



QUARTIERS TIERS

P R O P E R T I E S

**ANNUAL REPORT
2021**

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QUARTIERS PROPERTIES IN BRIEF

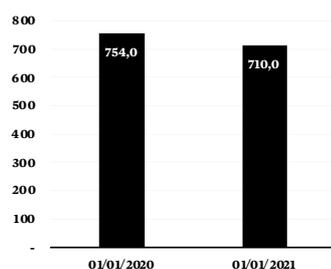
Quartiers Properties is a Swedish-owned real estate development company listed on Nasdaq First North in Stockholm. The Company's business is geographically focused on Spain. Quartiers mainly invests in properties aimed at an affluent international target group.

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

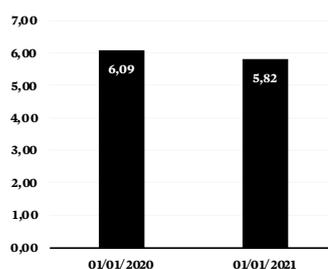
The Company draws on its Nordic background, with expertise in design and customer service that generates value in its property portfolio. Its products are created with a focus on a discerning Scandinavian target group. This helps to ensure the high quality of the Company's projects, as well as an attractiveness that also appeals to numerous nationalities, including the local Spanish population.

In the area of property enhancement, the Company invests in underperforming properties in order to increase the property's operating income and stabilise the property's cash flow – thus increasing its value. The Company also runs an operator business comprising hotel and restaurant management, primarily aimed at supporting the creation of value in the two main segments: property development and property enhancement.

PROPERTY VALUE (SEK MILLION)



NET ASSET VALUE PER ORDINARY SHARE (SEK)



Key performance indicators (SEK thousand)	31/12/2021 (Q4 2021)	31/12/2020 (Q4 2020)	31/12/2021 (Full year)	31/12/2020 (Full year)
Sales revenue	49,784	10,131	156,476	55,800
Operating profit/loss, EBITDA	-2,726	-9,206	-21,166	-29,975
Cash flow from operating and property sales*	24,549	-17,051	71,837	-41,053
Property values**	709,721	754,008	709,721	754,008
Interest-bearing liabilities	288,441	314,736	288,441	314,736
Loan-to-value (LTV)	33.77%	39.64%	33.77%	39.64%
Equity/assets ratio – carrying amount	41%	43%	41%	43%
Equity/assets ratio – property market value	74%	67%	74%	67%
Number of employees (Group)	75	68	75	68
Net asset value per ordinary share***	5.85	6.09	5.85	6.09
Equity per share	4.44	5.44	4.44	5.44
Share price per ordinary share	4.13	9.50	4.13	9.50
Market capitalisation – ordinary shares	226,261	491,668	226,261	491,668

* Cash flow from operating activities plus cash flow from divestment of commercial properties.

** According to the valuation conducted in January 2022 by Savills Aguirre Newman in accordance with RICS (Royal Institution of Chartered Surveyors).

*** Equity adjusted for market valuation of the property portfolio after tax, taking into account preference shareholders' share of equity and unpaid dividends, as well as default interest on unpaid dividends.

MESSAGE FROM THE CEO

In 2021, we increased sales by approximately SEK 100 million compared to 2020. We also achieved a positive cash flow and improved cash flow from operating activities, including the sale of homes, by SEK 113 million. Excluding previous value adjustments in the balance sheet, we also recorded a positive operating result (EBITDA) of SEK 22 million for the full year. So we have made the increase in value a reality and converted money on the books to real money in the bank. As this was done during a fervent pandemic with a new variant, Omicron, which had a particularly negative impact on the fourth quarter, we have high hopes for 2022 where growth is now also on the agenda. Above all, we will grow with new hotels, including the expansion of the Boho Club. With the know-how and experience currently available in the Company, we have every opportunity to make these plans a reality. Russia's invasion of Ukraine is a human catastrophe that we, like the majority of the world, condemn. From a business point of view, we view rising energy prices, which increase our costs but also travel costs for many of our guests, as the biggest risk to our business. In the short term, we are partly protected thanks to our positioning towards the premium segment, which is likely to continue to see travel despite higher prices. In the medium term, hopefully the horror of what is happening now will accelerate Europe's transition to renewable energy with technologies that can reduce emissions and the climate impact of both aviation and buildings. We will do our utmost to contribute to that transformation and embrace new technologies as they become available. Otherwise, I would like to highlight a number of positive things that are worth mentioning about the Company today.

Our current project portfolio and organisation

Today, we have an organisation that manages to finance projects, sell homes at a profit, and start up and operate hotels and restaurants. Despite travel constraints, we have managed to sell apartments in our Hacienda Collection project at valuation levels, as well as operate our newly opened Boho Club hotel in such a way as to outperform world-renowned hotel operators and take home the award for the best luxury boutique hotel in Spain. At the same time, we increased the value of the property from EUR 23.6 million after opening and before the pandemic to the current EUR 25.6 million. It shows that we will be able to use our existing project portfolio well and efficiently. In 2022, we will launch our Ocean View project with 60 new apartments and expand the Boho Club to include more rooms. We also intend to grow with more projects, especially in the hotel segment. In the longer term, we intend to fully develop the Boho Club and Centro Forestal Sueco with the possibility of expanding the project by 4-5 times as many building rights as we use today.

Operationally, we distinguish ourselves by being a real estate company with the expertise not only to develop attractive and well-planned projects, but also to operate a comprehensive hotel and restaurant business of the highest quality. We opened the hotel at the Boho Club in December 2019, and when Covid-19 escalated in March 2020, we had to shut down operations. It was the worst possible start for a new hotel project. The bank financing that was to replace our construction loans to open the hotel was withdrawn. The stock plummeted for us, as it did for most others, and we were forced to find an alternative solution. The finance team worked day and night to resolve the situation while preventing a new issue of shares. We managed to secure a loan and avoid a new issue to secure the Company's liquidity, which very many of our colleagues on the stock exchange were forced to do. Had we, at this point, not been disrupted by Covid-19, our financing costs in 2020 and 2021 would have been significantly lower, and the bottom line better.

Sales gain momentum

We've known about Marbella's potential for a long time, but now it's official. Marbella has been ranked one of Europe's most attractive travel destinations. That and a gradually declining pandemic has benefitted us and our projects. In the fourth quarter, we sold four apartments in the Hacienda Collection project, and in the first quarter of 2022, sales have picked up and we expect to land around 10 sales. At the same time, Boho Club has exceeded all expectations we had for the hotel. An occupancy rate in line with expectations and a high average rate per night of EUR 320 excluding VAT pave the way for strong profitability. This is higher than both we and the appraisal company that valued Boho Club had expected.

Refinancing

Our history, organisation, assets and good positioning vis-à-vis a target group with strong purchasing power, which has become even more so thanks to a long period of low interest rates, suggest that the Group's turnover and operating profit will improve in 2022. This, in turn, lays the groundwork for successful refinancing of our current "Covid loan" with DeShaw/Alantra, which we secured at the start of the pandemic. We have recently made significant progress in this process and are in final discussions with a number of operators to refinance this loan and reduce our financing costs. If successful, we will lay the foundations for further expansion, and see a clear bottom line improvement in the second half of 2022 as a result of lower financing costs.

DESCRIPTION OF THE BUSINESS

SUMMARY OF PROJECTS

Quartiers' business operations consist of the development and management of properties. The portfolio consists of both earning properties with further upside value potential, as well as plots and apartments for sale.

Marbella as a destination continues to grow in popularity and was recently ranked as Europe's second best travel destination by the travel portal European Best Destinations, which puts together an annual list, in collaboration with the EU body Eden Network. This award, together with continued easing of Covid restrictions, is expected to benefit the Company's projects in 2022 and beyond.



