.

Risk in property acquisitions

Acquiring properties is part of the company's strategy. Property acquisitions are associated with a certain degree of inherent risk and uncertainty, including the risk that company management's time and other resources will be used to attempt to bring about acquisitions that are not completed, the risk of paying too much for assets, the risk of erroneous measures with regard to future operating income for the acquired property, and the risk of taking over rental/cooperation agreements that are unfavourable for the company, as well as the risk that company management's focus is diverted from current operations.

In order to reduce the risk when making property acquisitions, the company carries out individual analyses of each acquisition, examining legal, financial and commercial aspects.

Organisational risk

The company has a relatively small organisation, which means it is dependent on the performance of individual employees and the company's ability going forward to identify, recruit and retain qualified and experienced management personnel. Quartiers' ability to recruit and retain such individuals depends on a number of factors,

some of which are to some extent beyond the company's control, including competition on the labour market.

The loss of one senior or key individual due to that person resigning or retiring, for example, may mean the loss of a key area of expertise, that it is not possible to achieve established objectives or that the implementation of the company's business strategy is negatively affected. If current key individuals leave, or if the company is unable to recruit or retain qualified and experienced senior individuals, this may have a significant negative impact on the company's operations, financial position and position in general.

Refinancing

Refinancing risk refers to the risk that it is not possible to obtain financing at all, or only at significantly increased cost. A low loan-to-value ratio and long credit commitments limit this risk while reducing the company's interest sensitivity. The borrowing requirement may refer to refinancing of existing loans or new borrowing. To minimise the risk of it not being possible to refinance existing loans, Quartiers works proactively to maintain good relationships with banks and other capital providers. The company's operations are capital intensive, which means that issues relating to refinancing are given high priority and are continually followed up by the company's management team. There is a risk that future refinancing on reasonable terms may not be possible at all, or may be only partly possible, which would have a significant negative impact on the company's operations, financial position and earnings.

Legal risk

Property operations are highly dependent on laws and other regulations, as well as decisions by authorities with regard to the environment, safety and renting. New laws or regulations, or changes to the application of existing laws or regulations that are relevant to the company's operations or customers' operations may have an adverse effect on the company's operations, financial position and earnings.

Exchange rate fluctuations

The company conducts operations in Spain and is therefore exposed to the risk of exchange rate fluctuations having a negative impact on Quartiers' income statement, balance sheet and/or cash flow. The company's reporting currency is SEK and its most important operating currency is EUR. Foreign currency exposure arises every time the company's operating subsidiary participates in a transaction in which it uses a currency other than the one the company normally uses in its operations. At present, the single largest exposure is EUR/SEK. In addition, exchange rate fluctuations occur when the earnings and financial position of the foreign subsidiary are translated from EUR to SEK. See also Note 29.

Price risk

There is a risk that in the event of a sale of properties the fair value may fall short of the carrying amount.

The carrying amount comprises the purchase cost. However, the carrying amount includes value adjustments from previous periods when part of the real estate portfolio was recognised at fair value.

In 2020, six sales were completed with sales prices in line with the book value.

PARENT COMPANY

The Parent Company's operations mainly consist of financing and managing the company's investments in subsidiaries. The Parent Company's earnings for the financial year amounted to SEK -5,397 (-1,983) thousand. At the balance sheet date, equity totalled SEK 276,345 (257,368) thousand. The company's equity/assets ratio was 60% (90%). The lower equity ratio is due to the debt refinancing carried out in 2020, which reduced the debt of the subsidiaries and increased that of the Parent Company.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

- On 27 January, Boho Club was closed to guests due to expanded Covid restrictions that forced the closure of all non-essential operations. The facility did not reopen until 25 March, when relaxations were introduced. The shutdown and travel restrictions have had a negative impact on operations in the first quarter, as shown in the company's report for the first quarter of 2021, published on 6 May 2021.

PROPOSED DISTRIBUTION OF PROFITS

The following funds are at the disposal of the AGM:

Share premium reserve	316,645,756
Retained earnings	-36,367,260
Profit/loss for 2020	-5,396,828
Total available funds	274,881,668

The Board proposes that the AGM should not approve a dividend and that the AGM should instead resolve that the available profit in the Parent Company of SEK 274,881,668 be carried forward.

CONSOLIDATED INCOME STATEMENT

Amounts are stated in SEK thousand	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Divestment of properties	3	23,157	68,132
Revenue, operator business	4	32,643	25,245
Total net sales		55,800	93,377
Cost of properties sold	5	-23,737	-55,704
Running costs	6,7	-69,729	-56,253
Total operating expenses		-93,466	-111,957
Gross profit		-37,666	-18,580
- of which profit/loss from operator business		-37,086	-31,008
- of which profit/loss from divestment of properties		-580	12,428
Central administration	6,7	-12,215	-10,546
Earnings from interests in joint ventures/associates	8	-284	2,677
Other operating income and expenses	9	1,498	0
Operating profit/loss		-48,667	-26,449
- of which operating profit/loss before depreciation/amortisation and unrealised changes in value (EBITDA)		-29,975	-14,823
Financial income	10	159	732
Financial expenses	10	-21,982	-13,872
Profit/loss from financial items		-21,823	-13,140
Profit/loss before tax		-70,490	-39,589
Income tax	11	2,886	2,146
PROFIT/LOSS FOR THE YEAR		-67,604	-37,443
Attributable to:			
Parent Company's shareholders		-64,220	-32,778
Non-controlling interests		-3,384	-4,665
		-67,604	-37,443
Basic and diluted earnings per ordinary share in SEK	24	-1.44	-0.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts are stated in SEK thousand	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Profit/loss for the year		-67,604	-37,443
Other comprehensive income			
Items that have been or may be transferred to profit/loss for the year			
Translation differences regarding foreign operations		-13,459	5,966
Comprehensive income for the year		-81,063	-31,477
<i>Attributable to:</i>			
Parent Company shareholders		-77,679	-26,812
Non-controlling interests		-3,384	-4,665
		-81,063	-31,477

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>			
Operating properties	12	446,724	532,617
Assets held for use	13	4,414	6,256
Equipment, tools and fixtures and fittings	14	11,163	10,592
Other non-current assets			
Interests in joint ventures/associates	8	0	478
Other securities held as non-current assets	15	37	12
Other non-current receivables	16	0	30
Total non-current assets		462,338	549,983
Current assets			
Project properties	17	147,187	111,938
Inventories	18	618	783
Receivables from joint ventures/associates	19	0	1,280
Trade receivables	20	1,436	1,645
Other receivables	21	15,630	5,174
Prepaid expenses and accrued income	22	9,568	22,412
Cash and cash equivalents	23	16,959	6,874
Total current assets		191,398	150,106
Total assets		653,736	700,089

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2020	31/12/2019
SHAREHOLDERS' EQUITY			
	24		
Share capital		1,463	1,393
Other contributed capital		316,646	291,673
Reserves, translation differences		12,314	25,773
Retained earnings incl. profit/loss for the period		-48,662	16,979
Shareholders' equity attributable to Parent Company shareholders		281,761	335,818
Non-controlling interests		0	-1,106
Total shareholders' equity		281,761	334,712
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	11	41,002	45,443
Interest-bearing liabilities	25,29	283,559	253,893
Other non-current liabilities	26	0	14,103
Total non-current liabilities		324,561	313,439
Current liabilities			
Interest-bearing liabilities	25,29	31,177	24,661
Trade payables		4,601	9,306
Other current liabilities	27	10,656	16,777
Accrued expenses and deferred income	28	980	1,194
Total current liabilities		47,414	51,938
TOTAL EQUITY AND LIABILITIES		653,736	700,089

CONSOLIDATED STATEMENT OF 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
Opening balance, 01/01/2019	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
Total comprehensive income			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, preference shares				-6,983	-6,983		-6,983
Total transactions with shareholders	-	-	-	-10,542	-4,757		-6,983
Closing balance, 31/12/2019	1,393	291,673	25,773	16,979	335,818	-1,106	334,712
Opening balance, 01/01/2020	1,393	291,673	25,773	16,979	335,818	-1,106	334,712
<i>Comprehensive income</i>							
Profit/loss for the period				-64,220	-64,220	-3,384	-67,604
Translation differences			-13,459	-752	-14,211		-14,211
Total comprehensive income			-13,459	-64,972	-78,431	-3,384	-81,815
<i>Transactions with shareholders</i>							
New share issue	70	24,973		24,973	25,043		25,043
Transactions with minority shareholders						4,490	4,490
Dividend, preference shares				-669	-669		-669
Total transactions with shareholders	70	24,973		-669	24,374	4,490	28,864
Closing balance on 31/12/2020	1,463	316,646	12,314	-48,662	281,761	0	281,761

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts are stated in SEK thousand	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
<i>Cash flow from operating activities</i>			
Operating profit/loss		-48,667	-26,449
Of which profit/loss from divestment of properties		580	-12,428
Of which attributable to minority		-3,384	4,665
Depreciation, amortisation and impairment		18,691	11,464
Share in earnings of associates		284	-2,677
Other non-cash items		-1 498	0
Interest income and similar profit/loss items		159	732
Interest paid (attributable to financing activities)		-14,495	-13,872
Cash flow from operating activities before changes in working capital		-48,330	-38,565
<i>Changes in working capital</i>			
Sale of project properties		0	61,855
Investments in project properties		-5,748	-6,954
Change in other inventories		165	-783
Change in operating receivables		-14,295	-1,584
Change in current liabilities		6,163	5,733
Total change in working capital		-13,715	58,267
Cash flow from operating activities		-62,045	19,702
<i>Cash flow from investing activities</i>			
Divestment of operating properties		20,992	2,932
Reduction in non-current financial assets		5	511
Acquisitions and investments in operating properties		-8,683	-74,006
Investments in plant and equipment		-3,904	-17,364
Cash flow from investing activities		8,410	-87,927
<i>Cash flow from financing activities</i>			
New share issue		25,043	0
Borrowings raised		185,620	123,399
Loan repayments		-134,448	-50,960
Other capitalised financing costs		-8,111	0
Dividend paid to preference shareholders		-4,830	-6,983
Cash flow from financing activities		63,274	65,456
Cash flow for the period		9,639	-2,769
Cash and cash equivalents at start of period		6,874	8,422
Exchange rate differences in cash and cash equivalents		446	1,221
Cash and cash equivalents at end of period		16,959	6,874

GROUP ACCOUNTING POLICIES AND NOTES

NOTE 1.

