Interim Report

HL 18 Property AB (publ)

Organizational number
559337-2559

2023-01-01--2023-09-30

HL 18 Property Portfolio AB (publ)
559337-2559

Interimreport January - September 2023

Financial overview

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

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

Key metrics, amounts in SEK thousand			
	Jan-Sep 2023	**Jan-Sep 2022**	**Jan-Dec 2022**
Operating income	134 090	47 775	123 638
Change in value of investment properties	-86 675	15 667	-23 697
Operating profit	-56 293	44 867	21 859
Profit/loss for the year	-86 087	22 624	-29 789
Investment properties	875 534	961 500	944 000
Balance sheet total	973 869	1 397 347	1 459 949
Cash and cash equivalents	3 717	5 961	9 752
Equity ratio, %	34	33	29

Publication of financial reports

HL 18 (publ) intends to publish the next interim financial report on 28 February 2024.

Significant events during the period

HL18 initiated a written procedure on March 21, 2023, in order to change some of the terms and conditions in the company's outstanding SEK 550,000,000 senior secured floating rate bonds 2020-2023 with ISIN SE0017082779. The purpose was to amend the provisions limiting the Company's ability to make divestments of a property or property-owning company. The written procedure expired on 19 April 2023 and the requisite majority of consents was not met and the written procedure was not approved.

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 185m. The proceeds from divestments have been used to acquire two replacement properties in Helsingborg and Västervik with a rental rate of 95% and a WAULT of 4.2 years. During the third quarter write-downs were made on the properties with SEK 69m. Oscar Properties has stopped paying interest and fees on most of the loans and has an ongoing dialogue with its lenders to create a sustainable capital structure. The liquidity situation constitutes a significant factor of uncertainty which may cast significant doubt on the company's ability to continue operations.

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CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand	Note	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
	2			
Operating income				
Rental income		45 337	39 061	60 366
Project income		88 725	8 646	63 234
Other income		28	68	38
		134 090	**47 775**	**123 638**
Operating expenses				
Change in value of investment properties		-86 675	15 667	-23 697
Project costs		-88 744	-8 563	-63 155
Property management		-8 953	-9 498	-11 813
External costs		-2 362	-514	-3 115
Write-down of investment property		-3 648	–	–
		-190 383	**-2 908**	**-101 780**
Net operating income		**-56 293**	**44 867**	**21 859**
Financial income		8	39	20 840
Financial expenses		-38 262	-26 005	-53 544
Profit/Loss from financial items		**-38 254**	**-25 966**	**-32 704**
Group contribution		–	–	-27 417
Profit before tax		**-94 547**	**18 902**	**-38 261**
Current tax		–	–	-1 106
Deferred tax		8 460	3 722	9 578
Profit/loss for the year		**-86 087**	**22 624**	**-29 789**
Other income for the period net after tax		–	–	–
Total profit for the period		**-86 087**	**22 624**	**-29 789**
Profit for the period attributable to:				
Shareholders of the parent company		-86 087	22 624	-29 789
Holdings without controlling influence		–	–	–
Total profit attributable to:				
Shareholders of the parent company		-86 087	22 624	-29 789
Holdings without controlling influence		–	–	–

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CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	30 Sep 2023	30 Sep 2022	31 Dec 2022
	2			
ASSETS				
Non-current assets				
Tangible assets				
Investment properties	4	875 534	961 500	944 000
Tangible fixed assets		–	726	–
Financial assets		595	45	45
Total tangible assets		**876 129**	**962 271**	**944 045**
Total non-current assets		**876 129**	**962 271**	**944 045**
Current assets				
Receivables				
Accounts receivable		25 912	15 997	58 261
Current receivable for Group companies	8	33 349	387 086	430 080
Current tax assets		3 054	1 965	390
Other current assets		2 952	5 464	47
Accrued income and prepaid expenses		28 756	20 111	17 373
Total receivables		**94 023**	**430 623**	**506 152**
Cash and cash equivalents		3 717	4 453	9 752
Total current assets		**97 740**	**435 076**	**515 904**
TOTAL ASSETS		**973 869**	**1 397 347**	**1 459 949**
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		500	500	500
Total restricted equity		**500**	**500**	**500**
Unrestricted equity				
Other contributed capital		378 904	378 904	378 904
Retained earnings including profit/loss for the year		-44 503	94 156	41 584
Total unrestricted equity		**334 401**	**473 060**	**420 488**
Total equity		**334 901**	**473 560**	**420 988**
Allocation of deferred tax		11 420	19 527	16 078
Total provisions		**11 420**	**19 527**	**16 078**
Non-current liabilities				
Bond loan	5	547 461	543 065	544 164
Other long-term liabilities	5	65	65	65
Total non-current liabilities		**547 526**	**543 130**	**544 229**
Current liabilities				
Accounts payable		40 485	8 108	46 062
Current liabilities for Group company	8	–	332 354	397 340
Other short debt		20 112	6 549	15 444
Accrued expenses and prepaid income		19 426	14 120	19 808
Total current liabilities		**80 023**	**361 131**	**478 654**
TOTAL LIABILITIES AND EQUITY		**973 869**	**1 397 347**	**1 459 949**