The promenade in Marbella

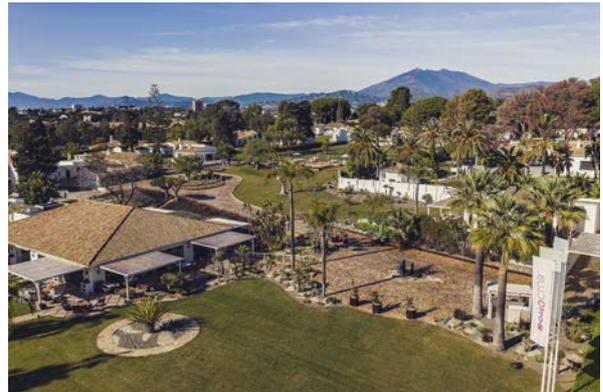
Property refinement through operator activities



QUARTIERS MARBELLA APARTMENTS

Generously dimensioned and tastefully furnished apartments for short-term and long-term rentals. For the full year, turnover amounted to SEK 15.2 million and profit to SEK 4.4 million.

Website: www.quartiersmarbella.com



BOHO CLUB

Award-winning and exclusive hotel and restaurant project on Marbella's Golden Mile. The restaurant has been recommended in the Michelin Guide, and the hotel has received several awards for its distinctive design. The hotel has 30 rooms, with 2–4 beds in each room. Sales for the full year totalled SEK 48.9 million. EBITDA for the full year was SEK 3.0 million.

Work is underway on a new local development plan, which is expected to significantly increase the number of construction rights on the property and enable further development. The first initial approval of the new master plan is expected in the first half of 2022, according to the latest forecast of Marbella municipality.

DESCRIPTION OF THE BUSINESS

Property sales



HACIENDA COLLECTION BY QUARTIERS

Apartments for sale in the Hacienda Collection, a gated community situated at the foot of the Sierra de Las Nieves mountain range. In 2021, a total of 19 apartments were sold at a value of SEK 64 million.

Please contact the Quartiers sales team for more information and to book a viewing.

Email: sales@quartiersproperties.com

Tel. +34 633 094 628

Website: www.haciendacollection.es



RESIDENTIAL PLOTS IN LOS FLAMINGOS

Quartiers is selling plot 86 in Los Flamingos, a stone's throw from the five-star Villa Padierna hotel and its exclusive 36-hole golf course. The plot is 1,367 square metres and allows the construction of a villa of 541 square metres, including a basement. The Company sold plot number 15 in the same area earlier this year.

Please contact the Quartiers sales team for more information.

Email: sales@quartiersproperties.com

Tel.: +34 633 094 628



VILLA SOLD IN NUEVA ANDALUCIA

This luxury villa located in exclusive Nueva Andalucia was sold, with occupancy in the fourth quarter of 2021.



OCEAN VIEW BY QUARTIERS

Apartment complex project in Benahavís with approximately 10,000 square metres of building rights to develop 60 new apartments. The area where the project is located continues to be consolidated with two new luxury residential projects nearby. In the fourth quarter, Quartiers resumed work on the project. The Company is currently evaluating financing solutions for the project, which will form the basis for a decision when sales begin. The Company's primary ambition is to find a financing solution that will enable the Company to sell as many apartments as possible after full completion, thereby optimising the project's sales revenue and results.

DESCRIPTION OF THE BUSINESS



CENTRO FORESTAL SUECO

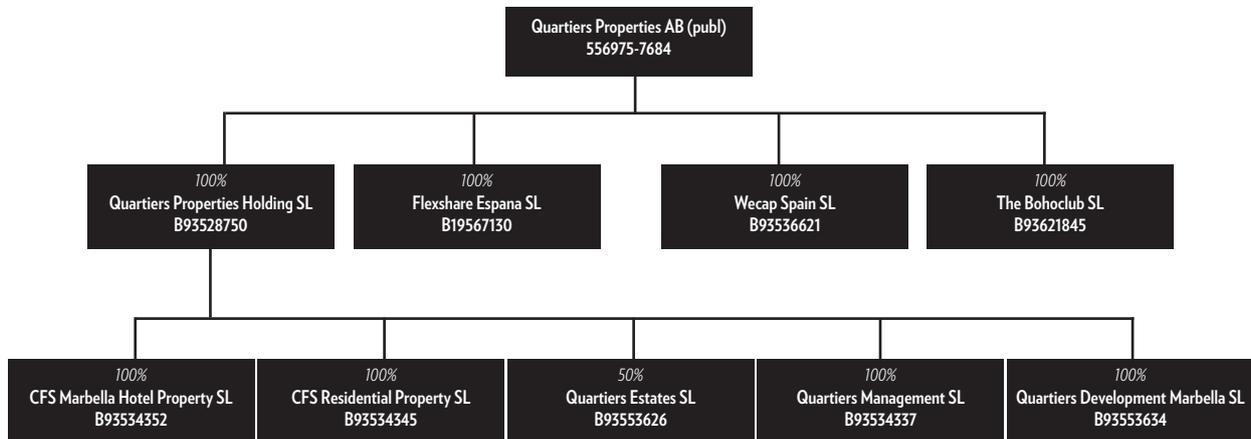
This 13,730 square-metre property is located next to Boho Club and is less than two minutes' walk from the beach in Marbella. Quartiers is planning to develop this plot into an exclusive gated community with villas and/or apartments.

Work is underway on a new local development plan, which is expected to significantly increase the number of construction rights on the property and enable further development.

Quartiers is currently working on the conceptualisation and design of the project. In addition, the possibility of positioning the project in the sharing economy and selling it as parts of apartments with the full range of services of the Boho Club is being explored.



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 percent owned by the Parent Company. The Parent Company's indirect ownership in Quartiers Estates SL amounts to 50 percent.

Quartiers Properties Holding SL

Quartiers Properties Holding SL, 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, registration number B19567130, is a Spanish subsidiary that owns the Quartier Marbella Apartments, Hacienda Collection and Ocean View. It previously owned the villa project in Nueva Andalucía as well. 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, registration number B93536621, is a project company that owns the Group's residential plots in Los Flamings. 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, registration number B93621845, is the operating company that runs the Boho Club. Quartiers initially owned 50 percent of the company but has now taken over 100 percent ownership following a number of transactions. The company owns only 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, 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, registration number B93534245, is a real estate/project company that owns the project with the working name Forestal Residential.

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 57,697,005 ordinary shares, each carrying 10 votes, corresponding to 576,970,050 votes, and 6,769,868 preference shares, each carrying one vote,

corresponding to 6,769,868 votes. There are consequently a total of 64,466,873 shares and a total of 583,739,918 votes in the Company.

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 2021

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

BOARD OF DIRECTORS



Jörgen Cederholm



Sten Andersen



Jimmie Hall



Andreas Bonnier

CORPORATE GOVERNANCE

Annual General Meeting 2021

Quartiers Properties' 2021 AGM was held on 4 June 2021 at the offices of law firm Advokatfirman Wählins AB at Engelbrektsgatan 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 percent 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.
- Resolution regarding amendment of the Articles of Association, inter alia including a new paragraph that allows the Board to resolve that the shareholders shall be able to exercise their voting rights by post.
- 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 2021 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 2022 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 2022 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.

CORPORATE GOVERNANCE

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.



Costa del Sol and Marbella have become significantly more popular in recent years and have just been named one of the most attractive destinations in Europe.

FINANCIAL STATEMENTS

Directors' report

Consolidated statement of comprehensive income

Consolidated statement of financial position

Consolidated statement of changes in equity

Consolidated statement of cash flows

Group accounting policies and notes

Parent Company income statement

Parent Company balance sheet

Parent Company statement of changes in equity

Parent Company statement of cash flows

Parent Company accounting policies and notes

Auditor's report

Shareholders

Annual General Meeting 2022



The Board of Directors and Chief Executive Officer of Quartiers Properties AB (publ), 556975-7684, hereby submit the annual accounts and consolidated accounts for the financial year 2021.

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 2021, the Company's operator activities were once again negatively affected by restrictions imposed to limit the spread of Covid-19.
- In August, a new share issue was effected through the exercising of outstanding warrants. The take-up rate was 92 percent, and the Company received SEK 11.1 million.
- In September, the Spain Luxury Hotel Awards named the Boho Club the best luxury boutique hotel in Spain.
- On 22 October, the Arbitration Institute of the Stockholm Chamber of Commerce issued a judgment in the dispute between the Company and the foundation Central Fund for Employees in Forestry and the Forest Industry regarding payment of the outstanding purchase consideration for the Centro Forestal Sueco property (of which the Boho Club is part). According to the judgment, Quartiers is required to pay the outstanding purchase consideration for Centro Forestal Sueco in the amount of EUR 1,350 thousand. The payment was conditional on the adoption of a new zoning plan, which the Company considers not to have been met.