GROUP ACCOUNTING POLICIES

1. GENERAL INFORMATION

Quartiers Properties AB (publ) (Parent Company) and its subsidiaries, referred to below as “Quartiers Properties” or “the Group”, acquire and carry out property projects in southern Spain. The Parent Company is a public limited company registered in Sweden, with registered offices in Stockholm. The head office address is Strandvägen 7A, 114 56 Stockholm, Sweden.

The annual accounts and consolidated financial statements were approved by the Board of Directors on 7 May 2021 and submitted for adoption at the Annual General Meeting on 4 June 2021.

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

2. BASIS FOR PREPARATION OF THE COMPANY'S ACCOUNTS

The consolidated accounts for Quartiers Properties AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) approved by the EU at 31 December 2021.

The consolidated accounts have been prepared according to the cost method, with the exception of other securities held as non-current assets, which are recognised at fair value. The most important accounting policies applied in the preparation of these consolidated accounts are detailed below. These policies have been applied consistently for all the periods presented, unless otherwise stated.

The Parent Company accounts have been prepared according to RFR 2 Accounting for Legal Entities, and the Swedish Annual Accounts Act. See differing accounting policies for the Parent Company.

3. CONSOLIDATED ACCOUNTS AND CONSOLIDATION PRINCIPLES

The consolidated accounts cover the Parent Company and all companies in which the Parent Company, either directly or indirectly, controls more than 50% of the votes or in some other way has a controlling influence.

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

The Group's acquisitions are recognised in accordance with the purchase method. The purchase consideration for the acquisition of a subsidiary consists of the fair

value of transferred assets, liabilities and the shares issued by the Group. The purchase consideration also includes the fair value of all assets or liabilities resulting from a contingent consideration arrangement and supplementary payments. Acquisition-related costs are expensed as they arise. Any changes to contingent consideration and supplementary payments are recognised in subsequent periods in the consolidated income statement.

Intra-Group transactions and balance sheet items, as well as unrealised gains and losses on transactions between Group companies, are eliminated on consolidation. The accounting policies for subsidiaries have been amended, where appropriate, to ensure consistent application of the Group's policies.

Non-controlling interests are recognised in Group equity for minority owners' share of consolidated values of those net assets owned by minority owners.

Associates are recognised in accordance with the equity method. A company is deemed an associate when Quartiers holds at least 20% but no more than 50% of the votes or in some other way has significant influence over operational and financial governance.

The equity method means that the consolidated carrying amount of the shares in associates corresponds to the Group's share in associates' equity and consolidated goodwill and any other remaining consolidated surplus and deficit values. The Group's share in associates' profits is recognised as 'Share in earnings of associates', adjusted for any depreciation/amortisation, impairment losses and dissolution of acquired surplus and deficit values. These participations in profits, less dividends received from associates, constitute the main change in the carrying amount of investments in associates. The Group's share of other comprehensive income in associates is recognised on a separate line in the Group's other comprehensive income.

At the balance sheet date, Quartiers owned no shares in companies classified as jointly owned companies.

4. CHANGES TO REGULATIONS

New and amended standards that came into force in 2020 have not had a material effect on Quartiers' results or financial position. No forthcoming amendments published by the IASB have been early adopted or are expected to have a material impact on the Group.

5. FOREIGN CURRENCY TRANSLATION

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

the Parent Company's functional currency and the Group's reporting currency, is the currency used in the consolidated accounts.

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

Transactions in foreign currency are translated using the exchange rate at the point of transaction.

6. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

Classification of properties

When a property is acquired, an assessment is made of whether the property will be retained, sold or developed for the company's own operations. The analysis considers such issues as market development, the company's organisational resources and consolidated cash flow. The assessment has an impact on the Group's earnings and financial position, as the various types of property are treated differently in accounting terms.

Investment properties are properties that are held for the purposes of generating rental income and an appreciation in value. Investment properties are recognised at fair value. At the balance sheet date, no properties met the criteria to be classified as investment properties.

Properties acquired for the purposes of running a business, primarily hotel operations, are classified as operating properties and recognised at cost.

Properties acquired for the purposes of selling once they have been developed (project properties) are recognised as inventory at cost, or net realisable value, if the latter is lower.

Profit or losses from property sales

Revenue from property sales is usually recognised at the completion date, unless control passed to the buyer at an earlier date. The assessment of the point of revenue recognition takes account of what is agreed between the parties regarding risks and benefits and involvement in ongoing management.

Property valuations

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

The valuation at 31/12/2020 was carried out by Savills Aguirre Newman, which principally used the comparable sales method to establish market value. This method involves the assessment being made on the basis of prices paid for similar properties on an unregulated open market.

The total value of the property portfolio as of 31/12/2020, according to the external valuation, amounted to SEK 751,162 thousand, which compares to the book value of SEK 593,911 thousand. The valuation represents a decrease of 4.1% in local currency adjusted for properties sold compared to the valuation at 31/12/2019. Part of the property portfolio is carried at market value as at 31/12/2018, when the reclassification of the properties from investment properties to operating properties took place. In 2021, at the time of issuing this annual report, the sale of two flats has been completed at an underlying valuation in line with the valuation as at 31/12/2020.

An impairment loss of SEK 3,000 thousand has been recognised on a project property in Los Flamingos due to a revaluation of the project calculation.

Credit risk in receivables

The Group has receivables from tenants and property buyers.

Claims arising via invoicing after property sale contracts have been entered into are recognised in the balance sheet at nominal value and as prepaid income (contract debt) until such time as control passes to the buyer. No other assessment is carried out. There was no contract liability at 31/12/2020.

NOTE 2. 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. 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 31/12/2020				01/01/2019 to 31/12/2019			
Sale of properties	23,157	0	0	23,157	3,187	64,945	0	68,132
Operator revenues	32,643	0	0	32,643	25,245	0	0	25,245
Total income	55,800	0	0	55,800	0	0	0	0
Cost of properties sold	-23,737	0	0	-23,737	-3,474	-52,230	0	-55,704
Depreciation, amortisation and impairment	-15,692	-3,000	0	-18,692	-11,625	0	0	-11,625
Running costs	-42,244	-8,793	0	-51,037	-39,280	-5,348	0	-44,628
Total operating expenses	-81,673	-11,793	0	-93,466	-54,379	-57,578	0	-111,957
Gross profit	-25,873	-11,793	0	-37,666	-25,947	7,367	0	-18,580
Other income and expenses	0	0	-11,001	-11,001	0	0	-10,546	-10,546
Operating profit/loss	-25,873	-11,793	-11,001	-48,667	0	0	0	-29,126
ASSETS								
Properties	487,042	106,869	0	593,911	532,617	111,938	0	644,555

NOTE 3. DIVESTMENT OF PROPERTIES

ACCOUNTING POLICY

Revenue from the divestment of properties is recognised in accordance with IFRS 15. Revenue is usually recognised on the completion date, unless control passed to the buyer at an earlier date. The assessment of the point of revenue recognition takes account of what is agreed between the parties regarding risks and benefits and involvement in ongoing management. With regard to sales made in 2020, the point that control passes to the buyer is the completion of final inspection and acceptance of ownership of the property. Claims arising via invoicing after property acquisition contracts have been entered into are recognised in the balance sheet at nominal value and as prepaid income until such time as control passes to the buyer. No other assessment is carried out.

Flats included in rental activities and put up for sale are reclassified from fixed assets to project property. Sales revenue is recorded gross.

CREDIT RISK

The income is only recognised when full payment has been made, which is before the buyer takes possession of the property, and therefore there is no credit risk in the income.

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Sales of 22byQuartiers flats	0	64,945
Sale of flats in the flat hotel in Behahavis	23,157	3,187
Total	23,157	68,132

In total, the company completed 6 sales in 2020.

NOTE 4. REVENUE, OPERATOR BUSINESS

ACCOUNTING POLICY

Revenues from the operator business relate to the management of a hotel, restaurant and a concierge service. The revenues mainly come from accommodation, food and drink, and a conference business. Revenues from the operator business are recognised in the period when the services were provided. Advances received are recognised as accrued income. Income is recognised exclusive of VAT and discounts, and after elimination of intra-Group sales. Rental income and significant rental discounts are recognised on an accrual basis during the year.

CREDIT RISK

Around 80% of revenues are paid in advance to a booking agency or at the point that the service is used. The remaining 20% relates to receivables from long-stay guests who are invoiced monthly.

LEASE INCOME

At 31/12/2020 the Company had 16 (13) flats rented long-term with remaining terms of 1–3 years. Income from existing rental agreements amounts to SEK 2,126 thousand for 2021, SEK 2,248 thousand for 2022, SEK 2,248 thousand for 2023. Payment is made on a monthly basis. All other rental income relates to rental as part of the hotel business.

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Hacienda Apartment Hotel		
Long-term rental income	1,866	3,485
Short-term rental income	6,997	14,090
Other income	288	1,315
Total Hacienda Apartment Hotel income	9,151	18,890
Boho Club		
Restaurant	12,727	6,020
Hotel	10,713	335
Other income	49	0
Total income Boho Club	23,489	6,355
Other income	3	0
Total	32,643	25,245

NOTE 5. COST OF PROPERTIES SOLD

ACCOUNTING POLICY

Quartiers' cost of sold properties comprises costs arising in connection with the sale of a property, and includes production and selling expenses. The costs are recognised in the same period that revenue from the sold properties is recognised. The cost of properties sold also includes previously recognised unrealised appreciation in accordance with IAS 40 Investment Properties.

