# Interim Report

## HL 18 Property AB (publ)

**Organizational number**
**559337-2559**

**2023-01-01--2023-12-31**

**HL 18 Property Portfolio AB (publ)**
559337-2559

# Interimreport January - December 2023

**Financial overview**

Oscar Properties acquired HL 18 Property Portfolio AB on 28 September 2021.

Oscar Properties Holding AB (publ), 556870-4521, which is the ultimate parent company in the group, published its 2023 Q4 Report on April 26, 2024.

Oscar Properties describes in the Q4 Report that the group will not continue as a going concern. For further information see Oscar Properties published Q4 report report.

The interim report for HL 18 Property Portfolio AB (publ) has not been reviewed by an auditor.

| **Key metrics, amounts in SEK thousand** | **Jan-Dec 2023** | **Jan-Dec 2022** |
|---|---|---|
| Operating income | 158 792 | 123 638 |
| Change in value of investment properties | -107 239 | -23 697 |
| Operating profit | -110 391 | 21 859 |
| Profit/loss for the year | -159 076 | -29 789 |
| Investment properties | 840 034 | 944 000 |
| Balance sheet total | 891 121 | 1 459 949 |
| Cash and cash equivalents | 1 199 | 9 752 |
| Equity ratio, % | 28 | 29 |

**Publication of financial reports**

HL 18 (publ) will announce dates for future reports when these occasions are determined.

**Significant events during the period**

During the first quarter two properties has been divested for a total property value of SEK 53m. During the second quarter six properties have been divested for a total property value of SEK 190m. The proceeds from divestments have been used to acquire two replacement.

Due to the uncertainty about the future expressed in Oscar Properties Holdings year-end statement, there is also uncertainty about how this situation will affect HL18.

Write-downs of current assets mainly relate to intra-group transactions and receivables for additional purchase prices.

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## CONSOLIDATED INCOME STATEMENT

| Amounts in SEK thousand | Note | Jan-Dec 2023 | Jan-Dec 2022 |
|---|---|---|---|
| | 2 | | |
| **Operating income** | | | |
| Rental income | | 60 820 | 60 366 |
| Project income | | 96 991 | 63 234 |
| Other income | | 980 | 38 |
| | | **158 792** | **123 638** |
| **Operating expenses** | | | |
| Change in value of investment properties | | -107 239 | -23 697 |
| Project costs | | -97 351 | -63 155 |
| Property management | | -15 747 | -11 813 |
| External costs | | -6 337 | -3 115 |
| Write-down of current assets | | -42 510 | – |
| | | **-269 183** | **-101 780** |
| **Net operating income** | | **-110 391** | **21 859** |
| Financial income | | 20 743 | 20 840 |
| Financial expenses | | -90 346 | -53 544 |
| **Profit/Loss from financial items** | | **-69 603** | **-32 704** |
| Group contribution | | – | -27 417 |
| **Profit before tax** | | **-179 995** | **-38 261** |
| Current tax | | -2 155 | -1 106 |
| Deferred tax | | 23 073 | 9 578 |
| **Profit/loss for the year** | | **-159 076** | **-29 789** |
| **Profit for the period attributable to:** | | | |
| Shareholders of the parent company | | -159 076 | -29 789 |
| Holdings without controlling influence | | – | – |

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# CONSOLIDATED BALANCE SHEET

| Amounts in SEK thousand | Note | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|---|
| | 2 | | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Tangible assets** | | | |
| Investment properties | 4 | 840 034 | 944 000 |
| Financial assets | | 799 | 45 |
| **Total tangible assets** | | **840 833** | **944 045** |
| Deferred tax asset | | 8 178 | – |
| **Total non-current assets** | | **849 011** | **944 045** |
| **Current assets** | | | |
| **Receivables** | | | |
| Accounts receivable | | 22 623 | 58 261 |
| Current receivable for Group companies | 8 | – | 430 080 |
| Current tax assets | | – | 390 |
| Other current assets | | – | 47 |
| Accrued income and prepaid expenses | | 18 288 | 17 373 |
| **Total receivables** | | **40 911** | **506 152** |
| **Cash and cash equivalents** | | 1 199 | 9 752 |
| **Total current assets** | | **42 110** | **515 904** |
| **TOTAL ASSETS** | | **891 121** | **1 459 949** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| **Restricted equity** | | | |
| Share capital | | 500 | 500 |
| **Total restricted equity** | | **500** | **500** |
| **Unrestricted equity** | | | |
| Other contributed capital | | 378 904 | 378 904 |
| Retained earnings including profit/loss for the year | | -131 906 | 41 584 |
| **Total unrestricted equity** | | **246 998** | **420 488** |
| **Total equity** | | **247 498** | **420 988** |
| Allocation of deferred tax | | – | 16 078 |
| **Total provisions** | | **–** | **16 078** |
| **Non-current liabilities** | | | |
| Bond loan | 5 | – | 544 164 |
| Other long-term liabilities | 5 | 65 | 65 |
| **Total non-current liabilities** | | **65** | **544 229** |
| **Current liabilities** | | | |
| Accounts payable | | 52 986 | 46 062 |
| Current liabilities for Group company | 8 | 2 116 | 397 340 |
| Bond loan | 5 | 548 559 | – |
| Current tax liabilities | | 9 140 | – |
| Other short term liabilities | | 16 665 | 15 444 |
| Accrued expenses and prepaid income | | 14 092 | 19 808 |
| **Total current liabilities** | | **643 558** | **478 654** |
| **TOTAL LIABILITIES AND EQUITY** | | **891 121** | **1 459 949** |