Including interest and the costs of the arbitration proceedings, the total cost amounted to SEK 15.9 million. Payment in full was made in March 2022.

NET SALES

Quartiers' net sales amounted to SEK 156,476 (55,800) thousand. Turnover from the sale of properties increased by SEK 68,807 thousand compared to 2020, totalling SEK 91,963 thousand. In 2021, a total of 19 apartments were sold in the Company's apartment complex in Benahavis, as well as two other project properties.

Revenue from operator activities increased by 97.6 percent to SEK 64,513 (32,643) thousand. Of the total operator revenues, the Boho Club contributed SEK 48,915 thousand. The remainder comprises long-term and short-term rentals of apartments in the Benahavis apartment complex. Especially during the early part of the year, revenues were negatively affected by restrictions designed to limit the spread of Covid-19.

COST OF PROPERTIES SOLD

The cost of properties sold totalled SEK 93,701 (23,737) thousand, comprising deferred costs of SEK 55,476 (38,663) thousand, sales costs of SEK 6,699 (2,274) thousand and the previously reported change in value of properties of SEK 31,526 (11,603) thousand.

OPERATING EXPENSES

Operating expenses totalled SEK 72,062 (69,729) thousand. The biggest single costs comprised personnel and consulting expenses of SEK 23,511 (22,169) thousand, consumption of goods totalling SEK 13,881 (8,048) thousand, depreciation in the amount of SEK 12,223 (18,692) thousand, electricity, lighting and other operating expenses of SEK 5,744 (3,138) thousand, repairs and maintenance amounting to SEK 4,760 (1,716) thousand, and association fees for the joint property association in the Company's apartment hotel of SEK 3,293 (4,496) thousand.

GROSS PROFIT

Gross profit improved by SEK 28,379 thousand and totalled SEK -9,287 (-37,666) thousand. Gross profit exclusive reversal of previously recognised changes in value on properties amounted to SEK 21,969 (-26,063) thousand, corresponding to an improvement of SEK 48,032 thousand.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses includes losses of SEK 4,317 thousand on divestment of shares that the Company incurred as a part of the settlement with a former construction partner. They also comprise the upcoming purchase price of SEK 8,186 thousand for the properties called Centro Forestal Sueco and Boho Club,

whose payment is subject to special conditions that were in dispute. Quartiers lost the dispute in arbitration in October, and made the required payment in March 2022.

INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

The Company's interest expenses and similar income statement items for the period totalled SEK -30,644 (-21,823) thousand. The increase is primarily due to a rise in interest costs on the investment loan taken out by the Company in June 2020. The intention is to refinance this loan during the second quarter of 2022.

INCOME TAX

Tax on recognised surplus property values is recognised as income tax. Deferred tax for the period totalled SEK +9,538 (+2,886) thousand. This positive tax expense results from the dissolution of deferred tax on previous unrealised changes in value.

PROFIT/LOSS AFTER TAX

Profit for the year totalled SEK -54,496 (-67,604) thousand.

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to SEK 22,370 (-62,045) thousand, of which cash flow from the sale of project properties accounted for SEK 34,164 (0) thousand. Cash and cash equivalents at the end of the year totalled SEK 48,736 (16,959) thousand.

INVESTMENTS

Cash flow from investing activities amounted to SEK 44,194 (-8,410) thousand, of which cash flow from disposal of operating properties accounted for SEK 49,467 (20,992) thousand.

OPERATING PROPERTIES

Operating properties consisted of a hotel property and apartments in an apartment complex that are rented out as holiday apartments under the Company's own management. Investments in operating properties during the period amounted to SEK 4,233 (8,683) thousand. The investment mainly relates to the Boho Club project.

PROJECT PROPERTIES

Project properties include ongoing property development projects and 22 apartments in the apartment complex, correspondingly planned for sale one year forward. Investments in project properties during the period amounted to SEK 2,053 (5,748) thousand. The Amapura villa project was completed during the year.

FINANCING

Cash flow from financing activities was SEK -34,999 (63,274) thousand. The cash flow includes cash flow from a new share issue of SEK 11,121 (25,043) thousand and repayment of loans in the amount of SEK -46,120 (-134,448) thousand.

According to the terms and conditions of the preference shares, a dividend of SEK 0.96 will be paid per preference share per year. The unpaid dividends on the preference shares are accumulated and compounded at an annual interest rate of 12 percent until payment is made. The liability is not recorded.

In July 2020, the Company entered into a loan agreement with a fund controlled by D. E. Shaw & Co, and with Alantra Debt Solutions, SL regarding the raising of a loan totalling EUR 17 million. Under the terms of the loan, parts of the interest costs can be capitalised. At 31 December 2021, outstanding debt including capitalised interest amounted to EUR 18,691 thousand, equivalent to SEK 191,458 thousand. The debt is classified as long-term as it has a maturity of 48 months. 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 otherwise consist solely of loans with Banco Santander and BBVA, lease liabilities and the investment loan.

The Company intends to refinance the loan on better terms than presently apply, and envisages doing so during the second quarter of 2022. This has been made possible by the Company's operator business showing healthy development.

In 2021, with a view to ensuring cash flow, the Company disposed of low-rent apartments in the portfolio that makes up the Benahavis apartment hotel, generating a cash flow of SEK 58,421 thousand after repayment of loans.

In September, a new issue of ordinary shares was carried out through the exercise of warrants. The issue raised SEK 11,121 thousand for the Company. On 30 March 2022, the issue was completed through the exercise of series TO 4 warrants. This issue raised an additional SEK 10,712 thousand for the Company.

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

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 2021, besides the CEO, the management team consisted of the CFO and three other employees. In total, the Group employed 75 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.

In both 2020 and 2021, Covid-19 has caused visitor numbers to plummet, obliging the Company to close down completely on several occasions. However, the situation gradually normalised over the course of 2021, and there are no signs of any long-term negative impact on demand.

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 is dependent on a limited number of employees who work with issues of management and development. Quartiers' ability to recruit and retain qualified and experienced management staff 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.

At the time of publication of the annual report, the Company is in the midst of a process that is expected to lead to the refinancing of an existing investment loan on appreciably better terms over the course of the second quarter of 2022.

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 Note 26.

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 2021, nineteen (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 -10,297 (-5,397) thousand. At the balance sheet date, equity totalled SEK 277,168 (276,345) thousand. The Company's equity/assets ratio was 58 (60) percent.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

- In March, a change was made to the Company's management team with the creation of a new role, namely "Head of Business Support". This role has been filled by Maria Cepero, the former CFO, while the new CFO is Carl-Fredrik Morander, who has supported the Company in its financial reporting since 2017.
- On 31 March, a new share issue was completed through the exercising of outstanding series TO 2020/2022 warrants. The take-up rate was 88 percent and the Company received SEK 10.8 million.

PROPOSED DISTRIBUTION OF PROFITS

The following funds are at the disposal of the AGM:

Share premium reserve	327,690,775
Retained earnings	-41,764,088
Profit/loss for the year 2021	-10,297,329
Total available funds	275,629,358

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 275,629,358** be carried forward.