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
22ByQuartiers		
Production expense including cost of capital and initial acquisition of the project	0	38,663
Increase in value previously recognised but unrealised	0	7,348
Selling cost	0	6,219
Total cost of flats sold	0	52,230
Hacienda Cifuentes		
Purchase cost	9,860	1,969
Increase in value previously recognised but unrealised	11,603	1,250
Selling cost	2,274	255
Recognised production expense	23,737	3,474
Total		
Purchase cost	9,860	40,632
Increase in value previously recognised but unrealised	11,603	8,598
Selling cost	2,274	6,474
Recognised production expense	23,737	55,704

NOTE 6. OPERATING EXPENSES AND CENTRAL ADMINISTRATION

ACCOUNTING POLICY

Running costs

Quartiers' operating expenses comprise costs arising in connection with the operation and leasing of property. Significant recurring cost items are made up of fees to Spanish owner associations (the equivalent of cooperative associations), repair and maintenance costs, electricity and lighting and consultancy and employee expenses. See Note 11 regarding accounting policies for depreciation/amortisation.

Central administration

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

OPERATING EXPENSES	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Consultancy and personnel costs	22,169	22,363
Consumption of goods	8,048	3,540
Depreciation, amortisation and impairment	18,692	11,625
Repairs and maintenance	1,716	6,714
Association fees (holiday flat complex in Benahavís)	4,496	4,870
Electricity and lighting	3,138	2,383
Other operating expenses	8,470	5,028
Total	66,729	56,253

CENTRAL ADMINISTRATION	01/01/2020 31/12/2020	01/01/2018 31/12/2018
Wages and salaries	5,324	3,290
Consultancy fees	2,785	3,701
Bank and financing costs	88	3,913
Advertising & PR	23	3,006
Other	3,995	2,789
Total	12,215	16,699

AUDIT COSTS

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

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
PwC		
Audit assignment	855	976
Audit activities in addition to the audit assignment	8	85
Total	863	1,061

NOTE 7. EMPLOYEE BENEFITS

ACCOUNTING POLICY

Employee benefits

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

Pension obligations

In 2020, no contributions were paid for defined contribution pension plans. The Group has no other payment obligations.

Termination benefits

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

Average no. of employees	01/01/2020 31/12/2020	Share, %	01/01/2019 31/12/2019	Share, %
Men	46	57	28	56
Women	35	43	22	44
Total	81	100	50	100

All employees were based in Spain in 2019 and 2020.

Gender balance in the company management	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Percentage who are women		
Board of Directors	0%	0%
Other senior executives	20%	20%

Salaries, other remuneration and social security contributions	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Chairman of the Board	290	160
Board members	450	207
Total Board fees	740	367
Chief Executive Officer	1,692	1,136
Other senior executives	2,306	3,209
Other employees	16,810	16,608
Total salaries and other remuneration	20,808	20,953
Social security contributions		
Pension costs	0	180
Other social security charges prescribed by law and agreements	7,107	4,887
Total social security contributions	7,107	5,067
Total salaries, remuneration, social security contributions and pension costs	27,915	26,020

REMUNERATION OF THE CEO AND THE BOARD OF DIRECTORS

Remuneration corresponding to SEK 1,692 (1,136) thousand has been paid to the CEO. Remuneration is made up of a fixed salary of EUR 11,000 (8,000) per month and accommodation. In addition, since 1 January 2020, pension compensation instead of pension insurance will amount to EUR 1,000 per month.

In accordance with the decision of the Annual General Meeting, the Board of Directors will receive a fee of SEK 740 (320) thousand for the period June 2020 to the Annual General Meeting 2021, of which SEK 290 (160) thousand is to the Chairman of the Board Jörgen Cederholm and SEK 150 (80) thousand to the other members.

PENSIONS AND SEVERANCE PAY

From 1 January 2020, the previous pension benefit has been replaced by a salary supplement of EUR 1,000 per month. There is a mutual notice period of six months on termination of the employment contract.

SHARE-BASED PAYMENTS

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

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

ACCOUNTING POLICY

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

Earnings from interests in joint ventures/associates

Reported profit amounts to SEK -284 (2,677) thousand, of which profit from the disposal of shares SEK 0 (2,226) thousand.

Changes in interests in joint ventures/associates

During 2020, the activities of the company's only joint venture were gradually phased out and at the end of the financial year the operational activities were fully wound up.

	31/12/2020	31/12/2019
Share in earnings	-284	451
Reclassification	0	2,226
Recognised profit/loss	284	2,677

	31/12/2020	31/12/2019
Opening balance	478	7,295
Capital contribution	0	531
Share of the companies' earnings	-284	451
Reclassification	0	-7,780
Impairment	-194	0
Exchange rate adjustment	0	-19
Closing balance	0	478

	Country	Share of equity, %	Carrying amount
Quartiers Estate SL	Spain	50%	0

NOTE 9. OTHER INCOME AND EXPENSES

ACCOUNTING POLICY

Other income and expenses include income and expenses that are not part of the company's normal operations.

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Impairment of operating receivables	-6,150	0
Other income	14,158	0
Provision for litigation	-6,510	0
	1,498	0

Impairment of operating receivables relates to the impairment of advances relating to construction. The impairment was caused by the early termination of the cooperation with the construction company.

Other income relates to the release of debt for the purchase price of the property known as CFS. The purchase price payment was conditional on the adoption of a new zoning plan within a certain timeframe. This condition has not been met. However, the seller has chosen to make a different interpretation of the contract, which is why a provision of SEK 6,510 thousand has been made for possible disputes.

NOTE 10. FINANCE INCOME AND COSTS

ACCOUNTING POLICY

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

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

FINANCE INCOME	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Exchange rate differences	0	309
Interest income	159	423
Total	159	732

FINANCE COSTS	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Interest expenses	20,108	13,872
Other financing costs	1,352	0
Exchange rate differences	523	0
Total	21,982	13,872

NOTE 11. INCOME TAX/TAX ON EARNINGS FOR THE PERIOD

ACCOUNTING POLICY

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

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

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

Group	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Tax on earnings for the period		
Deferred income tax relating to temporary differences	2,886	2,146
Total recognised tax	2,886	2,146

Reconciliation of effective tax

Recognised profit/loss before tax	-70,490	-39,589
Tax according to current tax rate of 21.4% (21.4)	15,085	8,472
Non-deductible costs	-82	-68
Tax losses for which no deferred tax asset is recognised	-12,013	-6,181
Effect of foreign tax rate, 25% (25)	-104	-77
Recognised effective tax of 4.5% (5.4)	2,886	2,146

Deferred tax on temporary differences

Temporary differences	Deferred tax assets		Deferred tax liabilities		Net	
	01/01/2020 31/12/2020	01/01/2019 31/12/2019	01/01/2020 31/12/2020	01/01/2019 31/12/2019	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Surplus values, properties	0	0	-41,002	-45,443	-41,002	-45,443
	0	0	-41,002	-45,443	-41,002	-45,443

Change in deferred tax	Recognised in income statement	Amount at end of period
Deductible temporary differences	2,886	-41,002

Excess value in real estate relates to properties in Spain which until 2018 were accounted for as investment properties in accordance with IAS 40, but are now included in Operating and Project Properties. The prevailing tax rate is 25% (25). An income tax rate of 25% has therefore been used in the Group. The Group has loss carry-forwards of SEK 155,456 (92,940) thousand, of which SEK 26,308 (20,486) thousand is attributable to the Parent Company. Deficits can be offset against future revenues with no time limit. No deferred tax asset for loss carry-forwards is recognised as it is uncertain when taxable surpluses will be available against which a tax asset can be used.

NOTE 12. OPERATING PROPERTIES

ACCOUNTING POLICY

The Group's property holdings that are classed as operating properties are properties for which Quartiers is also an operator. Operating properties are recognised at cost less any depreciation and potential impairment losses. Impairment requirements are tested by comparing the carrying amount with a third-party market valuation at the balance sheet date. The market valuation is made using the comparable sales method.

The operating properties consist of several components with varying useful lives. The primary classification is buildings and land. There is no depreciation on land components that are deemed to have an unlimited useful life. The buildings comprise several components with varying useful lives. Additional expenses are added to the cost only if it is likely that the future economic benefits associated with the asset will be received by the company, and the cost can be reliably determined. All other additional expenses are recognised as a cost in the period in which they arise.

BOHO CLUB

In autumn 2019, the first phase of the Boho Club concept with restaurant and hotel was gradually opened. The part of the hotel property that is complete has been subject to depreciation since 1 September 2019.

APARTMENT HOTEL BENAHAVIS

Quartiers has been running short- and long-term rental operations at the company's holiday flat complex in Benahavis since 2016. In 2020 six flats were sold, and at the balance sheet date the holding amounted to 93 flats.

As of 31/12/2020, 13 flats put up for sale were reclassified as project properties.

DEPRECIATION

The purchase cost of operating properties is divided across components and depreciated over between 20 and 100 years. Depreciation is recognised as property expenses.

Component	Number of years	Component	Number of years
Interior surfaces	20	Structure	100
Fixtures and fittings	25	Roof	50
Land improvements	33	Facade	50

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Opening carrying amount	532,617	455,369
Divestments	-21,594	-3,219
Investments	8,683	81,301
Depreciation/amortisation	-11,447	-9,595
Exchange rate differences	-21,217	4,513
Reclassification	-40,318	4,248
Closing carrying amount	446,724	532,617
Details about operating properties		
Cost	311,037	363,618
Accumulated depreciation	-20,488	-9,595
Unrealised adjustments in value	156,175	168,999

The reclassification in 2020 relates to the reclassification to project properties because of the change to the purpose of the holding. Cost refers to initial acquisition and investments. Unrealised value adjustments relate to properties in Spain which until 2018 were reported as investment properties in accordance with IAS 40, but are now included in Operating Properties and Project Properties.