## CHANGE IN GROUP EQUITY

**Amounts in SEK thousand**

| | Share capital | Other contributed capital | Retained earnings including profit/loss for the year | Total equity |
|---|---|---|---|---|
| **Equity at 1 Jan. 2022** | **500** | **378 904** | **71 401** | **450 805** |
| Prospectus fee | | | -28 | **-28** |
| Profit for the year | – | – | -29 789 | **-29 789** |
| Ohter comprehensive income | – | – | – | **–** |
| **Comprehensive income for the year** | **500** | **378 904** | **41 584** | **420 988** |
| *Transactions with owners* | | | | |
| Acquisition | – | – | – | **–** |
| **Total transactions with owners** | **–** | **–** | **–** | **–** |
| **Equity closing 31 Dec. 2022** | **500** | **378 904** | **41 584** | **420 988** |
| **Equity at 1 Jan. 2023** | **500** | **378 904** | **41 584** | **420 988** |
| Sale of Group company | | | -14 413 | **-14 413** |
| Profit for the year | – | – | -159 076 | **-159 076** |
| **Comprehensive income for the year** | **500** | **378 904** | **-131 905** | **247 499** |
| **Equity closing 31 Dec. 2023** | **500** | **378 904** | **-131 905** | **247 499** |

The group's equity amounted to TSEK 277,573 (420,988) and the equity ratio to 30 percent (29) at the end of the period. The share capital amounted to TSEK 500 (500) as of December 31.

## CONSOLIDATED CASH-FLOW STATEMENT

| Amounts in SEK thousand | Note | Jan-Dec 2023 | Jan-Dec 2022 |
|---|---|---|---|
| | 2 | | |
| **Operating activities** | | | |
| Operating profit | | -110 391 | 21 859 |
| Adjustment for other non-cash items | | 110 887 | 23 539 |
| Interest received | | 20 743 | 20 840 |
| Interest paid | | -67 558 | -44 947 |
| Taxes paid | | – | – |
| **Cash flow from operating activities before changes in working capital** | | **-46 319** | **21 291** |
| **Cash flow from operating activities** | | | |
| Increase(-)/decrease(+)in operating receivables | | 423 763 | -72 013 |
| Increase(+)/decrease(-)in operating accounts payable | | 9 040 | 30 972 |
| Increase(+)/decrease(-)in operating liabillities | | -390 123 | 111 234 |
| **Cash flow from operating activities** | | **-3 639** | **91 484** |
| **Investing activities** | | | |
| Property aquisitions | | -219 500 | – |
| Investments in existing properties | | -27 661 | -43 571 |
| Disposal of properties | | 243 000 | – |
| Investments in financial fixed assets | | -754 | – |
| Adjustment Property aquisitions | | – | -12 364 |
| **Cash flow from investing activities** | | **-4 915** | **-55 935** |
| **Financing activities** | | | |
| Prospectus fee | | – | -28 |
| Setup fees | | – | -4 950 |
| Group contribution | | – | -27 417 |
| **Cash flow from financing activities** | | **–** | **-32 395** |
| **Total cashflow** | | **-8 554** | **3 154** |
| **Opening cash and cash equivalents** | | **9 752** | **6 598** |
| **Closing cash and cash equivalents** | | **1 199** | **9 752** |

Cash flow from operating activities amounted to TSEK -3,639 (91,484). Cash flow from investing activities amounted to TSEK -4,915 (-55,935).

Cash flow from financing activities amounted to TSEK - tkr (-32,395). Total cash flow for the period amounted to TSEK -8,554 (3,154).
Cash balance at the end of the period of TSEK 1,199 (9,752).