CONSOLIDATED INCOME STATEMENT

Amounts are stated in SEK thousand	Note	2021	2020
Divestment of properties	3	91,963	23,157
Revenue, operator business	4	64,513	32,643
Total net sales		156,476	55,800
Cost of properties sold	5	-93,701	-23,737
Operating costs	6,7	-72,062	-69,729
Total operating expenses		-165,763	-93,466
Gross profit		-9,287	-37,666
- of which profit/loss from operator business		-7,549	-37,086
- of which profit/loss from divestment of properties		-1,738	-580
Central administration	6,7	-11,601	-12,215
Earnings from interests in joint ventures/associates	8	0	-284
Other operating income and expenses	9	-12,502	1,498
Operating profit/loss		-33,390	-48,667
- of which operating profit/loss before depreciation/ amortisation and unrealised changes in value (EBITDA)		-21,166	-29,975
Financial income	10	145	159
Financial expenses	10	-30,789	-21,982
Profit/loss from financial items		-30,644	-21,823
Profit/loss before tax		-64,034	-70,490
Income tax	11	9,538	2,886
PROFIT/LOSS FOR THE YEAR		-54,496	-67,604
Attributable to:			
Parent Company's shareholders		-54,496	-64,220
Non-controlling interests		0	-3,384
		-54,496	-67,604
Earnings per ordinary share, before/after dilution, SEK	22	-1.03	-1.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts are stated in SEK thousand	Note	2021	2020
Profit/loss for the year		-54,496	-67,604
Other comprehensive income			
Items that have been or may be transferred to profit/loss for the year			
Translation differences regarding foreign operations		8,397	-13,459
Comprehensive income for the year		-46,099	-81,063
<i>Attributable to:</i>			
Parent Company shareholders		-46,099	-77,679
Non-controlling interests		0	-3,384
		-46,099	-81,063

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>			
Operating properties	12	373,178	446,724
Assets held for use	13	3,882	4,414
Equipment, tools and fixtures and fittings	14	10,805	11,163
Other securities held as non-current assets	15	37	37
Total non-current assets		387,902	462,338
Current assets			
Project properties	16	141,390	147,187
Inventories	17	1,089	618
Trade receivables	18	2,369	1,436
Other receivables	19	4,468	15,630
Prepaid expenses and accrued income	20	10,191	9,568
Cash and cash equivalents	21	48,736	16,959
Total current assets		208,243	191,398
Total assets		596,145	653,736

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts are stated in SEK thousand	Note	31/12/2021	31/12/2020
SHAREHOLDERS' EQUITY			
	22		
Share capital		1,538	1,463
Other contributed capital		327,692	316,646
Reserves, translation differences		20,711	12,314
Retained earnings incl. profit/loss for the period		-103,158	-48,662
Shareholders' equity attributable to Parent Company shareholders		246,783	281,761
Non-controlling interests		0	0
Total shareholders' equity		246,783	281,761
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	11	31,912	41,002
Interest-bearing liabilities	23,26	273,481	283,559
Total non-current liabilities		305,393	324,561
Current liabilities			
Interest-bearing liabilities	23,26	14,960	31,177
Trade payables		4,178	4,601
Other current liabilities	24	23,867	10,656
Accrued expenses and deferred income	25	964	980
Total current liabilities		43,969	47,414
TOTAL EQUITY AND LIABILITIES		596,145	653,736

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, 01/01/2020	1,393	291,673	25,773	16,979	335,818	-1,106	334,712
Comprehensive income							
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
Transactions with shareholders							
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
Opening balance on 01/01/2021	1,463	316,646	12,314	-48,662	281,761	0	281,761
Comprehensive income							
Profit/loss for the period				-54,496	-54,496	0	-54,496
Translation differences			8,397	0	8,397		8,397
Total comprehensive income			8,397	-54,496	-46,099	0	-46,099
Transactions with shareholders							
New share issue	75	11,046			11,121		11,121
Total transactions with shareholders	75	11,046			11,121	0	11,121
Closing balance on 31/12/2021	1,538	327,692	20,711	-103,158	246,783	0	246,783

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts are stated in SEK thousand	Note	2021	2020
<i>Cash flow from operating activities</i>			
Operating profit/loss		-33,390	-48,667
Of which profit/loss from divestment of properties		1,738	580
Of which attributable to minority		0	-3,384
Depreciation, amortisation and impairment		12,223	18,691
Share in earnings of associates		0	284
Other non-cash items	29	7,869	-1,498
Interest income and similar profit/loss items		145	159
Interest paid (attributable to financing activities)		-9,038	-14,495
Cash flow from operating activities before changes in working capital		-20,453	-48,330
<i>Changes in working capital</i>			
Sale of project properties		34,164	0
Investments in project properties		-2,053	-5,748
Change in other inventories		-471	165
Change in operating receivables		7,963	-14,295
Change in current liabilities		3,220	6,163
Total change in working capital		42,823	-13,715
Cash flow from operating activities		22,370	-62,045
<i>Cash flow from investing activities</i>			
Divestment of operating properties		49,467	20,992
Reduction in non-current financial assets		0	5
Acquisitions and investments in operating properties		-4,233	-8,683
Investments in plant and equipment		-1,040	-3,904
Cash flow from investing activities		44,194	8,410
<i>Cash flow from financing activities</i>			
New share issue		11,121	25,043
Loans raised		0	185,620
Loan repayments		-46,120	-134,448
Other capitalised financing costs		0	-8,111
Dividend paid to preference shareholders		0	-4,830
Cash flow from financing activities		-34,999	63,274
Cash flow for the period		31,565	9,639
Cash and cash equivalents at start of period		16,959	6,874
Exchange rate differences in cash and cash equivalents		212	446
Cash and cash equivalents at end of period		48,736	16,959

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 April 2022 and submitted for adoption at the Annual General Meeting on 29 April 2022.

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 percent 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 percent but no more than 50 percent 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 2021 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.

Gains 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 December 2021 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 December 2021, according to the external valuation, amounted to SEK 709,721 thousand, which compares to the book value of SEK 514,568 thousand. The valuation represents an increase of 1.1 percent in local currency adjusted for properties sold compared to the valuation at 31 December 2020. Part of the property portfolio is carried at market value as at 31 December 2018, when the reclassification of the properties from investment properties to operating properties took place.

Credit risk in receivables

The Group has limited 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 December 2021.

NOTE 2. SEGMENT REPORTING

ACCOUNTING POLICY

Since 1 January 2021, the Company's results have been separately measured for operator activities, currently consisting of Boho Club and Quartiers Marbella Apartments, and property divestment. Central administration and business development costs related to new projects are reported together under Other. All revenue and non-current assets are attributable to Spain. No customers account for more than 10 percent of revenues.

	Operator activities	Property sales	Other	Total	Operator activities	Property sales	Other	Total
	2021				2020			
Revenue	64,513	91,963	0	156,476	32,643	23,157	0	55,800
Operating expenses	-57,172	-93,701	-14,268	-165,141	-46,161	-23,737	-17,091	-86,989
EBITDA	7,341	-1,738	-14,268	-8,665	-13,518	-580	-17,091	-31,189
Depreciation, amortisation and impairment	-12,223	0		-12,223	-15,692	-3,000		-18,692
Operating profit/loss	-4,882	-1,738	-14,268	-20,888	-29,210	-3,580	-17,091	-49,881
Operating properties								
Investments	-4,405	0	0	-4,405	8,683	0	0	8,683
Reclassifications	-26,798	0	0	-26,798	-40,318	0	0	-40,318
Divestments	0	-17,996	0	-17,996	0	21,594	0	0
Project properties								
Investments	0	1,099	0	1,099	0	5,748	0	5,748
Reclassifications	0	26,798	0	26,798	0	40,318	0	40,318
Divestments	0	36,699	0	36,699	0	0	0	0

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 2021, 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.

Apartments are sold on an ongoing basis and all apartments are included in the rental activities of the apartment complex. Apartments 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.

	2021	2020
Sale of Los Flamingos plots	9,075	0
Sale of villa Amapura	18,753	0
Sale of apartments in the Benahavís apartment hotel	64,135	23,157
Total	91,963	23,157

In total, the Company sold 19 (6) apartments in 2021.

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 90 percent of revenues are paid in advance to a booking agency or at the point that the service is used. The remaining 10 percent relates to receivables from long-stay guests who are invoiced monthly.

LEASE INCOME

At 31 December 2021 the Company had 15 (16) flats rented long-term with remaining terms of 1–3 years. Income from existing rental agreements amounts to SEK 2,248 thousand for 2022, and 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.

	2021	2020
Hacienda Apartment Hotel		
Long-term rental income	2,011	1,866
Short-term rental income	12,152	6,997
Other income	425	288
Total Hacienda Apartment Hotel income	14,588	9,151
Boho Club		
Restaurant	19,973	12,727
Hotel	23,625	10,713
Other income	6,327	49
Total income Boho Club	49,925	23,489
Other income	0	3
Total	64,513	32,643

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.