NOTE 13. LEASEHOLD ASSETS

ACCOUNTING POLICY

Assets related to leases are recognised as right-of-use assets. Apart from leases of machinery and equipment, the company has no rights of use for rented premises or other rights of use. The company has no lease contracts shorter than one year or less than USD 5 thousand. The right-of-use asset is initially recognised at the present value of future payments discounted at the marginal lending rate. The asset is then depreciated on a straight-line basis over the expected economic life of the asset.

The carrying amount at the balance sheet date was SEK 4,414 (6,256) thousand. The reported value breaks down into cars in the amount of SEK 666 thousand and furniture and fittings, SEK 3,748 thousand.

Items affecting profit or loss relating to leasing

	2020	2019
Depreciation/amortisation of right-of-use assets	1,586	1,778
Interest on lease liabilities	288	258
Lease expenses	1,874	2,036

In 2020, cash flow was affected by SEK 1,612 thousand related to leasing. Future cash flows and ageing analysis related to leases are disclosed in Note 29, Lease liabilities.

NOTE 14. EQUIPMENT, TOOLS AND MACHINERY

ACCOUNTING POLICY

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

Depreciation to reduce the asset's cost down to its estimated residual value over its useful life is carried out on a straight-line basis over 5 years.

The recoverable amount and useful life of an asset is reviewed on each balance sheet date and adjusted as required.

The carrying amount of an asset is immediately written down to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use.

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

	31/12/2020	31/12/2019
Accumulated purchase costs		
At the start of the year	13,200	4,472
New acquisitions	3,904	13,171
Reclassification	0	-4,247
Exchange rate differences	-675	-196
Total	16,429	13,200
Accumulated scheduled depreciation		
At the start of the year	-2,608	-2,505
Depreciation for the year	-2,658	-91
Exchange rate differences	0	-12
Total	-5,266	-2,608
Carrying amount at end of period	11,163	10,592

NOTE 15. OTHER SECURITIES HELD AS NON-CURRENT ASSETS

ACCOUNTING POLICY

Other securities held as non-current assets relate to publicly listed shares and are recognised at fair value.

The item other securities held as non-current assets consists entirely of publicly listed shares. During the year remaining compensation bonds in Banco Popular were sold.

NOTE 16. OTHER NON-CURRENT RECEIVABLES

ACCOUNTING POLICY

Other non-current receivables are recognised according to the principles described in Note 29 concerning financial assets measured at amortised cost.

The company has no non-current receivables as of 31/12/2020. In the previous year, the item consisted of rent deposits.

NOTE 17. PROJECT PROPERTIES

ACCOUNTING POLICY

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

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

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Opening carrying amount	111,938	153,150
Cost of properties acquired during the year	0	0
Investments in properties	5,748	6,953
Divestments	0	-49,139
Revaluation additional purchase price	-5,394	0
Exchange rate differences	-5,590	974
Reclassifications	40,318	0
Closing carrying amount	147,187	111,938

NOTE 18. INVENTORIES

The item inventories consists entirely of raw materials, mainly for the restaurant business.

ACCOUNTING POLICY

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first-in-first-out (FIFO) method; recognised at cost less obsolescence deduction.

NOTE 19. RECEIVABLES FROM JOINT VENTURES/ASSOCIATES

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

ACCOUNTING POLICY

Receivables from joint ventures/associates are recognised according to the principles described in Note 29 concerning financial assets measured at amortised cost.

NOTE 20. TRADE RECEIVABLES

ACCOUNTING POLICY

Trade receivables are recognised according to the principles described in Note 28 concerning financial assets measured at amortised cost.

TRADE RECEIVABLES	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Receivables from sold properties	1,046	0
Hacienda	242	1,185
Boho Club	148	436
Other	0	24
Total	1,436	1,645

AGE ANALYSIS	31/12/2020	31/12/2019
Not overdue	1,436	587
Receivables overdue by 1–30 days	0	323
Receivables overdue by 31–60 days	0	215
Receivables overdue by more than 60 days	0	520
Total	1,436	1,645

At 31/12/2020 no customer accounted for more than 10% of trade receivables. No loss reserve is recognised in 2020 or 2019.

NOTE 21. OTHER RECEIVABLES

ACCOUNTING POLICY

Other receivables are recognised according to the principles described in Note 29 concerning financial assets measured at amortised cost.

	31/12/2020	31/12/2019
Receivable Otero Builders	8,512	0
VAT-related receivables	2,164	2,271
Other items	4,954	2,903
Total	15,630	5,174

The Otero Builders receivable was included in deferred charges and accrued income as advances to suppliers on 31/12/2019. At 31/12/2020, the receivable was written down by SEK 6,150 in connection with the termination of a contract.

NOTE 22. PREPAID EXPENSES AND ACCRUED INCOME

ACCOUNTING POLICY

Prepaid expenses and accrued income are recognised according to the principles described in Note 29 concerning financial assets measured at amortised cost.

	31/12/2020	31/12/2019
Advance payments to suppliers	0	15,119
Down payment for acquisition of land	862	1,748
Property acquisition option	6,916	4,701
Other	1,790	844
Total	9,568	22,412

Property acquisition option relates to a plot next to the company's CFS property in Marbella's Golden Mile district. At 31 December 2020 the company had paid EUR 688 thousand for the non-binding purchase option. The option can be exercised after renegotiation for acquisition in January 2022 or January 2023. The total purchase consideration amounts to EUR 2,160 thousand.

NOTE 23. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

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

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

NOTE 24. SHAREHOLDERS' EQUITY

ACCOUNTING POLICY

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

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

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

NUMBER OF SHARES AND WARRANTS

Share capital in the Parent Company, Quartiers Properties AB (publ), amounts to SEK 1,463 (1,393) thousand and is allocated among 58,524,388 shares. Of these shares, 51,754,520 are ordinary shares and 6,769,868 are preference shares. The company's ordinary and preference shares are subject to trading on Nasdaq First North. The shares have a quota value of SEK 0.025 per share. Ordinary shares carry ten votes and preference shares carry one vote each. All shares registered at the balance sheet date are fully paid.

Preference shares take precedence over ordinary shares for an annual dividend corresponding to SEK 0.96, with payment made quarterly. Following the resolution by the meeting of the shareholders, the company is entitled to redeem the preference shares for a redemption amount of SEK 12 per share. All shares carry the same right to the company's remaining net assets, in addition to which preference shares entitle holders to receive SEK 12 per share from the company's remaining assets and any remaining amount before distribution is made to owners of ordinary shares. The company is prevented from paying dividends as part of the loan terms of the company's investment loans. For the preference shares, this means that the dividend is accumulated and accrues interest at a rate of 12%. At the balance sheet date, the outstanding amount including interest amounted to SEK 7,653 (0) thousand.

An issue of 2,786,875 preference shares was carried out in January. In July, it was decided to initiate an exchange offer, which meant that preference shareholders were given the opportunity to exchange one preference share for one ordinary share and two warrants. In September, the exchange offer ended with an acceptance rate of 32.7%, so 3,291,624 preference shares were cancelled and the corresponding number of ordinary shares, as well as 6,583,248 warrants, were issued.

As of 31 December, a total of 3,291,624 Series 3, 2020/2021 warrants and 3,291,624 Series 4, 2020/2022 warrants had been issued. Each warrant in the exchange offer entitles the holder to subscribe for one newly issued ordinary share in the company. The warrants can be used to subscribe for ordinary shares during the period from 17 August 2021 to 31 August 2021 (for Series 3 warrants) and from 17 March 2022 to 31 March 2022 (for Series 4 warrants). The warrants entitle holders to subscribe for new ordinary shares at whichever is higher of the value of (i) 75% 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.

NON-CONTROLLING INTERESTS

20% of the net assets of BohoClub SL were recognised as non-controlling interests at 31/12/2019. In 2020, outstanding shares were acquired and therefore no minority interest is recognised at the balance sheet date 31/12/2020.

EARNINGS PER SHARE

The calculation of earnings per ordinary share has been based on earnings for the year attributable to the Parent Company's ordinary shareholders amounting to SEK -64,220 (-32,778) thousand, having taken account of the preference shares' portion of earnings for the year of SEK 669 (6,983) thousand. Earnings less the preference shares' portion, SEK -64,889 (39,761) thousand, have been divided by a weighted average number of ordinary shares during the year, amounting to 49,560,104 (48,462,896). Diluted earnings per share are equivalent to basic earnings per share when the result is negative.

Weighted average number of ordinary shares outstanding	31/12/2020	31/12/2019
Opening total number of shares	48,462,896	48,462,896
Effect of newly issued shares	-1,097,208	0
Average number of ordinary shares	49,560,104	48,462,896
Effect of outstanding warrants	2,194,416	0
Average number of ordinary shares after dilution	51,754,520	48,462,896

NOTE 25. INTEREST-BEARING LIABILITIES

This note 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 29.

Quartiers' interest-bearing liabilities consist, in part, 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 1.40% at 31/12/2020. The loan maturities average 14 years.

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% 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 0.0%. 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.

The average interest rate on investment loans as at 31/12/2020 was 11.83%

The average weighted cost of borrowing at 31/12/2020 was 8,05%.