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## PARENT COMPANY INCOME STATEMENT

**Amounts in SEK thousand**

| | Not | Jan-Dec 2023 | Jan-Dec 2022 |
|---|---|---|---|
| | 2 | | |
| **Operating income** | | | |
| **Operating expenses** | | | |
| External costs | | -1 797 | -878 |
| | | **-1 797** | **-878** |
| **Net operating income** | | **-1 797** | **-878** |
| Loss from shares in group companies | 7 | -139 151 | – |
| Financial income | | 50 258 | 44 036 |
| Financial expenses | | -53 931 | -37 259 |
| **Profit/Loss from financial items** | | **-172 899** | **6 777** |
| Group contribution | | 1 797 | 905 |
| **Profit before tax** | | **-172 899** | **6 804** |
| Group contribution received | | 1 797 | – |
| **Profit/loss for the year** | | **-172 899** | **6 804** |
| Other income for the period net after tax | | | – |
| **Total profit for the period** | | **-172 899** | **6 804** |
| **Profit for the period attributable to:** | | | |
| Shareholders of the parent company | | -172 899 | 6 804 |
| Holdings without controlling influence | | – | – |
| **Total profit attributable to:** | | | |
| Shareholders of the parent company | | -172 899 | 6 804 |
| Holdings without controlling influence | | – | – |

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| **PARENT COMPANY BALANCE SHEET** Amounts in SEK thousand | **Not** | **31 Dec 2023** | **31 Dec 2022** |
|---|---|---|---|
| | 2 | | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Financial assets** | | | |
| Shares and participations in subsidiaries | | 40 805 | 79 116 |
| **Total financial assets** | | **40 805** | **79 116** |
| **Total non-current assets** | | **40 805** | **79 116** |
| **Currents assets** | | | |
| **Receivables** | | | |
| Current receivable Group companies | | 730 196 | 883 792 |
| **Total receivables** | | **730 227** | **883 792** |
| **Cash and cash equivalents** | | 403 | – |
| **Total current assets** | | **730 631** | **883 792** |
| **TOTAL ASSETS** | | **771 436** | **962 908** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| **Restricted equity** | | | |
| Share capital | | 500 | 500 |
| **Total restricted equity** | | **500** | **500** |
| **Unrestricted equity** | | | |
| Other contributed capital | | 378 904 | 378 904 |
| Retained earnings including profit/loss for the year | | -171 276 | 1 622 |
| **Total unrestricted equity** | | **207 628** | **380 526** |
| **Total equity** | | **208 128** | **381 026** |
| **Non-current liabilities** | | | |
| Bond loan | | – | 544 164 |
| **Total non-current liabilities** | | **–** | **544 164** |
| **Current liabilities** | | | |
| Accounts payable | | 1 437 | 141 |
| Short-term liabilities Group companies | | 883 | 29 043 |
| Other short debt | | 548 559 | – |
| Accrued expenses and prepaid income | | 12 429 | 8 533 |
| **Total current liabilities** | | **563 308** | **37 717** |
| **TOTAL LIABILITIES AND EQUITY** | | **771 436** | **962 908** |

## CHANGE IN PARENT COMPANY EQUITY

**Amounts in SEK thousand**

| | Share capital | Other contributed capital | Retained earnings including profit/loss | Total equity |
|---|---|---|---|---|
| **Equity at 1 Jan. 2022** | **500** | **378 904** | **-5 154** | **374 250** |
| Prospectus fee | | | -28 | **-28** |
| Profit for the year | – | – | 6 804 | **6 804** |
| **Comprehensive income for the year** | **500** | **378 904** | **1 622** | **381 026** |
| *Transactions with owners* | | | | |
| **Total transactions with owners** | **–** | **–** | **–** | **–** |
| **Equity closing 31 Dec. 2022** | **500** | **378 904** | **1 622** | **381 026** |
| **Equity at 1 Jan. 2023** | **500** | **378 904** | **1 622** | **381 026** |
| Profit for the year | – | – | -172 899 | **-172 899** |
| **Comprehensive income for the year** | **500** | **378 904** | **-171 276** | **208 128** |
| **Equity closing 31 Dec. 2023** | **500** | **378 904** | **-171 276** | **208 128** |

The equity of the parent company amounted to TSEK 208,128 (381,026) and the equity ratio to 27 percent (39,6) at the end of the period. The share capital amounted to TSEK 500 (500) as of December 31.