	2021	2020
Hacienda		
Purchase cost	32,027	9,860
Increase in value previously recognised but unrealised	31,526	11,603
Selling cost	4,907	2,274
Recognised production expense	68,459	23,737
Amapura		
Purchase cost	15,238	0
Selling cost	1,234	0
Recognised production expense	16,472	0
Los Flamings		
Purchase cost	8,211	0
Selling cost	558	0
Recognised production expense	8,769	0
Total		
Purchase cost	55,476	9,860
Increase in value previously recognised but unrealised	31,526	11,603
Selling cost	6,699	2,274
Recognised production expense	93,701	23,737

NOTE 6. OPERATING EXPENSES AND CENTRAL ADMINISTRATION

ACCOUNTING POLICY

Operating 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	2021	2020
Consultancy and personnel costs	23,511	22,169
Consumption of goods	13,881	8,048
Depreciation, amortisation and impairment	12,223	18,692
Repairs and maintenance	4,760	1,716
Association fees (Apartment complex in Benahavís)	3,293	4,496
Electricity and lighting	5,744	3,138
Other operating expenses	8,650	8,470
Total	72,062	66,729

CENTRAL ADMINISTRATION	2021	2020
Wages and salaries	6,223	5,324
Consultancy fees	1,631	2,785
Bank and financing costs	21	88
Advertising & PR	227	23
Other	3,499	3,995
Total	11,601	12,215

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.

	2021	2020
PwC		
Audit assignment	760	855
Audit activities in addition to the audit assignment	75	8
Total	835	863

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 2021, 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	2021	Share, %	2020	Share, %
Men	45	57	46	56
Women	35	43	35	44
Total	80	100	81	100

All employees were based in Spain in 2019 and 2020.

Gender balance in the company management	2021	2020
Percentage who are women		
Board of Directors	0%	0%
Other senior executives	20%	20%

Salaries, other remuneration and social security contributions	2021	2020
Chairman of the Board	290	290
Board members	450	450
Total Board fees	740	740
Chief Executive Officer	2,202	1,692
Other senior executives	1,915	2,306
Other employees	18,910	16,810
Total salaries and other remuneration	23,027	20,808
Social security contributions		
Pension costs	0	0
Other social security charges according to law and agreements	6,811	7,107
Total social security contributions	6,811	7,107
Total salaries, remuneration, social security contributions and pension costs	29,838	27,915

REMUNERATION OF THE CEO AND THE BOARD OF DIRECTORS

Remuneration corresponding to SEK 2,202 (1,692) thousand has been paid to the CEO. Remuneration is made up of a fixed salary of EUR 11,000 (11,000) per month and accommodation. In addition, pension compensation in lieu of pension insurance is paid in the amount of EUR 1,000 per month. In 2021, the CEO received payment for holiday earned but not taken in the amount of EUR 34 thousand, as well as a one-time bonus of EUR 17 thousand.

In addition to his fixed salary, the CEO is contractually entitled to payment of EUR 3,000 per month that is paid 18 months in arrears after the end of the calendar year and is conditional upon his continued employment. No such payment was made in 2021.

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. In addition, a provision for non-invoiced consultancy fees over and above Board work has been made in the amount of SEK 275 thousand.

PENSIONS AND SEVERANCE PAY

Since 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 percent and 50 percent 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

In 2021, the Company has not had any active associated companies.

	31/12/2021	31/12/2020
Share in earnings	0	-284
Recognised profit/loss	0	284

	31/12/2021	31/12/2020
Opening balance	0	478
Share of the Company's earnings	0	-284
Impairment	0	-194
Closing balance	0	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.

	2021	2020
Impairment of operating receivables	-4,317	-6,150
Other income	0	14,158
Upcoming purchase consideration	-8,186	-6,510
	-12,503	1,498

For 2020, impairment of operating receivables relates to the impairment of advance claims relating to construction. The figure for 2021 relates to losses on the sale of the mortgage in the form of shares in the Company incurred as a part of the settlement agreed with the construction company.

Upcoming purchase consideration refers to the upcoming purchase price for the CFS property. The purchase price was the subject of a dispute, whose judgement was handed down in October. Final payment was made in March.

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	2021	2020
Exchange rate differences	0	0
Interest income	145	159
Total	145	159

FINANCIAL COSTS

	2021	2020
Interest expenses	27,152	20,108
Other financing costs	2,788	1,352
Exchange rate differences	849	523
Total	30,789	21,982

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	2021	2020
Tax on earnings for the period	0	0
Deferred income tax relating to temporary differences	9,538	2,886
Total recognised tax	9,538	2,886

Reconciliation of effective tax

Recognised profit/loss before tax	-64,034	-70,490
Tax according to current tax rate of 20.6% (21.4)	13,191	15,085
Non-deductible costs	-77	-82
Tax losses for which no deferred tax asset is recognised	-3,156	-12,013
Effect of foreign tax rate, 25% (25)	-420	-104
Recognised effective tax of 4.5% (5.4)	9,538	2,886

Deferred tax on temporary differences

Temporary differences	Deferred tax assets		Deferred tax liabilities		Net	
	2021	2020	2021	2020	2021	2020
Surplus values, properties	0	0	-31,912	-41,002	-31,912	-41,002
	0	0	-31,912	-41,002	-31,912	-41,002

Change in deferred tax	Recognised in income statement	Amount at end of period
Deductible temporary differences	9,538	-31,912

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) percent. An income tax rate of 25 percent has therefore been used in the Group. The Group has loss carry-forwards of SEK 129,555 (155,456) thousand, of which SEK 30,805 (23,200) 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

Since 2019, Quartiers has been progressively opening its hotel and restaurant business at the Company's CFS property. The business expanded strongly in 2021 having been negatively affected by Covid-19 restrictions for much of 2020 and 2021.

APARTMENT HOTEL BENAHAVÍS

Quartiers has been running short- and long-term rental operations at the Company's apartment complex in Benahavís since 2016. In 2021 a total of 19 apartments were sold, and at the balance sheet date the holding amounted to 75 apartments, of which 20 are recognised as project properties as they are for sale.

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	Façade	50

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Opening carrying amount	446,724	532,617
Divestments	-49,522	-21,594
Investments	-4,405	8,683
Depreciation/amortisation	-10,096	-11,447
Exchange rate differences	8,645	-21,217
Reclassification	-26,978	-40,318
Closing carrying amount	373,178	446,724
Details about operating properties		
Cost	272,156	311,037
Accumulated depreciation	-28,567	-20,488
Unrealised adjustments in value	129,589	156,175
Carrying amount	373,178	446,724

Reclassification 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 3,882 (4,414) thousand. The reported value breaks down into cars in the amount of SEK 535 (666) thousand, and furniture and fittings in the amount of SEK 3,347 (3,748) thousand.

Items affecting profit or loss relating to leasing

	2021	2020
Depreciation/amortisation of right-of-use assets	671	1,586
Interest on lease liabilities	44	288
Lease expenses	715	1,874

In 2021, cash flow was affected in the amount of SEK 2,091 (1,612) thousand related to leasing. Future cash flows and ageing analysis related to leases are disclosed in Note 26, 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.

	31/12/2021	31/12/2020
Accumulated purchase costs		
At the start of the year	16,429	13,200
New acquisitions	1,040	3,904
Exchange rate differences	325	-675
Total	17,794	16,429
Accumulated scheduled depreciation		
At the start of the year	-5,266	-2,608
Depreciation for the year	-1,685	-2,658
Exchange rate differences	-38	0
Total	-6,989	-5,266
Carrying amount at end of period	10,805	11,163

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.

NOTE 16. 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.

	2021	2020
Opening carrying amount	147,187	111,938
Investments in properties	2,053	5,748
Divestments	-36,699	0
Revaluation additional purchase price		-5,394
Exchange rate differences	1,871	-5,590
Reclassifications	26,978	40,318
Closing carrying amount	141,390	147,187

NOTE 17. 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 18. 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	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Receivables from sold properties	1,833	1,046
Hacienda	33	242
Boho Club	503	148
Total	2,369	1,436

AGE ANALYSIS	31/12/2021	31/12/2020
Not overdue	2,369	1,436
Total	2,369	1,436

At 31 December 2021 no customer accounted for more than 10 percent of trade receivables. No loss reserve is recognised in 2021 or 2020.