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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**
Adjustment Property aquisitions				**–**
Profit for the year	–	–	-86 087	**-86 087**
Comprehensive income for the year	**500**	**378 904**	**-44 503**	**334 901**
Transactions with owners				
Shareholder contribution	–	–	–	**–**
Total transactions with owners	**–**	**–**	**–**	**–**
Equity closing 30 Sep. 2023	**500**	**378 904**	**-44 503**	**334 901**

The group's equity amounted to TSEK 334,901 (420,988) and the equity ratio to 34 percent (29) at the end of the period. The share capital amounted to TSEK 500 (500) as of September 30.

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CONSOLIDATED CASH-FLOW STATEMENT

Amounts in SEK thousand	Note	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
	2			
Operating activities				
Operating profit		-56 293	44 867	21 859
Adjustment for other non-cash items		66 142	-15 678	23 539
Interest received		8	39	20 840
Interest paid		-31 723	-19 572	-44 947
Taxes paid		–	–	–
Cash flow from operating activities before changes in working capital		**-21 866**	**9 656**	**21 291**
Cash flow from operating activities				
Increase(-)/decrease(+)in operating receivables		413 686	-33 624	-72 013
Increase(+)/decrease(-)in operating accounts payable		-5 577	-6 982	30 972
Increase(+)/decrease(-)in operating liabillities		-390 961	70 924	111 234
Cash flow from operating activities		**-4 717**	**39 974**	**91 484**
Investing activities				
Property aquisitions		-219 500	–	–
Investments in existing properties		-24 268	-37 300	-43 571
Disposal of properties		243 000	–	–
Investments in other financial assets		-550	–	–
Adjustment Property aquisitions		–	156	-12 364
Cash flow from investing activities		**-1 318**	**-37 144**	**-55 935**
Financing activities				
Prospectus fee		–	-25	-28
Setup fees		–	-4 950	-4 950
Amortization		–	–	–
Group contribution		–	–	-27 417
Cash flow from financing activities		–	-4 975	-32 395
Total cashflow		-6 035	-2 145	3 154
Opening cash and cash equivalents		9 752	6 598	6 598
Closing cash and cash equivalents		3 716	4 453	9 752

Cash flow from operating activities amounted to TSEK -4,717 (39,974). Cash flow from investing activities amounted to TSEK -1,318 (-37,144).

Cash flow from financing activities amounted to TSEK 0 tkr (-4,975). Total cash flow for the period amounted to TSEK -6,035 (-2,145).

Cash balance at the end of the period of TSEK 3,716 (4,453).

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PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand	Not	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
	2			
Operating income				
Operating expenses				
External costs		-355	-432	-878
		-355	**-432**	**-878**
Net operating income		**-355**	**-432**	**-878**
Profit from shares in group companies	7	-41 224	–	–
Interest income	6	–	–	44 036
Financial expenses		-24 984	-25 947	-37 259
Profit/Loss from financial items		**-66 208**	**-25 947**	**6 777**
Group contribution		–	–	905
Profit before tax		**-66 564**	**-26 379**	**6 804**
Current/Deffered tax		–	–	–
Profit/loss for the year		**-66 564**	**-26 379**	**6 804**
Other income for the period net after tax		–	–	–
Total profit for the period		**-66 564**	**-26 379**	**6 804**
Profit for the period attributable to:				
Shareholders of the parent company		-66 564	-26 379	6 804
Holdings without controlling influence		–	–	–
Total profit attributable to:				
Shareholders of the parent company		-66 564	-26 379	6 804
Holdings without controlling influence		–	–	–

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PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand