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## PARENT COMPANY CASH FLOW STATMENT

**Amounts in SEK thousand**

| | Note | Jan-Dec 2023 | Jan-Dec 2022 |
|---|---|---|---|
| | 2 | | |
| **Operating activities** | | | |
| Operating profit | | -1 797 | -878 |
| Interest received | | 50 258 | 44 036 |
| Interest paid | | -45 640 | -28 662 |
| **Cash flow from operating activities before change in working capital** | | **2 821** | **14 496** |
| **Cash flow from operating activities** | | | |
| Increase(-)/decrease(+)in operating receivables | | 23 532 | -92 059 |
| Increase(+)/decrease(-)in operating accounts payable | | 1 295 | -5 360 |
| Increase(+)/decrease(-)in operating liabillities | | -29 043 | 121 287 |
| **Total change in working capital** | | **-1 394** | **38 364** |
| **Investing activities** | | | |
| Sale of financial fixed assets | | – | -34 710 |
| **Cash flow from investing activities** | | **–** | **-34 710** |
| **Financing activities** | | | |
| Prospectus fee | | – | -28 |
| Setup fees | | – | -4 950 |
| Group contribution received | | 1 797 | 905 |
| **Cash flow from financing activities** | | **1 797** | **-4 073** |
| **Total cashflow** | | **403** | **-419** |
| **Opening cash and cash equivalents** | | **0** | **419** |
| **Closing cash and cash equivalents** | | **403** | **0** |

Cash flow from operating activities amounted to TSEK 2,821 (14,496). Cash flow from investing activities amounted to TSEK - (-34,710). Cash flow from financing activities amounted to TSEK 1,797 (-4,073). Total cash flow for the period amounted to TSEK 403 (-419). Cash balance at the end of the period of TSEK 403 (0).

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# Other disclosures and notes

**Amounts in SEK thousands**

**Note 1**
**General information**

HL 18 (publ), org. nr 559337-2559, is a limited company registered in Sweden. The company is owned by HG7 Holding AB, org. nr 556940-2596, a wholly owned subsidiary of Oscar Properties Holding AB, org No. 556870-4521 with registered office in Stockholm, Sweden. The head office is located at Nybrogatan 55, Stockholm.

Oscar Properties acquired HL 18 Property Portfolio AB on 28 September 2021.

The company's purpose is to own, develop and manage investment properties. The company has no employees. Management services are purchased from Oscar properties förvaltning AB, a subsidiary of Oscar Properties Holding AB (publ.).

**Note 2**
**Basis of preparation and accounting policies**

**Accounting policies**

This interim report for the Group has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) as determined by EU. The consolidated accounts have also been prepared in accordance with Swedish law and with application of the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules).

Deviating from IFRS, certain adaptations of the accounting principles have been made due to the fact that continued operations cannot be assumed for the parent company Oscar Properties Holding AB.
This deviation from IFRS has affected the valuation of properties and the valuation of receivables in the closing balance for 2023.

**Basis for the consolidated accounts**

The consolidated accounts are based on historical acquisition values, with the exception of certain financial instruments. All amounts are stated, unless otherwise stated, in thousands of Swedish kronor (TSEK).

**Principles for consolidation**

The consolidated accounts include the parent company, companies and operations in which the parent company and the subsidiaries, directly or indirectly, have a controlling influence. The financial reports for the parent company and the subsidiaries that are included in the consolidated accounts relate to the same period and are prepared according to the accounting principles that apply to the Group. A subsidiary is included in the consolidated accounts from the date of acquisition, which is the day when the parent company obtains a controlling influence, normally more than 50% of the votes.

In the case of an acquisition, an assessment is made as to whether the acquisition constitutes a business or an asset acquisition. An asset acquisition exists if the acquisition concerns real estate but does not include organization and the processes required to carry out the management activities. Other acquisitions are business combinations.

As the acquisition of Group companies does not refer to the acquisition of a business, but the acquisition of assets in the form of investment properties, the acquisition cost is distributed over the acquired net assets.

Subsidiaries are excluded from the consolidated accounts when the controlling influence ceases. Internal transactions and gains and losses from internal transactions are eliminated. The accounting principles for subsidiaries have been changed where applicable to guarantee a consistent application of the Group's principles.
The most important accounting principles applied when these consolidated accounts were prepared are stated below. These principles have been applied consistently for all years presented, unless otherwise stated.

**New and amended accounting standards and interpretations in 2023**

No new or changed standards or interpretations according to the IASB have had any impact on financial reporting and the accounting principles applied by HL18.

**Changes in IFRS 3 Business combinations: Definition of a business**

The purpose of the amendment is to clarify the definition of a business combination with the aim of making it easier for companies to analyze whether an acquisition constitutes a business combination or acquisition of assets. The amendment clarifies that operations normally have the ability to generate returns (output) but that returns (output) are not a requirement for an integrated set of activities and assets to be categorized as a business combination. Considering that an acquired set of activities and assets must, at a minimum, include financial resources (inputs) and a substantial process that together substantially contribute to a capability to generate returns (output).