NOTE 19. OTHER RECEIVABLES

ACCOUNTING POLICY

Other receivables are recognised according to the principles described in Note 26 concerning financial assets measured at amortised cost.

	31/12/2021	31/12/2020
Receivable Otero Builders	0	8,512
VAT-related receivables	190	2,164
Other items	4,278	4,954
Total	4,468	15,630

NOTE 20. 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.

	31/12/2021	31/12/2020
Down payment for acquisition of land	0	862
Property acquisition option	8,956	6,916
Other	1,235	1,790
Total	10,191	9,568

Property acquisition option relates to a plot next to the Company's CFS property in Marbella's Golden Mile district. At 31 December 2021 the Company had paid EUR 873 thousand for the non-binding purchase option. The option can be exercised for acquisition in January 2023. The total purchase consideration amounts to EUR 2,160 thousand.

NOTE 21. 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 22. 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 1,538 (1,463) thousand and is allocated among 61,554,571 shares. Of these shares, 54,784,703 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 percent. At the balance sheet date, the outstanding amount including interest amounted to SEK 12,480 (5,616) thousand.

At the start of the financial year, a total of 3,291,624 Series 3, 2020/2021 warrants and 3,291,624 Series 4, 2020/2022 warrants had been issued. The Series 3 warrants entitled the holder to subscribe for ordinary shares in 2021. Fully 92 percent of the warrants were exercised to subscribe for new shares, resulting in the issue of 3,030,183 ordinary shares. The Series 4 warrants could be used to subscribe for shares in March 2022. In total, subscriptions were taken out for 2,887,302 shares, resulting in total issue proceeds of SEK 10,712 thousand. At the date of publication of this annual report, the Company had 57,697,005 ordinary shares, each carrying 10 votes, corresponding to 576,970,050 votes, and 6,769,868 preference shares, each carrying one vote, corresponding to 6,769,868 votes. There are consequently a total of 64,466,873 shares and a total of 583,739,918 votes in the Company.

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 -54,496 (-64,220) thousand, having taken account of the preference shares' portion of earnings for the year of SEK 0 (669) thousand. Earnings less the preference shares' portion, SEK -54,496 (-64,889) thousand, have been divided by a weighted average number of ordinary shares during the year, amounting to 52,764,581 (49,560,104). Diluted earnings per share are equivalent to basic earnings per share when the result is negative.

Weighted average number of ordinary shares outstanding	31/12/2021	31/12/2020
Opening total number of shares	51,754,520	48,462,896
Effect of newly issued shares	1,010,061	-1,097,208
Average number of ordinary shares	52,764,581	49,560,104
Effect of outstanding warrants	334,741	2,194,416
Average number of ordinary shares after dilution	52,903,432	51,754,520

NOTE 23. 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 1.28 percent at 31 December 2021. 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, SL regarding the raising of a loan totalling EUR 17 million. The term of the loan is up to 48 months. Interest on the loan will be 12.5 percent for the first 24 months, plus taxes and charges. Interest for the remainder of the loan period could be higher if 3-month EURIBOR exceeds 0.0 percent. For the first 24 months of the loan, under certain conditions, Quartiers Properties is entitled to forego payment of part of the interest in exchange for this instead being capitalised. At 31 December 2021, total debt including capitalised interest amounted to EUR 18,691 thousand. 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 intention is to refinance the loan during the second quarter of 2022.

The average weighted cost of borrowing at 31 December 2021 was 6.78 (8.05) percent.

	31/12/2021	31/12/2020
Long-term		
Property loans	83,139	106,423
Lease liability	1,587	2,061
Investment loans	191,457	180,482
Capitalised borrowing costs	-2,702	-5,407
Total	273,481	283,559
Short-term		
Property loans	10,666	10,959
Lease liability	662	2,315
Investment loans	6,337	20,608
Capitalised borrowing costs	-2,705	-2,704
Total	14,960	31,177
Total interest-bearing liabilities	288,441	314,736

	2021	2020
<i>Liabilities at start of year</i>	314,736	278,554
Loans raised	0	185,620
Capitalised interest	18,198	5,677
Capitalised borrowing costs	2,705	-8,111
Repayments	-46,120	-134,448
Foreign exchange adjustments	-1,075	-12,556
Liabilities at year-end	288,444	314,736

NOTE 24. OTHER CURRENT LIABILITIES

	31/12/2021	31/12/2020
Debt, outstanding purchase considerations	15,273	6,510
Advances received	3,319	0
VAT liability	2,364	0
Other	2,911	4,146
Total	23,867	10,656

Debt, outstanding purchase considerations relates to the acquisition of a property called CFS. Payment was made in March 2022.

NOTE 25. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2021	31/12/2020
Accrued holiday pay	0	146
Accrued social security charges	0	35
Other accrued expenses	964	799
Total	964	980

NOTE 26. 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 (37) 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, mainly at a fixed interest rate. The loan has a maturity of 48 months but can be redeemed free of charge after 24 months, which will be in July 2022. The loan carries an interest rate of 12.5 percent, part of which can be capitalised in 2020 and 2021. Capitalised interest at 31 December 2021 amounted to SEK 18,198 thousand. The Company intends to refinance the loan during the second quarter of 2022. The Company considers the loan to be a bridging loan that was triggered when Covid-19 made other financing unavailable. Due to the intention to settle the loan within 6 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 2,369 thousand, of which SEK 1,833 thousand related to receivables for apartments sold. 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 93,805

(117,381) thousand [EUR 9,151 (11,671) thousand], and the Group's cash and cash equivalents amounted to SEK 48,736 (16,959) thousand. A change in EURIBOR 12M of + 1 percent from -0.499 percent to +0.501 percent would affect net interest revenues by + SEK 469 thousand.

In July 2020, the Company took out a fixed-rate financing loan. Interest on the loan will be 12.5 percent for the first 24 months, plus taxes and charges. Interest for the remainder of the loan period could be higher if 3-month EURIBOR exceeds 0.0 percent. The intention is, however, to refinance the loan during the second quarter of 2022.

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 130 percent of the total of repayments, interest and investments ("debt service ratio"). In order to generate the necessary cash flow, Quartiers is selling low-rent flats in the holiday flat complex in Benahavís. Net cash flow from sales of apartments in 2021 amounted to SEK 58,421 thousand. At February 2022, the debt service ratio, rolling 12 months, totalled 164 percent.

Refinancing risk refers to the risk of not being able to obtain financing at all, or only at significantly increased costs. Under the current terms of the investment loan the Company took out in July 2020, Quartiers is prevented from financing itself through additional borrowing. At the time of publication of the 2021 Annual Report, the Company had received a conditional refinancing offer that would entail the Company receiving expanded financing at significantly lower cost than the current financing loan.

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 8,397 (13,459) 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%	+/- 5,146	+/- 2,875	+/- 2,271	+/- 2,875
Interest expense at current fixed interest period	+/- 1.0%				-469

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 percent to achieve yield requirements on equity. The debt/equity ratio at 2021-12-31 was 49 (51) percent. Net debt decreased in 2021 by SEK 58,070 thousand, amounting to SEK 239,707 thousand.

No dividend was paid on the Company's preference shares in 2021. 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.

LEASE LIABILITY

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

DEBT/EQUITY RATIO

	31/12/2021	31/12/2020
Interest-bearing liabilities	288,443	314,736
Less: Cash and cash equivalents	-48,736	-16,959
Net debt	239,707	297,777
Shareholders' equity	246,783	281,761
Total capital	486,490	579,538
Debt/equity ratio	49%	51%

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. Both contractual repayments in 2022 and redemption of loans on sold apartments are reported as property loans with a maturity period of <1 year.