	31/12/2020	31/12/2019
Long-term		
Property loans	106,423	150,731
Lease liability	2,061	3,497
Interest-bearing liability, purchase price	0	4,449
Investment loans	180,482	95,216
Capitalised borrowing costs	-5,407	0
Total	283,559	253,893
Short-term		
Property loans	10,959	17,779
Lease liability	2,315	2,433
Interest-bearing liability, purchase price	0	4,449
Investment loans	20,608	0
Capitalised borrowing costs	-2,704	0
Total	31,177	24,661
Total interest-bearing liabilities	314,736	278,554

	2020	2019
<i>Liabilities at start of year</i>	278,554	201,462
Borrowings raised	185,620	127,848
Capitalised interest	5,677	0
Capitalised borrowing costs	-8,111	0
Repayments	-134,448	-50,960
Foreign exchange adjustments	-12,256	204
Liabilities at year-end	314,736	278,554

NOTE 26. OTHER NON-CURRENT LIABILITIES

The outstanding purchase price for the purchase of the CFS property is recognised as other non-current liabilities. The payment of the purchase price was conditional on the adoption of a new zoning plan in the first half of 2020. As this did not occur, the liability has been discharged and recognised as other income. However, the seller has made a different interpretation of the contract and may take legal action. The company has reserved an amount of SEK 6,510 thousand for costs related to such litigation. The reserve is recorded as a current liability. See note 27 below.

NOTE 27. OTHER CURRENT LIABILITIES

	31/12/2020	31/12/2019
Reservation of outstanding purchase price	6,510	5,394
Guarantee	0	2,194
Liability, preference share dividend	0	3,492
VAT liability	0	1,669
Other tax liabilities	0	776
Other	2,650	3,252
Total	10,656	16,777

Provision for outstanding purchase consideration as at 31/12/2019 related to additional purchase consideration for shares in Wecap AB. This was dissolved in 2020 and lowered the book value of the property. As at 31/12/2020, the provision relates to part of the purchase price for the acquisition of a property called CFS. See Note 26 above.

NOTE 28. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2020	31/12/2019
Accrued holiday pay	146	146
Accrued social security charges	35	80
Other accrued expenses	799	968
Total	980	1,194

NOTE 29. FINANCIAL INSTRUMENTS AND FINANCING

ACCOUNTING POLICY

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

The classification depends on the purpose for which the financial asset or liability was acquired. Financial instruments are initially measured at fair value plus transaction expenses, with the exception of the category financial instruments recognised at fair value via profit or loss, for which transaction expenses are not included. Purchases and sales of financial assets are recognised at the transaction date, which is the date that the company commits to purchase or sell the asset in question.

A financial asset is removed from the balance sheet when the rights in the contract are realised, fall due or the company no longer has control over the asset. A financial liability is removed from the balance sheet when the obligation in the contract has been fulfilled or in some other way discharged.

Financial assets

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

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

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

listed holdings, the value of which is estimated by referring to listed market prices. Financial assets recognised at fair value at the balance sheet date refer to publicly listed shares at a value of SEK 37 (12) thousand.

Financial liabilities

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

Quartiers' liabilities consist primarily of liabilities to credit institutions, other loans and operating liabilities such as trade payables. Financial liabilities are classified as current if they fall due within one year or earlier. Otherwise they are recognised as non-current liabilities. Borrowing costs related to major borrowings are capitalised and recognised as a deduction from the liability and are amortised on a straight-line basis over the life of the loan. Other borrowing costs are recognised in profit or loss in the period to which they refer. Accrued interest is recognised as the short-term portion of current liabilities from credit institutions, in cases where the interest is expected to be settled within 12 months of the balance sheet date.

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

It is estimated that the fair value of short- and long-term borrowings corresponds almost exactly to their carrying amounts. Collateral is pledged in the company's properties.

Borrowings are classified as Level 2 in the fair value hierarchy, in accordance with IFRS 13. Property loans carry variable interest and the refinancing terms are not deemed to have changed appreciably since the loans were raised, which means that the carrying amount is considered to be consistent with the fair value. In addition, the company has taken out a financing loan in 2020, mainly at a fixed interest rate. The loan has a maturity of 48 months but can be redeemed free of charge after 24 months, i.e. in July 2022. The loan carries an interest rate of 12.5%, part of which can be capitalised in 2020 and 2021. It is the company's intention to refinance the loan with a property loan in the summer of 2022. The company considers the loan to be a bridge loan that was triggered when Covid-19 made other financing unavailable. Due to the intention to settle the loan within 18 months, the carrying amount is considered to be in line with the fair value due to the maturity of the loan.

Lease liabilities

For leases with a term of more than 12 months and leases with a value of more than USD 5 thousand, a lease liability is recognised under interest-bearing liabilities.

Lease liabilities comprise the net present value of future payments less the margin loan interest.

Impairment

At each balance sheet date Quartiers assess whether there are objective grounds for there being a need for the impairment of a financial asset. A provision for depreciation in the value of trade receivables is made based on an assessment of expected credit losses. Significant financial difficulties of a debtor, the likelihood of a debtor entering administration or undergoing financial reorganisation and missed or overdue payments (overdue by more than 30 days) are regarded as indicators of a possible need for the impairment of a trade receivable. Each assessment is made individually as the company does not yet have historical data on which to base assumptions about loss provisions.

At the balance sheet date, trade receivables amounted to SEK 1,436 thousand, of which SEK 1,046 thousand related to the sale of a flat. No provision for losses has been made as at the balance sheet date.

FINANCIAL RISK AND RISK MANAGEMENT

Through its operations, the Group is exposed to a number of different financial risks. Quartiers is mainly exposed to interest rate risk, liquidity and financing risk, and foreign exchange risk.

Responsibility for the Group's financial transactions and financial risk lies directly with the Chief Executive Officer. The overall risk management objective is to have cost-effective financing and to ensure liquidity. Regular cash flow forecasts are the main control mechanism. Finance issues of strategic significance are handled by the Board.

A) Interest rate risk

Interest rate risk is the risk that changes in interest rate levels will have a negative impact on the Group's net earnings. The Group's interest rate risk arises mainly from long-term borrowings with variable interest rates. Loans raised with variable rates expose the Group to interest rate risk with regard to cash flow. Most of the Group's loans are in EUR. The company's interest rate risk follows EURIBOR.

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

which in turn impacts the market value of the company's property portfolio.

At the balance sheet date, the company's loans from credit institutions with variable rates totalled SEK 117,381 thousand [EUR 11,671 thousand] (173,432) [EUR 16,040 thousand], and the Group's cash and cash equivalents amounted to SEK 16,959 (6,874) thousand. A change in EURIBOR 12M of + 1% from -0.502% to +0.498% would affect net interest revenues by + SEK 585 thousand.

In July 2020, the Company took out a fixed-rate financing loan. Interest on the loan will be 12.5% 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 0.0%. See also Note 25. A change in EURIBOR 12M of + 1% from -0.546% to +0.498% would affect net interest revenues by + SEK 801 thousand.

B) Liquidity and financing risk

Liquidity risk is the risk of the Group having insufficient cash and cash equivalents to pay its commitments with regard to financial liabilities. The objective of the company's liquidity management is to minimise the risk of the Group having insufficient cash and cash equivalents to fulfil its commercial obligations. Cash flow forecasts are regularly prepared for management.

Under the current loan terms, Quartiers needs to generate cash flow to cover repayments, interest and investments. In order to generate the necessary cash flow, Quartiers is selling low-rent flats in the holiday flat complex in Benahavis.

Refinancing risk refers to the risk of not being able to obtain financing at all, or only at significantly increased costs. Under the current loan terms of the investment loan the company took out in July 2020, Quartiers is prevented from financing itself through additional borrowing.

C) Foreign exchange risk

Quartiers' foreign exchange risk relates primarily to its income statement and balance sheet in foreign currency, which is translated into Swedish kronor. Since the entire operating business takes place in Spain, the euro is the company's functional currency. Translation differences arise when translating from the functional currency to the reporting currency of Swedish kronor.

The translation of foreign net assets affected Quartiers' equity by SEK -13,459 (5,966) thousand.

Quartiers does not currently hedge translation exposures in foreign currency. Increased borrowing in euros is resulting in a gradual reduction in the translation exposure.

D) Credit risk

Credit risk refers to the risk that a customer or counterparty in a financial instrument may not be able to meet their commitments, causing the Group financial loss.

The Group's overall credit risk exposure is very small. Rental income is mainly invoiced and paid in advance and other operating income is mainly paid in cash at the point of service.

Exposure to individual customers/tenants is also limited. Overall, possible expected credit losses are negligible for the Group. See also accounting policies/impairment above.

SENSITIVITY ANALYSIS

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

	Change, %	Effect on the value of properties, SEK thousand	Change in borrowings, SEK thousand	Effect on equity, net SEK thousand	Effect on earnings before tax, SEK thousand
Exchange rate change	+/- 1.0%	+/- 5,926	+/-3,166	+/- 2,760	+/- 3,166
Interest expense at current fixed interest period	+/- 1.0%				-584

CAPITAL STRUCTURE

The Group's objective with regard to its capital structure is to ensure the Group's ability to continue operations, so that it can continue to generate a return for its shareholders and benefit to other stakeholders. A well organised capital structure is important in order to maintain the company's cost of capital at the minimum level possible. See also the Liquidity and Financing Risk section above.

Quartiers Properties assesses capital on the basis of its debt/equity ratio, as do other companies in the same industry. This key ratio is calculated by dividing net debt by total capital. Net debt is calculated as total borrowings (including short- and long-term borrowings in the consolidated balance sheet), less cash and cash equivalents. Total capital is calculated as equity in the consolidated balance sheet plus net debt. The current debt/equity ratio is below the range for the Board's target debt/equity ratio. The Board's target is for the debt/equity ratio to be within the range of 55–60% to achieve yield requirements on equity. In 2020, the debt-to-GDP ratio increased from 45% to 51%. Net debt increased by SEK 26,097 thousand. In 2020, the Company completed a refinancing of its investment loan.

Dividends on the company's preference shares have only been paid during the period in connection with quarter 1. In accordance with the loan terms of the investment loan taken out in July 2020, the company is prevented from paying dividends on the preference share. The total dividend paid amounts to SEK 4,830 thousand and relates to dividends for quarter 4 2019 and quarter 1 2020. See Note 24 for the terms and conditions of the redeemable preference shares.