The amendments introduce a voluntary concentration test that enables a simplified assessment of whether an acquired set of activities and assets is a business or asset acquisition. This optional test means that if substantially all of the fair value of the gross assets acquired is attributable to an asset or a group of similar assets, the acquisition is not a business combination, but an asset acquisition.

The changes apply to all business and asset acquisitions with an acquisition date during or after the fiscal year beginning on or after January 1, 2020.

HL 18 assesses that the addition has not had a material effect on disclosures or acquisitions on the reported amounts in this interim report

**Other new standards or interpretations**

Other changes in IFRS have not had any significant impact on HL18's financial reporting.

**Income statement**

**Revenue recognition**

Revenue is recognized when it is likely that a financial benefit will accrue and the revenue can be reliably determined. The income is reported excluding value added tax and with deductions for any discounts. Income from property sales is reported on the day of acquisition. When assessing the time of revenue recognition considerations are based on what has been agreed between the parties regarding risks and benefits and involvement in the ongoing management and transfer of legal ownership. In addition, circumstances that may affect the outcome of the deal are taken into account which could be outside the seller's and/or buyer's control.

**Rental income**

HL 18 is a lessor regarding agreements where all significant risks and benefits associated with ownership fall to the lessor. All of the Group's leases are classified as operational leases. Rental income is invoiced in advance and accrued linearly over the rental period, unless a different accrual follows from the financial benefits in the rental contract.

Prepaid rents are reported as prepaid income. In cases where the lease contracts provide a reduced rent for a certain period, this is periodized linearly over the current contract period. Rental income from investment properties is reported in the income statement linearly over the rental period. Properties that are rented out under operational leasing agreements are included in the investment properties item.

**Profit from property sale**

Disposal of properties that are not subject to further development is reported in the income statement in the period when the property is transferred. In the event that control of the asset has been transferred at an earlier time than the time of access, the property sale is recognized as income at this earlier time. When assessing the time of income recognition considerations are taken to what has been agreed between the parties regarding risks and benefits and the involvement in the ongoing management and the transfer of legal ownership. In addition, circumstances that may affect the outcome of the deal are taken into account which are outside seller's and/or buyer's control.

**Financial income and expenses**

Interest income on receivables and bank deposits and interest expenses on liabilities are calculated using the effective interest method. The effective interest rate is the interest rate that causes the present value of all future payments and payments during the fixed interest period to be equal to the reported value of the claim or liability. Financial income and expenses are reported in the period they relate to.

**Provisions**

Provisions correspond to liabilities where there is uncertainty about when payment will take place or the size of the amount to settle the debt. A provision is recognized when the Group has a legal or informal obligation as a result of past events, and it is likely that an outflow of resources will be required to settle the obligation, and that the amount has been calculated in a reliable manner. No provisions are made for future operating losses.

**Tax**

Tax for the period consists of current tax and deferred tax. Taxes are reported in the income statement except when the underlying transaction is reported in other comprehensive income or directly against equity.

Current tax is the tax calculated on the taxable profit for the period. The taxable result differs from the reported result in that it has been adjusted for non-taxable and non-deductible items. Current tax is tax that shall be paid or received in respect of the current year but can be adjusted for current tax attributable to previous periods.

Deferred tax is reported on the difference between reported and tax values of assets and liabilities. Change in the reported deferred tax asset or liability is reported as a cost or income in the income statement, except when the tax is attributable to items reported in other comprehensive income or directly against equity.

**Balance sheet**

**Tangible fixed assets**

All tangible fixed assets are reported at acquisition value less depreciation. The acquisition value includes expenses that can be directly attributed to the acquisition of the asset.
Depreciations are made linearly over the estimated useful life of the asset and are based on acquisition value less residual value:
• Fixtures, inventories and installations, 5 year depriciation period

**Investment properties**

Investment properties that are owned for the purpose of generating rental income and/or increases in value are initially reported at acquisition value, including directly attributable transaction costs. Thereafter, investment properties are reported at fair value primarily based on prices in an active market and is the amount at which an asset could be transferred between initiated parties who are independent of each other and who have an interest in the transaction being carried out.

When a property is divested, the difference between the sales price obtained and the reported value according to the most recent interim report, with deductions for sales costs and additions for capitalized items since the most recent report, is reported as a change in value in the income statement.