31/12/2021	<1 year	1-2 years	2-5 years	>5 years
Property loans	20,415	10,266	34,125	28,898
Investment loans	6,337	0	191,458	0
Leases	1,565	684	0	0
Total	28,317	10,950	225,583	28,898

The investment loan has a residual maturity of 2.5 years, with an opportunity to refinance the loan after 24 months. A refinancing process is under way at the time of publication of the annual report, and the intention is to complete this process during the second quarter.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

SEK thousand	Financial assets/liabilities measured at fair value via profit or loss		Financial assets/liabilities measured at amortised cost	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
<i>Assets in the balance sheet</i>				
Other securities held as non-current assets	37	37		
Other non-current receivables			0	0
Trade receivables			2,369	1,436
Other receivables			4,468	15,630
Cash and cash equivalents			48,736	16,959
Total	37	37	55,573	34,025
<i>Liabilities in the balance sheet</i>				
Non-current interest-bearing liabilities			273,482	283,559
Current interest-bearing liabilities			14,960	31,177
Trade payables			4,178	4,601
Other liabilities			23,867	10,656
Total	0	0	316,487	329,993

NOTE 27. 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.

	31/12/2021	31/12/2020
For liabilities to credit institutions		
Property mortgages	248,061	319,547
Total	248,061	319,547
Collateral provided for investment loans		
Pledged shares in subsidiaries	112,879	140,375

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 28. CONTINGENT LIABILITIES

Quartiers had no contingent liabilities at the balance sheet date.

NOTE 29. 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.

	2021	2020
Impairment of operating receivables	0	6,150
Other income	0	-14,158
Upcoming purchase consideration	8,186	6,510
Other	-317	0
	7,869	-1,498

NOTE 30. 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 percent. 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 plus interest were repaid in connection with the sale of Amapura. The total sum repaid, including interest, amounted to EUR 1,632 thousand.

NOTE 31. EVENTS AFTER BALANCE SHEET DATE

- In March, a change was made to the Company's management team with the creation of a new role, namely "Head of Business Support". This role has been filled by Maria Cepero, the former CFO, while the new CFO is Carl-Fredrik Morander, who has supported the Company in its financial reporting since 2017.
- On 31 March, a new share issue was completed through the exercising of outstanding series TO 2020/2022 warrants. The take-up rate was 88 percent and the Company received SEK 10.8 million.

PARENT COMPANY INCOME STATEMENT

Amounts are stated in SEK thousand	Note	2021	2020
Net sales	2	1,524	10,944
Total operating income		1,524	10,944
Operating expenses			
Other external expenses	3	-4,110	-15,058
Personnel costs	4	-801	-1,023
Depreciation/amortisation	7	-49	-1,104
Operating profit/loss		-3,436	-6,241
Other interest income and similar profit/loss items			
Other interest income and similar profit/loss items	5	23,491	15,356
Interest expenses and similar profit/loss items	5	-27,661	-11,512
Impairments	5	-2,691	-3,000
Profit/loss from financial items		-6,861	844
Profit/loss before tax		-10,297	-5,397
Tax on profit for the year	6	0	0
PROFIT/LOSS FOR THE YEAR		-10,297	-5,397

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts are stated in SEK thousand	Note	2021	2020
Profit/loss for the year		-10,297	-5,397
Total comprehensive income		-10,297	-5,397

PARENT COMPANY BALANCE SHEET

Amounts are stated in SEK thousand	Note	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
Property, plant and equipment			
Equipment, tools and fixtures and fittings	7	0	49
Non-current financial assets			
Investments in subsidiaries	8	299,245	281,600
Non-current receivables from group companies	9	160,118	171,226
Other non-current receivables		0	862
Total non-current assets		459,363	453,737
Current assets			
Current receivables			
Other current receivables	10	121	154
Prepaid expenses and accrued income	11	112	4,116
Financial investments		37	37
Cash and cash equivalents		16,712	1,759
Total current assets		16,982	6,066
TOTAL ASSETS		476,345	459,803

PARENT COMPANY BALANCE SHEET

Amounts are stated in SEK thousand	Note	31/12/2021	31/12/2020
EQUITY & LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted shareholders' equity			
Share capital		1,538	1,463
Total restricted shareholders' equity		1,538	1,463
Unrestricted shareholders' equity			
Other contributed capital		327,691	316,646
Retained earnings		-41,764	-36,367
Profit/loss for the year		-10,297	-5,397
Total unrestricted shareholders' equity		275,630	274,882
TOTAL SHAREHOLDERS' EQUITY		277,168	276,345
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	14,17	197,794	181,996
Total non-current liabilities		197,794	181,996
Current liabilities			
Trade payables		209	309
Other current liabilities	15	211	173
Accrued expenses and deferred income	16	963	980
Total current liabilities		1,383	1,428
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		476,345	459,803

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, 01/01/2020	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
Opening balance on 01/01/2021	1,463	316,646	-41,764	276,345
Comprehensive income				
Profit/loss for the period			-10,297	-10,297
Total comprehensive income			-10,297	-10,297
Transactions with shareholders				
New share issue	75	11,045		11,120
Closing balance on 31/12/2021	1,538	327,691	-52,061	277,168

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts are stated in SEK thousand	2021	2020
Cash flow from operating activities		
Operating profit/loss	-3,436	-5,817
Adjustments for items that are not included in cash flow		
Reversal of depreciation	49	1,104
Interest received	144	15,100
Interest paid	-5,291	-11,645
Cash flow from operating activities before changes in working capital	-8,534	-1,258
Changes in working capital		
Increase/decrease in other current receivables	4,127	5,206
Increase/decrease in trade payables	-100	-738
Increase/decrease in other current liabilities	21	693
Cash flow from operating activities	-4,486	3,903
Cash flow from investing activities		
Investments in subsidiaries	0	-47,020
Increase/decrease in non-current receivables from subsidiaries	8,318	-149,238
Cash flow from investing activities	8,318	-196,258
Cash flow from financing activities		
New share issue	11,121	25,043
Borrowings	0	177,411
Amortisation	0	-5,339
Dividends paid to Parent Company shareholders	0	-4,829
Cash flow from financing activities	11,121	192,286
Cash flow for the period	14,953	-69
Cash and cash equivalents at start of period	1,759	1,828
Cash and cash equivalents at end of period	16,712	1,759

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 2021.

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.

NOTE 3. OTHER EXTERNAL EXPENSES

	2021	2020
<i>PwC – Öhrlings Pricewaterhousecoopers AB</i>		
Audit assignment	308	501
Audit activities in addition to the audit assignment	75	8
Total	383	509

NOTE 4. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

The CEO 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.

	2021	2020
Average no. of employees		
Men	0	0
Women	0	0
Total	0	0
Salaries and other remuneration		
Chairman of the Board	290	290
Board members	450	450
Total Board fees	740	740
Social security contributions		
Pension costs to CEO	0	35
Other social security charges according to law and agreements	237	306
Total social security contributions	237	341
Total salaries, remuneration, social security contributions and pension costs	977	1,081

NOTE 5. PROFIT/LOSS FROM FINANCIAL ITEMS

	2021	2020
Revenue		
Interest income from receivables from Group companies	23,346	10,283
Other interest income	145	63
Exchange rate differences	0	4,985
Other financial income	0	25
Total financial income	23,491	15,356
Costs		
Interest costs on borrowings	24,233	11,512
Impairments on shares in subsidiaries	2,692	3,000
Exchange rate differences	3,427	0
Total financial costs	30,352	14,512

NOTE 6. TAX

	31/12/2021	31/12/2020
Reconciliation of effective tax		
Recognised profit/loss before tax	-10,297	-5,397
Tax according to current tax rate of 20.6% (21.4)	2,121	1,145
Non-deductible costs	-1	0
Share issue expenses recognised in equity	0	98
Tax losses for which no deferred tax asset is recognised	-2,120	-1,253
Recognised effective tax	0	0

Loss carry-forwards total SEK 30,805 (23,200) 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 percent.

	31/12/2021	31/12/2020
Opening carrying amount	49	1,153
Purchases	0	0
Depreciation/amortisation	-49	-1,104
Closing carrying amount	0	49

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 31/12/2021	Carrying amount 31/12/2020
Flexshare España SL B19567130	Málaga	100%	100%	94,998	94,998
Quartiers Properties Holding SL B93528750	Málaga	100%	100%	116,972	116,972
Wecap Spain SL B93536621	Málaga	100%	100%	2,691	5,382
The Boho Club SL	Málaga	100%	100%	84,583	64,246

CHANGE FOR THE YEAR	31/12/2021	31/12/2020
Opening accumulated purchase costs	281,600	246,526
Acquisition of outstanding shares Boho Club SL	0	3,560
Reclassification from investments in associates	0	0
Change in reserve for contingent consideration	0	-5,393
Shareholder contributions made	20,336	39,907
Closing accumulated purchase costs	301,936	284,600
Impairments	-2,691	-3,000
Closing carrying amount	299,245	281,600

NOTE 9. 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.