LEASE LIABILITY

Apart from leases relating to tangible assets Quartiers has no leases that come under IFRS 16.

DEBT/EQUITY RATIO

	31/12/2020	31/12/2019
Interest-bearing liabilities	314,736	278,554
Less: Cash and cash equivalents	-16,959	-6,874
Net debt	297,777	271,680
Shareholders' equity	281,761	334,712
Total capital	579,538	606,392
Debt/equity ratio	51%	45%

MATURITY ANALYSIS

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

Group, 31 December 2020	<1 year	1-2 years	2-5 years	>5 years
Property loans	10,971	11,027	34,937	60,447
Investment loans	20,876	1,116	179,097	
Leases	2,033	1,212	1,130	
Total	33,881	13,355	215,164	60,447

Recognised financial liabilities have been reduced by capitalised financing costs amounting to SEK 8,111 thousand. The costs relate to the set-up fee, registration costs and costs for legal advice. The total amount capitalised amounts to SEK 9,463 thousand. Dissolution takes place over the term of the loan. The amount expensed in 2020 is SEK 1,352 thousand.

The investment loan has a residual maturity of 3.5 years, with a possibility to refinance the loan after 24 months.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

SEK thousand	Financial assets/liabilities measured at fair value via profit or loss		Financial assets/liabilities measured at amortised cost	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Assets in the balance sheet				
Other securities held as non-current assets	37	12		
Other non-current receivables			0	30
Trade receivables			1,436	1,645
Other receivables			15,630	5,174
Cash and cash equivalents			16,959	6,874
Total	37	12	34,025	13,723
Liabilities in the balance sheet				
Non-current interest-bearing liabilities			283,559	253,893
Current interest-bearing liabilities			31,177	24,661
Other non-current liabilities			0	14,103
Trade payables			4,601	9,306
Other liabilities			10,656	16,777
Total	0	0	329,993	318,740

NOTE 30. PLEDGED ASSETS

ACCOUNTING POLICY

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

	31/12/2020	31/12/2019
For liabilities to credit institutions		
Property mortgages	319,547	252,599
Total	319,547	252,599
Collateral provided for investment loans		
Pledged shares in subsidiaries	140,375	40,946

Pledged shares in subsidiaries refer to investment loans provided by Alantra and DESALKIV Portfolios L.L.C. The borrower is Quartiers Properties AB. The collateral consists of pledged shares in subsidiaries. In addition, properties of the subsidiaries that do not constitute collateral for debts to credit institutions have also been pledged.

NOTE 31. CONTINGENT LIABILITIES

Quartiers had no contingent liabilities at the balance sheet date.

NOTE 32. CASH FLOW STATEMENT

ACCOUNTING POLICY

The cash flow statement illustrates the change in cash and cash equivalents and the Group's available liquidity for the period. The cash flow statement has been prepared according to the indirect method, which means that operating earnings are adjusted for transactions that do not result in incoming or outgoing payments during the period.

NOTE 33. TRANSACTIONS WITH RELATED PARTIES

In May 2019, the company entered into a financing agreement with Strandängen Bostäder i Bunkeflostrand AB. Jörgen Cederholm, Chairman of the Board of Quartiers, is also Chairman of the Board of Strandängen Bostäder. Jörgen's ownership stake in both companies does not exceed 10%. The Chairman waived his right to vote on the issue when the Board made the financing decision.

The loan sum amounts to EUR 1,340 thousand, of which EUR 700 thousand is to be used for completion of the Amapura project. The loan has a maturity of two years and carries an annual interest rate of 7.46%. If the Amapura project results in a net realisable value in excess of EUR 1,540 thousand, then 50% of the profit will revert to the lender. This means, for example, that the effective rate of interest for an anticipated net realisable value of EUR 1,800 thousand would be 12.3%.

NOTE 34. EVENTS AFTER BALANCE SHEET DATE

On 27 January, Boho Club was closed to guests due to expanded Covid restrictions that forced the closure of all non-essential operations. The facility did not reopen until 25 March, when relaxations were introduced. The shutdown and travel restrictions have had a negative impact on operations in the first quarter, as shown in the company's report for the first quarter of 2021.

PARENT COMPANY INCOME STATEMENT

Amounts are stated in SEK thousand	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Net sales	2	10,944	2,587
Total operating income		10,944	2,587
Operating expenses			
Other external expenses	3	-15,058	-3,839
Personnel costs	4	-1,023	-984
Depreciation/amortisation	7	-1,104	-1,104
Operating profit/loss		-6,241	-3,340
Other interest income and similar profit/loss items			
Other interest income and similar profit/loss items	5	15,356	2,770
Interest expenses and similar profit/loss items	5	-11,512	-1,413
Impairments	5	-3,000	0
Profit/loss from financial items		844	1,357
Profit/loss before tax		-5,397	-1,983
Tax on profit for the year	6	0	0
PROFIT/LOSS FOR THE YEAR		-5,397	-1,983

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts are stated in SEK thousand	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Profit/loss for the year		-5,397	-1,983
Total comprehensive income		-5,397	-1,983

PARENT COMPANY BALANCE SHEET

Amounts are stated in SEK thousand	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Property, plant and equipment			
Equipment, tools and fixtures and fittings	7	49	1,153
Non-current financial assets			
Investments in subsidiaries	8	281,600	246,526
Interests in joint ventures/associates	9	0	0
Non-current receivables from group companies	10	171,226	25,714
Other non-current receivables		862	200
Total non-current assets		453,737	273,593
Current assets			
Current receivables			
Other current receivables	11	154	3,784
Prepaid expenses and accrued income	12	4,116	6,378
Financial investments		37	12
Cash and cash equivalents		1,759	1,828
Total current assets		6,066	12,002
TOTAL ASSETS		459,803	285,595

PARENT COMPANY BALANCE SHEET

Amounts are stated in SEK thousand	Note	31/12/2020	31/12/2019
EQUITY & LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted shareholders' equity			
Share capital		1,463	1,393
Total restricted shareholders' equity		1,463	1,393
Unrestricted shareholders' equity			
Other contributed capital		316,646	291,673
Retained earnings		-36,367	-33,715
Profit/loss for the year		-5,397	-1,983
Total unrestricted shareholders' equity		274,882	255,975
TOTAL SHAREHOLDERS' EQUITY		276,345	257,368
LIABILITIES			
Non-current liabilities			
Other provisions		0	5,394
Non-current liabilities to group companies		0	3,716
Interest-bearing liabilities	16	181,996	9,035
Total non-current liabilities		181,996	18,145
Current liabilities			
Interest-bearing liabilities		0	4,449
Trade payables		309	1,013
Other current liabilities	17	173	3,461
Accrued expenses and deferred income	18	980	1,159
Total current liabilities		1,428	10,082
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		459,803	285,595

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts are stated in SEK thousand	Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	Total shareholders' equity
Opening balance, 01/01/2019	1,393	291,673	-26,731	266,335
Comprehensive income				
Profit/loss for the period			-1,983	-1,983
Total comprehensive income			-1,983	-1,983
Transactions with shareholders				
Dividend, preference shares			-6,983	-6,983
Total transactions with shareholders			-6,983	-6,983
Closing balance, 31/12/2019	1,393	291,673	-35,698	257,368
Opening balance, 01/01/2020	1,393	291,673	-35,698	257,368
Comprehensive income				
Profit/loss for the period			-5,397	-5,397
Total comprehensive income			-5,397	-5,397
Transactions with shareholders				
New share issue	70	24,973		25,043
Dividend, preference shares			-669	-669
Total transactions with shareholders			-669	24,374
Closing balance on 31/12/2020	1,463	316,646	-41,764	276,345

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts are stated in SEK thousand	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Cash flow from operating activities		
Operating profit/loss	-5,817	-3,340
Adjustments for items that are not included in cash flow		
Reversal of depreciation	1,104	1,104
Interest received	15,100	2,770
Interest paid	-11,645	-1,414
Cash flow from operating activities before changes in working capital	-1,258	-880
Changes in working capital		
Increase/decrease in other current receivables	5,206	1,827
Increase/decrease in trade payables	-738	637
Increase/decrease in other current liabilities	693	-3,659
Cash flow from operating activities	3,903	-1,985
Cash flow from investing activities		
Investments in subsidiaries	-47,020	-5,338
Increase/decrease in non-current receivables from subsidiaries	-149,238	268
Increase/decrease in other non-current receivables	0	238
Cash flow from investing activities	-196,258	-4,832
Cash flow from financing activities		
New share issue	25,043	0
Borrowings	177,411	13,484
Amortisation	-5,339	
Dividends paid to Parent Company shareholders	-4,829	-6,983
Cash flow from financing activities	192,286	6,501
Cash flow for the period	-69	-316
Cash and cash equivalents at start of period	1,828	2,144
Cash and cash equivalents at end of period	1,759	1,828

PARENT COMPANY

ACCOUNTING POLICIES AND NOTES

NOTE 1. PARENT COMPANY ACCOUNTING POLICIES

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

Differences between the Group and Parent Company's accounting policies

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

Format

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

State aid

The parent company did not receive any state aid in 2020.

NOTE 3. OTHER EXTERNAL EXPENSES

Investments in subsidiaries

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

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

Financial instruments

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

Leases

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

NOTE 2. NET SALES

ACCOUNTING POLICY

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

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
<i>PwC – Öhrlings Pricewaterhousecoopers AB</i>		
Audit assignment	501	447
Audit activities in addition to the audit assignment	8	85
Total	509	532

NOTE 4. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

The Managing Director is employed by and receives salary from the subsidiary Quartiers Properties Holding SL. See Note 'Group' for details of the remuneration and other benefits of the CEO.