Additional expenses are only capitalized when it is probable that future financial benefits associated with the property will be obtained by the Group and the expense can be determined with reliability and that the cost relates to the replacement of an existing or the installation of a newly identified component. In the case of major new built, extension and remodeling, interest costs are also capitalized during the production period. The valuation model used is the cash flow model. From the outcome in the cash flow model, the real value of the Property is assessed. Both unrealized and realized changes in value are reported in the income statement.

**Financial instruments**

A financial asset or financial liability is recognized in the balance sheet when the group becomes a party to the contractual terms of the instrument. A financial asset is derecognised from the balance sheet when the contractual right to the cash flow from the asset ends, is settled or when the group loses control over it. A financial liability, or part of a financial liability, is booked off the balance sheet when the agreed obligation is fulfilled or otherwise ends.

Financial instruments reported in the balance sheet include on the asset side, trade receivables, cash and cash equivalents and other receivables. Liabilities include trade payables, debts to credit institutions, shareholder loans and other short-term liabilities. The reporting depends on how the financial instruments have been classified.

*Classification and valuation of financial assets*

Financial assets are classified based on the business model in which the asset is managed and the cash flow nature of the asset. If the financial asset is held within a business model whose goal is to collect contractual cash flows (hold to collect) and the agreed conditions for the financial asset at specific times give rise to cash flows that consist solely of payments of principal amount and interest on the outstanding principal amount the asset is reported at amortized cost.

The Group applies the hold to collect business model for all financial assets. The Group's financial assets are initially reported at fair value and transaction costs and then at amortized cost using the effective interest method, reduced by provision for impairment.
Financial liabilities are valued at fair value via the income statement if they are a conditional purchase price to which IFRS 3 is applied, held for trading or if they are initially identified as liabilities at fair value via the income statement.
Other financial liabilities are valued at amortized cost.

The Group's financial liabilities consist of loans and accounts payable. Loans are initially reported at fair value, net of transaction costs. Loans are then reported at accrued acquisition value and any difference between the amount received (net of transaction costs) and the repayment amount is reported in the income statement spread over the loan period, with application of the effective interest method. Loans are classified as short-term liabilities unless the Group has an unconditional right to postpone payment of the debt for at least 12 months after the balance sheet date. Borrowing costs are recognized in the income statement in the period to which they relate. In cases where the borrowing costs are attributable to purchases, construction or production of a qualified asset, the borrowing costs are capitalized in the balance sheet.

*Fair value of financial instruments*

The fair value of financial assets and liabilities traded in an active market is determined by reference to quoted market prices. The fair value of other financial assets and liabilities is determined according to generally accepted valuation models such as discounting future cash flows and using information derived from current market transactions. The reported value of all financial assets and liabilities are assessed to be a good approximation of its fair value, unless otherwise specifically stated.

*Netting of financial assets and liabilities*

Financial assets and liabilities are set off and reported with a net amount in the balance sheet when there is a legal right to set off and when there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the liability. The Group has not offset any financial assets and liabilities as of the balance sheet date.

*Write-down*

The Group reports a loss reserve for expected credit losses on financial assets that are valued at amortized cost. The Group reports expected credit losses for the remaining maturity of all financial instruments for which there have been significant increases in credit risk since the first accounting period, either assessed individually or collectively in view of all reasonable and verifiable information, including forward-looking ones.

For trade receivables, contract assets and lease receivables there are simplifications which mean that the Group directly reports expected credit losses for the asset's remaining term (the simplified model).
Cash and cash equivalents consist of investments with a maturity date within three months from the acquisition date as well as blocked bank balances that are expected to be settled within 12 months after the balance sheet date and are covered by the general model for write-downs. For cash and cash equivalents, the exception for low credit risk is applied.
Other receivables and receivables from Group companies are also covered by the general model.
The Group's accounts receivable and contract assets are covered by the simplified model for write-downs.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash and immediately available balances with banks and other institutions. Cash and cash equivalents include the requirements for loss provisioning for expected credit losses.

**Dividends**

Dividends to the parent company's shareholders are reported as a liability in the group's financial statement in the period when the dividend has been decided by the general meeting.

**Cash flow**

Indirect method is applied when preparing cash flow analysis in accordance with IAS 7, Cash flow analysis. The reported cash flow includes only transactions that entail in- or outgoing payments.

**Contingent liabilities and pledged assets**

Contingent liability refers to a possible obligation arising from events that have occurred and the existence of which is confirmed only by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision because it is not likely that an outflow of resources will be required.

**Accounting policies of the parent company**

The parent company applies RFR 2 Accounting principles for the legal entity. The accounting principles for the parent company differs from the Group in the cases stated below.

**Changes in accounting principles**

A number of new accounting standards and interpretations come into force for financial years starting after 1 January 2020 and below is an assessment of the impact that the introduction of these standards and statements has had on the Group's financial statements.