	31/12/2021	31/12/2020
Opening carrying amount	171,226	25,714
Repayment	-19,762	0
Conversion to shareholder contributions	-20,336	-39,907
Additional receivables	28,990	185,419
Closing carrying amount	160,118	171,226

	31/12/2021	31/12/2020
Bohoclub SL	65,003	75,600
Quartiers Properties Holding SL	48,000	42,184
Flexshare SL	19,520	33,329
CFS Marbella Hotel SL	16,359	11,745
Wecap Spain SL	8,110	6,734
CFS Residential SL	3,126	1,631
Quartiers Estate SL	0	3
Total	160,118	171,226

NOTE 10. OTHER CURRENT RECEIVABLES

ACCOUNTING POLICY

Other short-term receivables are stated at cost.

	31/12/2019	31/12/2020
VAT-related receivables	71	153
Loan receivable	0	0
Other receivables	50	0
Closing carrying amount	121	153

NOTE 11. PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2021	31/12/2020
Prepaid leases, short-term component	0	200
Costs to be charged on	0	3,800
Prepaid leases	0	40
Other	112	76
Total	112	4,116

NOTE 12. 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 the Parent Company, Quartiers Properties AB (publ), amounts to SEK 1,538 (1,463) thousand and is allocated among 61,554,571 shares. Of these shares, 54,784,703 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 percent. At the balance sheet date, the outstanding amount including interest amounted to SEK 12,480 (5,616) thousand.

At the start of the financial year, a total of 3,291,624 Series 3, 2020/2021 warrants and 3,291,624 Series 4, 2020/2022 warrants had been issued. The Series 3 warrants entitled the holder to subscribe for ordinary shares in August 2021. Fully 92 percent of the warrants were exercised to subscribe for new shares, resulting in the issue of 3,030,183 ordinary shares. The Series 4 warrants could be used to subscribe for shares in March 2022. In total, subscriptions were taken out for 2,887,302 shares, resulting in total issue proceeds of SEK 10,712 thousand.

NOTE 13. APPROPRIATIONS

The following funds are at the disposal of the AGM:

Share premium reserve	327,690,775
Retained earnings	-41,764,088
Profit/loss for the year 2021	-10,297,329
Total available funds	275,629,358

The Board proposes that the AGM does not approve a dividend and that the AGM resolve that the available profit in the Parent Company of SEK 275,629,358 be carried forward.

NOTE 14. INTEREST-BEARING LIABILITIES

	31/12/2021	31/12/2020
D. E. Shaw & Co, as well as with Alantra Debt Solutions, SL	191,457	176,400
Short-term loans from lenders other than credit institutions	6,337	5,595
Total	197,794	181,996

Maturity analysis

31/12/2021	<1 year	1-2 years	2-5 years	>5 years
Investment loans	0	197,794	0	0
Total	0	197,794	0	0

NOTE 15. OTHER CURRENT LIABILITIES

	31/12/2021	31/12/2020
Other	211	173
Total	211	173

NOTE 16. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2021	31/12/2020
Accrued Board fees, salaries and holiday pay	295	146
Accrued social security charges	93	46
Accrued consultancy fees	275	0
Other accrued expenses	300	788
Total	963	980

NOTE 17. 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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Assets in the balance sheet				
Non-current receivables from Group companies			160,118	171,226
Other non-current receivables				862
Other receivables			121	153
Financial investments	37	37		
Cash and cash equivalents			16,712	1,759
Total	37	37	176,951	174,000
Liabilities in the balance sheet				
Trade payables			209	309
Interest-bearing liabilities			197,494	181,996
Other current liabilities			211	173
Total	0	0	197,914	182,478

NOTE 18. PLEDGED ASSETS

ACCOUNTING POLICY

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

	31/12/2021	31/12/2020
Pledged shares in subsidiaries	296,554	276,217

NOTE 19. EVENTS AFTER BALANCE SHEET DATE

- In March, a change was made to the Company's management team with the creation of a new role, namely "Head of Business Support". This role has been filled by Maria Cepero, the former CFO, while the new CFO is Carl-Fredrik Morander, who has supported the Company in its financial reporting since 2017.
- On 31 March, a new share issue was completed through the exercising of outstanding series TO 2020/2022 warrants. The take-up rate was 88 percent and the Company received SEK 10.8 million.

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 April 2022

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 April 2022

Öhrlings PricewaterhouseCoopers AB

Henrik Boman
Chartered Public Accountant



AUDITOR'S REPORT

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

REPORT ON THE ANNUAL AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Quartiers Properties AB (publ) for 2021. The Company's annual accounts and consolidated accounts are provided on pages 13–60 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 2021 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 2021 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 1–12 and 63–65. 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 for 2021 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 April 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 2021 totalled SEK 226.2 million, based on a closing price for the share of SEK 4.13.

Preference shares take precedence over ordinary shares for an annual dividend corresponding to SEK 0.96 per share, with payment being 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.

WARRANTS

As of 31 December, 3,291,624 Series 4 warrants 2020/2022 have been issued. Each warrant in the exchange offer entitles the holder to subscribe for one newly issued ordinary share in the Company. The warrants may be exercised for subscribing to ordinary shares during the period from 17 March 2022 through 31 March 2022. A total of 2,912,302 ordinary shares were issued.

AUTHORISATION

The 2021 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 percent. For private cash issues the subscription price must be set on a market basis.

MARKET MAKER AND CERTIFIED ADVISER

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

TEN LARGEST SHAREHOLDERS - 30 DECEMBER 2021

#	Shareholder	Ordinary shares	Preference shares	Capital	Votes
1	Egonomics AB	10,167,522	-	16.52%	18.33%
2	Fastighets Aktiebolag Bränneröd	7,086,758	100,000	11.68%	12.80%
3	House of K Holding Limited	6,401,253	-	10.40%	11.54%
4	LMK companies & Foundation	4,575,000	1,580,000	10.00%	8.54%
5	Rocet AB	4,865,066	-	7.90%	8.77%
6	SIX SIS AG	3,687,399	-	5.99%	6.65%
7	Bernt Lundberg Fastigheter Lund AB	2,423,728	-	3.94%	4.37%
8	Bosmac Invest AB	1,305,154	-	2.12%	2.35%
9	Leif Edlund	1,333,334	66,666	2.27%	2.42%
10	CS Client Omnibus ACC	1,343,778	10,000	2.20%	2.42%
	Other	16,929,045	5,013,202	26.98%	21.81%
	Total	54,784,703	6,769,868	100.00%	100.00%

Source: Euroclear

ANNUAL GENERAL MEETING 2022

The shareholders of Quartiers Properties AB (publ), corp. reg. no 556975-7684, are hereby invited to attend the Company's Annual General Meeting (AGM) on Friday, 29 April 2022.

As a result of the Covid-19 pandemic, the Board of Directors has 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 (2022:121).

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, 29 April 2022 as soon as the results of the voting have been definitively collated.

Registration etc.

Shareholders wishing to attend the AGM must:

(i) be entered in printout of the register of shareholders produced by Euroclear Sweden AB on Thursday, 21 April 2022; and

(ii) notify the Company of their intention to participate by no later than Thursday, 28 April 2022, by having cast 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 (2022:121). 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/en/investor-relations as of Friday, 8 April 2022. 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, 28 April 2022.

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 voting

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/en/investor-relations and can be sent by post to shareholders requesting them who state their postal address.

FINANCIAL CALENDAR

Annual General Meeting 2022	29 April 2022
Quarterly report Jan–Mar 2022	12 May 2022
Quarterly report Apr–Jun 2022	14 July 2022
Quarterly report Jul–Sep 2022	3 Nov 2022
Year-end report 2022	23 Feb 2023

CONTACT

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QUARTIERS

PROPERTIES

CONTACT

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