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Average no. of employees		
Men	0	0
Women	0	0
Total	0	0
Salaries and other remuneration		
Chairman of the Board	290	160
Board members	450	207
Total Board fees	740	367
Social security contributions		
Pension costs to CEO	35	139
Other social security charges according to law and agreements	8	148
Total social security contributions	43	287
Total salaries, remuneration, social security contributions and pension costs	783	654

NOTE 5. PROFIT/LOSS FROM FINANCIAL ITEMS

	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Revenue		
Interest income from receivables from Group companies	10,283	2,357
Other interest income	63	413
Exchange rate differences	4,985	0
Other financial income	25	0
Total financial income	15,356	2,770
Costs		
Interest costs on borrowings	11,512	1,385
Impairments	3,000	0
Exchange rate differences	0	28
Total financial costs	14,512	1,413

Impairments relate to shares in Wecap AB and were caused by a change in the project calculation for the real estate development project carried out in the Spanish subsidiary of Wecap AB.

NOTE 6. TAX

	31/12/2020	31/12/2019
Reconciliation of effective tax		
Recognised profit/loss before tax	-5,397	-1,983
Tax according to current tax rate of 21.4%	1,145	424
Non-deductible costs	0	-7
Share issue expenses recognised in equity	98	0
Tax losses for which no deferred tax asset is recognised	-1,253	-417
Recognised effective tax	0	0

Loss carry-forwards total SEK 26,308 thousand. Deficits can be offset against future revenues with no time limit. No deferred tax assets on loss carry-forwards are recognised.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

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

	31/12/2020	31/12/2019
Opening carrying amount	1,153	2,257
Purchases	0	0
Depreciation/amortisation	-1,104	-1,104
Closing carrying amount	49	1,153

NOTE 8. INVESTMENTS IN SUBSIDIARIES

ACCOUNTING POLICY

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

Name Corp. reg. no	Registered office	Share of equity	Share of voting power	Carrying amount 31/12/2020	Carrying amount 31/12/2019
Flexshare España SL B19567130	Málaga	100%	100%	94,998	94,998
Quartiers Properties Holding SL B93528750	Málaga	100%	100%	116,972	124,711
Wecap Spain SL B93536621	Málaga	100%	100%	8,382	12,589
The Boho Club SL	Málaga	100%	100%	64,246	14,229

CHANGE FOR THE YEAR	31/12/2020	31/12/2019
Opening accumulated purchase costs	246,526	232,298
Acquisition of outstanding shares Boho Club SL	3,560	0
Reclassification from investments in associates	0	14,228
Change in reserve for contingent consideration	-5,393	0
Shareholder contributions made	39,907	0
Closing accumulated purchase costs	284,600	246,526
Impairments	-3,000	0
Closing carrying amount	281,600	246,526

Change in provision for contingent consideration and impairment relates to both shares in Wecap AB due to change in project calculation. Change in the provision for contingent consideration is recognised directly against the book value of shares and the impairment loss is recognised in financial items.

NOTE 9. INTERESTS IN JOINT VENTURES/ASSOCIATES

ACCOUNTING POLICY

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

CHANGE FOR THE YEAR	31/12/2020	31/12/2019
Opening accumulated purchase costs	0	8,889
Acquisition	0	8,889
Sale	0	-3,559
Reclassification	0	-14,228
Closing accumulated purchase costs	0	0
Closing carrying amount	0	0

Acquisitions refer to outstanding ownership interests in Boho Club SL. Immediately after the acquisition, 20% of the ownership interests were sold. The holding is recognised at 31 December 2019 as a subsidiary.

NOTE 10. NON-CURRENT RECEIVABLES FROM GROUP COMPANIES

ACCOUNTING POLICY

Receivables from Group companies are recognised at cost.

Receivables from Group companies are non-current and are expected to continue in order to manage cash flow in the subsidiaries. Interest on the receivables is capitalised on an ongoing basis. In 2020, a refinancing of loans was carried out whereby the parent company received loans used to repay loans in subsidiaries, resulting in an increase in receivables from Group companies of SEK 145,512 thousand.

	31/12/2020	31/12/2019
Opening carrying amount	25,714	27,584
Repayment	0	-1,870
Additional receivables	145,512	0
Closing carrying amount	171,226	25,714

	31/12/2020	31/12/2019
Bohoclub SL	75,600	34
Quartiers Properties Holding SL	42,184	0
Flexshare SL	33,329	20,057
CFS Marbella Hotel SL	11,745	0
Wecap Spain SL	6,734	5,620
CFS Residential SL	1,631	0
Quartiers Estate SL	3	3
Total	171,226	25,714

NOTE 11. OTHER CURRENT RECEIVABLES

ACCOUNTING POLICY

Other short-term receivables are stated at cost.

	31/12/2019	31/12/2019
VAT-related receivables	153	175
Loan receivable	0	3,559
Other receivables	0	50
Closing carrying amount	153	3,784

NOTE 12. PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2020	31/12/2019
Prepaid leases, short-term component	200	200
Down payment for acquisition of land	0	1,748
Costs to be charged on	3,800	3,800
Accrued interest income	0	45
Prepaid leases	40	40
Expenses for ongoing new share issue	0	457
Other	76	88
Total	4,116	6,378

NOTE 13. SHAREHOLDERS' EQUITY

ACCOUNTING POLICY

The income statement and balance sheet follow the format stipulated in the Swedish Annual Accounts Act. The statement of changes in equity also follows the Group's format, but follows the columns stated in the Swedish Annual Accounts Act restricted and unrestricted shareholders' equity.

NUMBER OF SHARES AND WARRANTS

Share capital in Quartiers Properties AB (publ) amounts to SEK 1,463 (1,393) thousand and is allocated among 58,524,388 shares. Of these shares, 51,754,520 are ordinary shares and 6,769,868 are preference shares. The company's ordinary and preference shares are subject to trading on Nasdaq First North. The shares have a quota value of SEK 0.025 per share. Ordinary shares carry ten votes and preference shares carry one vote each. All shares registered at the balance sheet date are fully paid.

Preference shares take precedence over ordinary shares for an annual dividend corresponding to SEK 0.96, with payment made quarterly. Following the resolution by the meeting of the shareholders, the company is entitled to redeem the preference shares for a redemption amount of SEK 12 per share. All shares carry the same right to the company's remaining net assets, in addition to which preference shares entitle holders to receive SEK 12 per share from the company's remaining assets and any remaining amount before distribution is made to owners of ordinary shares. The company is prevented from paying dividends as part of the loan terms of the company's investment loans. For the preference shares, this means that the dividend is accumulated and accrues interest at a rate of 12%. At the balance sheet date, the outstanding amount including interest amounted to SEK 7,653 (0) thousand.

An issue of 2,786,875 preference shares was carried out in January. In July, it was decided to initiate an exchange offer, which meant that preference shareholders were given the opportunity to exchange one preference share for one ordinary share and two warrants. In September, the exchange offer ended with an acceptance rate of 32.7%, so 3,291,624 preference shares were cancelled and the corresponding number of ordinary shares, as well as 6,583,248 warrants, were issued.

As of 31 December, a total of 3,291,624 Series 3, 2020/2021 warrants and 3,291,624 Series 4, 2020/2022 warrants had been issued. Each warrant in the exchange offer entitles the holder to subscribe for one newly issued ordinary share in the company. The warrants can be used to subscribe for ordinary shares during the period from 17 August 2021 to 31 August 2021 (for Series 3 warrants) and from 17 March 2022 to 31 March 2022 (for Series 4 warrants). The warrants entitle holders to subscribe for new ordinary shares at whichever is higher of the value of (i) 75% 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.

NOTE 14. APPROPRIATIONS

The following funds are at the disposal of the AGM:

Share premium reserve	316,645,756
Retained earnings	-36,367,260
Profit/loss for 2020	-5,396,828
Total available funds	274,881,668

The Board proposes that the AGM reject a dividend and resolve that the available profit in the Parent Company of SEK 274,881,668 be carried forward.

NOTE 15. INTEREST-BEARING LIABILITIES

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% 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 0.0%. 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.

Maturity analysis

31/12/2020	<1 year	1-2 years	2-5 years	>5 years
Investment loans	0	0	181,996	0
Total	0	0	181,996	0

NOTE 16. OTHER CURRENT LIABILITIES

	31/12/2020	31/12/2018
Liabilities to related parties	0	11
Short-term loans from lenders other than credit institutions	0	3,911
Liability, preference share dividend	0	3,492
Other	173	-31
Total	173	7,383

NOTE 17. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2020	31/12/2019
Accrued salaries and holiday pay	146	146
Accrued social security charges	46	46
Other accrued expenses	788	967
Total	980	1,159

NOTE 18. FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

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

SEK thousand	Financial assets/liabilities measured at fair value via profit or loss		Financial assets/liabilities measured at amortised cost	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<i>Assets in the balance sheet</i>				
Non-current receivables from group companies			171,226	25,714
Other non-current receivables			862	200
Other receivables			153	3,784
Financial investments	37	12		
Cash and cash equivalents			1,759	1,828
Total	37	12	174,000	31,526
<i>Liabilities in the balance sheet</i>				
Non-current liabilities to group companies			0	3,716
Trade payables			309	1,013
Interest-bearing liabilities			181,996	13,484
Other current liabilities			173	3,461
Total	0	0	182,478	21,674

NOTE 19. PLEDGED ASSETS

ACCOUNTING POLICY

The Parent Company has pledged shares in subsidiaries as collateral for loans.

	31/12/2020	31/12/2019
Pledged shares in subsidiaries	276,217	0

NOTE 20. EVENTS AFTER BALANCE SHEET DATE

No significant events have occurred since the balance sheet date.

CERTIFICATION BY THE BOARD OF DIRECTORS AND THE CEO

The consolidated accounts and annual accounts have been prepared in accordance with the international accounting standards referred to in the European Parliament and Council's regulation (EC) no 1606/2002 dated 19 July 2002 regarding the application of international accounting standards and generally accepted accounting principles, and provide a true and fair view of the Group and Parent Company's position and performance. The Directors' Report for the Group and Parent Company gives an accurate overview of performance.