**Shares in group companies**

Shares in subsidiaries and shares in joint ventures are reported at acquisition value after deducting any write-downs and with additions for any acquisition-related costs. Dividends received are reported as income when the right to receive payment is deemed certain. A write-down of shares and shares in subsidiaries is made after a calculation of the recovery value. The write-down is reported in the item Profit from shares in Group companies. The revaluation fund is included in equity and when a revaluation takes place, it is to cover losses or increase the share capital via a so-called bonus issue. The revaluations do not affect the company's result.

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**559337-2559**

**Financial instruments**

The parent company applies the exception regarding IFRS 9 in RFR2.

On the first accounting date, financial instruments are reported at acquisition value, which means the amount corresponding to the expenses for the acquisition of the asset plus transaction expenses that are directly attributable to the acquisition. At each balance sheet date, the parent company reports the change in expected credit losses since the first accounting date in the result.

When calculating the net sales value of financial assets that are reported as current assets, the principles for impairment in IFRS 9 are applied. A financial asset or financial liability is derecognised from the balance sheet when the contractual right to the cash flow from the asset has ended or settled, respectively when the contractual obligation has been fulfilled or ended.

**Note 3**
**Estimates and Assessments**

When preparing the accounts, HL 18 must make assessments, estimates and assumptions that affects reported asset and liability items and revenue and cost items, as well as the information provided. These estimates and assessments reflect what the company considers to be well-grounded at the time the interim report is issued. Other assessments, assumptions or estimates may lead to different results and later assessments and/or actual outcomes may deviate from the assessments now carried out due to later events or changes in macroeconomic or other external factors.

Hl 18 must also make assessments regarding the application of the Group's accounting principles. In the area of valuation of investment properties, assessments and assumptions can have a significant impact on the Group's results and financial position. The valuation requires assessment of and assumptions about future cash flows.

**Note 4**
**Investment properties**

| **CHANGE DURING THE YEAR** | **31 Dec. 2023** | **31 Dec. 2022** |
|---|---|---|
| Opening fair value at start of year | 944 000 | 928 000 |
| Aquisition value of properties acquired during the year | 219 500 | – |
| Investments in properties | 25 340 | 43 571 |
| Disposal of properties | -243 000 | – |
| Changes in value | -105 807 | -27 571 |
| **Opening fair value at end of year** | **840 033** | **944 000** |

| **SUMMARY** | **31 Dec. 2023** | **31 Dec. 2022** |
|---|---|---|
| Average dividend yield requirement | 7,0% | 6,7% |
| Average discount rate | 9,0% | 8,7% |

**VALUATION METHOD**

The outgoing valuations recorded in this report have been valued internally or at net sales value. The net sales value is defined as the best bid price reduced with the assumption of sales costs.

The property portfolio has usually been valued every quarter through an internal or external valuation. An external valuation is made annually of all properties. The value assessments are based on cash flow analyses, where the individual property's yield potential has been estimated. The method means that the property's value is based on the present value of forecasted cash flows together with the residual value. Assumptions regarding future cash flows are made based on analysis of:

• Current and historical rents and costs
• The future development of the market and the surrounding area
• The condition and location of the properties
• Applicable lease terms
• Investment and maintenance plans

HL 18 Property Portfolio AB's investment properties have been valued according to valuation level 3. The valuation has taken into account the best and maximum use of the properties. The valuations have been prepared in accordance with the applicable parts of the Valuation Practice Statements (VPS) included in the "Red Book" and issued by RICS and the framework established by the International Valuation Standard Committee (IVSC).

**DISCOUNT RATE**

From the analysis, the net operating income during the calculation period and the residual value at the end of the calculation period have been discounted with an estimated discount rate. The assessed discount rate must correspond to a nominal return requirement on total capital. The discount rate is adjusted individually for each property.

**RESIDUAL VALUE AND DIVIDEND YIELD**

The value assessment is based on cash flow analysis, which means that the property's value is based on the present value of forecasted cash flows during the ten year calculation period, together with the residual value. The weighted average dividend yield requirement at the end of the calculation period amounts to 7.0 percent.

**SENSITIVITY ANALYSIS**

Property valuation is an estimate of the value an investor is willing to pay for the property at a given time. The valuation is based on certain assumptions about various parameters. Value impact in the event of a change in net operating income and/or direct return requirements. The different parameters are affected individually by different assumptions and in the normal case they do not work together in the same direction.

**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

On Dec 31 2023, HL 18 Property Portfolio AB's consisting of 12 properties was internally valued, with an assessed fair value of SEK 840 million. Fair value is defined as follow. The value at the value date at which buyers and sellers are prepared to carry out a transaction. This after the property has been marketed on an open market and none of the parties act on the basis of any compulsions imposed by third parties. The property portfolio has been valued according to the methodology below, accepted by the market, where 100 percent of the properties have been valued internally. The valuation is based on cash flow analysis meaning that the property's value is based on the present value of forecasted cash flows during ten year calculation period plus the residual value. The average dividend yield requirement was 7.0 percent. The average discount rate used for the period was 9.0 percent.

The value influencing parameters used in the valuation corresponds to the external valuer's interpretation of how a prospective buyer in the market would reason and the sum of the present value of
operating net and residual value constitute the market value. The assumption regarding the future cash flows is made based on analysis of:

- Contracts and market rent
- Operating and maintenance costs in similar properties in comparison with those in the property in question
- The property's market conditions and market position
- Future development of the market/nearby area

**Note 5**

| **Financial instruments** | **31 Dec. 2023** | **31 Dec. 2022** |
|---|---|---|
| The table below shows the Group's and the parents companys borrowing, net of transaction costs. | | |
| **Group** | | |
| Bond loan | 548 559 | 544 164 |
| Other long-term liabilities | 65 | 65 |
| **Total** | **548 624** | **544 229** |
| **Parent company** | | |
| Bond loan | 548 559 | 544 164 |
| **Total** | **548 559** | **544 164** |

**FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

Through its operations, HL 18 is directly or indirectly exposed to various types of financial risks that can affect the company's financial position. The company's biggest financial risks are specified below:

**Refinancing risk**

The Group's operations are partly financed through loans from external lenders and partly through loans from other Group companies. Interest costs are a significant cost item for the Group. Refinancing risk refers to the risk that financing options are limited and/or the cost is higher when loans are to be transferred or new ones are to be taken up.

**Interest rate risk**

Interest rate risk refers to the risk that changes in the interest rates affect the company's interest costs. Interest rate risk can lead to changes in fair values, changes in cash flows and fluctuations in the Group's results. The Group is exposed to interest rate risk as a result of its liabilities.

**Liquidity risk**
Liquidity risk refers to the risk that payment obligations cannot be met as a result of insufficient liquidity. In the event of a capital shortfall, in the short or long term, HL 18 Property Portfolio AB's parent company, HG 7 Holding AB, intends to contribute capital.

**Credit and counterparty risk**
The Group is exposed to the risk that a counterparty cannot fulfill its obligations. Furthermore, the Group is exposed to credit risks in relation to banks in which the Group has placed its liquid funds or otherwise has claims on. Large and reputable companies and banks are preferably chosen. The financial risk that a counterparty does not fulfill its commitment is assessed and monitored on an ongoing basis.

| **Pledged assets and contingent liabilities** | **31 Dec. 2023** | **31 Dec. 2022** |
|---|---|---|
| ***Group*** | | |
| Property mortgages | 505 175 | 665 400 |
| Pledged shares in subsidiaries | 603 433 | 625 707 |
| ***Parent company*** | | |
| Pledged shares in subsidiaries | 40 805 | 79 116 |
| Guarantee commitment | 30 437 | 30 437 |

**Note 7**

| **Loss from shares in Group companies** | **31 Dec. 2023** | **31 Dec. 2022** |
|---|---|---|
| Impairment of shares in subsidiarys | -139 151 | – |

**Note 8**
**Information on related party transactions**
The subsidiaries in the Group, HG 7 Holding AB, as well as Oscar Properties Holding AB (Publ) and its subsidiaries are considered related parties to HL 18 Property Portfolio AB. The HL 18 Property Portfolio AB Group has, as of the balance sheet date, short-term receivables from other Group companies amounting to SEK 760,271 and short-term liabilities amounting to SEK 0,902.

HL 18 Property Portfolio AB (Publ)
Stockholm 10/5 2024

Oscar Engelbert
Styrelseledamot

# Glossary

**COMPANY-RELATED DEFINITIONS**

**HL 18, the group or the parent company**

HL 18 Property Portfolio AB (publ)

**INDUSTRY-RELATED DEFINITIONS**

**Investment properties**

Refers to properties with existing cash flows held and managed long-term. The properties can consist both of commercial premises as well as residentials.

**Property value, SEK**

Fair value of the properties at the end of the period.

**Properties**

Number of properties held under title or site lease hold at the end of the period

**FINANCIAL DEFINITIONS**

**Return on equity %**

Profit for the most recent 12-month period in relation to average equity during the same period.

**Average term to maturity**

Average term to matuirty on interest-bearing liabilities

**Equity ratio %**

Equity as a percentage to total assets.