Stockholm, 7 May 2021

Jörgen Cederholm
Chairman of the Board

Marcus Johansson Prakt
Chief Executive Officer

Jimmie Hall
Board member

Andreas Bonnier
Board member

Sten Andersen
Board member

Our auditor's report was presented on 7 May 2021

Öhrlings PricewaterhouseCoopers AB

Henrik Boman
Chartered Accountant

AUDITOR'S REPORT

To the Annual General Meeting of the shareholders of Quartiers Properties AB (publ), reg. no. 556975-7684

REPORT ON THE ANNUAL AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Quartiers Properties AB (publ) for 2020. The company's annual accounts and consolidated accounts are provided on pages 21–68 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the Parent Company's financial position at 31 December 2020 and of its financial performance and cash flow for the year, according to the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the financial position of the Group at 31 December 2020 and of its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other sections of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting of shareholders adopt the consolidated statement of comprehensive income and the consolidated statement of financial position, as well as the income statement and balance sheet for the Parent Company.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail under the section 'Auditor's responsibilities'. We are independent in relation to the Parent Company and the Group in accordance with rules of professional ethics in Sweden, and have in all other respects fulfilled our professional responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OTHER INFORMATION BESIDES THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document contains other information in addition to the annual accounts and consolidated accounts on pages 1–20 and 71–73. The Board of Directors and the CEO are responsible for this other information.

Our opinion with regard to the annual accounts and consolidated accounts does not extend to this information, and we do not provide a statement of assurance concerning such other information.

In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether such information deviates significantly from the annual accounts and consolidated accounts. During the course of this review we also consider the knowledge we have otherwise obtained during our audit, and we make an assessment of whether the information in general appears to contain any material misstatements.

If, based on the work that has been carried out regarding this information, we conclude that the other information contains a material misstatement, we are obliged to report the matter. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and CEO are responsible for ensuring that the annual accounts and consolidated accounts are prepared and that they provide a true and fair view in accordance with the Swedish Annual Accounts Act and, as regards the consolidated accounts, in accordance with IFRS as adopted by the EU, and the Swedish Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal controls as they deem necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

When preparing the annual accounts and consolidated accounts, the Board of Directors and CEO are responsible for analysing the company and Group's ability to continue operating. Where applicable, they provide notification of circumstances that could affect the ability to continue operations and to use the assumption of continued operation. The assumption of continued operation does not apply, however, if the Board of Directors and the CEO intend to liquidate the company, discontinue operations or do not have any realistic alternative to taking either of these options.

AUDITOR'S RESPONSIBILITIES

Our objectives are to achieve a reasonable level of assurance that the annual accounts and the consolidated accounts as a whole do not contain any material misstatements, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if it exists. Misstatements may occur because of fraud or error and are deemed material if individually or together they could reasonably be expected to affect the financial decisions that users take based on the annual accounts and the consolidated accounts.

Further details of our responsibility for the audit of the annual and consolidated accounts are available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar (in Swedish). This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Quartiers Properties AB (publ) for 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the Directors' Report, and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

BASIS OF OPINION

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail under the section 'Auditor's responsibilities'. We are independent in relation to the Parent Company and the Group in accordance with rules of professional ethics in Sweden, and have in all other respects fulfilled our professional responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. Any proposed dividend contains, among other things, an assessment of whether the dividend is justifiable with regard to the requirements that the company and Group's type of business, size and risk place on the size of the Parent Company and Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and management of the company's affairs. This includes continually assessing the company and Group's financial situation and ensuring that the company's organisation is structured so that its accounting records, management of funds and the company's financial affairs in other respects are subject to satisfactory checks. The CEO must conduct ongoing management in accordance with the Board of Directors' guidelines and instructions and, for example, take the action necessary to ensure that the company's accounting records are implemented in compliance with the law and that management of funds is carried out satisfactorily.

AUDITOR'S RESPONSIBILITIES

Our objective for the audit of management, and therefore our statement on discharge from liability, is to obtain audit evidence to have a reasonable level of assurance to be able to assess whether any Board member or the CEO in any significant respect:

- has taken any action or is guilty of any negligence that may cause liability to the company;
- has in some way acted in breach of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

Our objective for the audit of the proposed appropriations of the company's profit or loss, and therefore our statement about this, is to have a reasonable level of assurance to assess whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with good auditing standards in Sweden will always detect a material misstatement or negligence that may cause liability to the company, or that proposed appropriations of the company's profit or loss are not consistent with the Swedish Companies Act.

Further details of our responsibility for the audit of the company's administration are available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar (in Swedish). This description is part of the auditor's report.

Stockholm, 7 May 2021

Öhrlings PricewaterhouseCoopers AB

Henrik Boman

Chartered Public Accountant

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 market value of the company's ordinary shares on 31 December 2020 totalled SEK 491.7 million, based on a closing price for the share of SEK 9.50.

Preference shares take precedence over ordinary shares for an annual dividend corresponding to SEK 0.96 per share, with payment made quarterly. The most recent dividend took place in connection with the first quarter. The company has been prevented from paying dividends since then, as described above. Unpaid dividends are accumulated and included in the preferential amount that the preference shares have over the ordinary shares.

In July, it was decided to initiate an exchange offer, which meant that preference shareholders were given the opportunity to exchange one preference share for one ordinary share and two warrants. In September, the exchange offer ended with an acceptance rate of 32.7%, so 3,291,624 preference shares were cancelled and the corresponding number of ordinary shares, as well as 6,583,248 warrants, were issued.

WARRANTS

As of 31 December, a total of 3,291,624 Series 3, 2020/2021 warrants and 3,291,624 Series 4, 2020/2022 warrants had been issued. Each warrant in the exchange offer entitles the holder to subscribe for one newly issued ordinary share in the company. The warrants can be used to subscribe for ordinary shares during the period from 17 August 2021 to 31 August 2021 (for Series 3 warrants)

and from 17 March 2022 to 31 March 2022 (for Series 4 warrants). The warrants entitle holders to subscribe for new ordinary shares at whichever is higher of the value of (i) 75% 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.

AUTHORISATION

The 2020 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 shares (ordinary shares and/or preference 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 issue may be made against payment in cash, payment in kind and/or by offsetting, or otherwise subject to conditions. Decisions on share issues based on this authority may result in an increase in the company's share capital by a maximum of 15%. 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 on +46 8 566 286 00.

TEN LARGEST SHAREHOLDERS - 30 DECEMBER 2020

#	Shareholder	Ordinary shares	Preference shares	Capital	Votes
1	Egonomics AB	10,043,340	–	17.16%	19.16%
2	Fastighets Aktiebolag Bränneröd	6,276,388	–	10.72%	11.97%
3	House of K Investment AB	5,602,616	–	9.57%	10.69%
4	LMK Companies & Foundation	4,575,000	1,580,000	10.52%	9.03%
5	Rocet AB	4,141,200	–	7.08%	7.90%
6	Bernt Lundberg Fastigheter Lund AB	2,236,500	–	3.82%	4.27%
7	Mats Invest AB	2,074,800	–	3.55%	3.96%
8	Bosmac Invest AB	2,000,000	4,109	3.42%	3.82%
9	Jörns Bullmarknad AB	1,377,000	–	2.35%	2.63%
10	Leif Edlund	1,333,334	66,666	2.39%	2.56%
	Other	13,427,676	5,119,093	29.42%	24.01%
	Total	51,754,520	6,769,868	100.00%	100.00%

ANNUAL GENERAL MEETING 2021

The shareholders of Quartiers Properties AB (publ), reg. no. 556975-7684, are invited to attend the Annual General Meeting on Friday, 4 June 2021, at 10:00 a.m.

As a result of the Covid-19 pandemic and the restrictions introduced to prevent the spread of infection, the Board of Directors have decided that the AGM will be held without physical attendance and that the shareholders shall be able to exercise their voting rights only by advance voting (postal voting), pursuant to the provisions of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198).

The Company welcomes all shareholders to exercise their voting rights by advance voting (postal voting) according to the procedure described below. Information about the resolutions passed at the AGM will be published on Friday, 4 June 2021 as soon as the results of the voting have been definitively collated.

Registration etc.

Shareholders wishing to participate in the Annual General Meeting must be registered as shareholders in the share register maintained by Euroclear Sweden AB on the record date, which is 27 May 2021, and must notify the Company of their participation no later than 3 June 2021 by casting their vote in accordance with the instructions under the heading "Postal voting" below.

Postal voting

The Board of Directors has decided that shareholders are to be able to exercise their voting rights only by postal voting in accordance with Section 22 of the Swedish Act

on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198). For postal voting a special form shall be used which, along with further instructions for postal voting, will be available on the Company's website www.quartiersproperties.com as of Friday, 7 May 2021. Separate notification is not required; a postal voting form submitted will be regarded as notification. Completed forms must be received by the Company by no later than Thursday, 3 June 2021.

Shareholders may request on their postal voting form that a decision or decisions on any of the items on the proposed agenda shall be deferred until a "resumed AGM", which must not be a purely postal voting AGM. Any such resumed AGM shall take place if a resolution to that effect is passed at the AGM, or if shareholders representing no less than one tenth of all shares in the Company so request.

Proxy

Shareholders voting by post via a proxy must issue a signed and dated power of attorney, which must be appended to the postal voting form along with a registration certification or other authorisation document for shareholders that are legal entities. Proxy authorisation forms are available on the company's website www.quartiersproperties.com and can be sent by post to shareholders requesting them who state their postal address.

FINANCIAL CALENDAR

Annual General Meeting 2021	4 June 2021
Quarterly report Apr–Jun 2021	16 July 2021
Quarterly report Jul–Sep 2021	4 Nov 2021
Press release of annual earnings 2021	26 Feb 2022

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QUARTIERS TIERS

P R O P E R T I E S

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