	Not	30 Sep 2023	30 Sep 2022	31 Dec 2022
	2			
ASSETS				
Non-current assets				
Financial assets				
Shares and participations in subsidiaries		44 672	44 846	79 116
Total financial assets		**44 672**	**44 846**	**79 116**
Total non-current assets		**44 672**	**44 846**	**79 116**
Currents assets				
Receivables				
Current receivable for Group companies		816 576	879 979	883 792
Other current assets		47	–	–
Total receivables		**816 623**	**879 979**	**883 792**
Cash and cash equivalents		–	–	–
Total current assets		**816 623**	**879 979**	**883 792**
TOTAL ASSETS		**861 295**	**924 825**	**962 908**
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		500	500	500
Total restricted equity		**500**	**500**	**500**
Unrestricted equity				
Other contributed capital		378 904	378 904	378 904
Retained earnings including profit/loss for the year		-64 942	-31 561	1 622
Total unrestricted equity		**313 962**	**347 343**	**380 526**
Total equity		**314 462**	**347 843**	**381 026**
Non-current liabilities				
Bond loan		546 362	543 065	544 164
Total non-current liabilities		**546 362**	**543 065**	**544 164**
Current liabilities				
Accounts payable		471	12	141
Short-term liabilities, Group		–	26 436	29 043
Other short debt		–	–	–
Accrued expenses and prepaid income		–	7 468	8 533
Total current liabilities		**471**	**33 916**	**37 717**
TOTAL LIABILITIES AND EQUITY		**861 295**	**924 825**	**962 908**

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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	–	–	-66 564	**-66 564**
Comprehensive income for the year	**500**	**378 904**	**-64 941**	**314 463**
Transactions with owners				
Total transactions with owners	**–**	**–**	**–**	**–**
Equity closing 30 Sep. 2023	**500**	**378 904**	**-64 941**	**314 463**

The equity of the parent company amounted to TSEK 355,687 (381,026) and the equity ratio to 39 percent (40) at the end of the period. The share capital amounted to TSEK 500 (500) as of September 30.

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PARENT COMPANY CASH FLOW STATMENT

Amounts in SEK thousand

	Note	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
	2			
Operating activities				
Operating profit		-355	-432	-878
Interest received		–	–	44 036
Interest paid		**-31 320**	**-19 514**	-28 662
Cash flow from operating activities before change in working capital		**-31 675**	**-19 946**	**14 496**
Cash flow from operating activities				
Increase(-)/decrease(+)in operating receivables		67 169	31 826	-92 059
Increase(+)/decrease(-)in operating accounts payable		330	-5 489	-5 360
Increase(+)/decrease(-)in operating liabillities		-35 823	-1 860	121 287
Total change in working capital		**0**	**4 531**	**38 364**
Investing activities				
Sale of financial fixed assets		–	–	**-34 710**
Cash flow from investing activities		–	–	**-34 710**
Prospectus fee		–	–	**-28**
Setup fees		–	**-4 950**	**-4 950**
Group contribution received		–	–	**905**
Cash flow from financing activities		–	**-4 950**	**-4 073**
Total cashflow		**0**	**-419**	**-419**
Opening cash and cash equivalents		**0**	**419**	**419**
Closing cash and cash equivalents		–	**0**	**0**

Cash flow from operating activities amounted to TSEK 0 (4531). Cash flow from investing activities amounted to TSEK 0 (0). Cash flow from financing activities amounted to TSEK 0 (-4 950). Total cash flow for the period amounted to TSEK 0 (-419). Cash balance at the end of the period of TSEK 0 (0).

Other disclosures and notes

Amounts in SEK thousands

Note 1
General information

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 Swedisg law and with application of the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules).

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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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	**30 Sep. 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	24 268	43 571
Disposal of properties	-243 000	–
Changes in value	-69 234	-27 571
Opening fair value at end of year	**875 534**	**944 000**

SUMMARY	**30 Sep. 2023**	**31 Dec. 2022**
Average dividend yield requirement	6,5%	6,7%
Average discount rate	9,4%	8,7%

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VALUATION METHOD

The property portfolio is 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 discouint rate. The assessed discount rate must correspond to a nominal return requirement on total capital. The discount rate is adjusted individually for each property. The average discount rate for discounting cash flows was 9,4 percent at the end of the period.

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 6.5 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.

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SUMMARY OF SIGNIFICANT ASSUMPTIONS

On Mar 31 2023, HL 18 Property Portfolio AB's consisting of 16 properties was internally valued, with an assessed fair value of SEK 950 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 6.7 percent. The average discount rate used for the period was 8.7 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
- Current and historical rental levels

Note 5

Financial instruments	**30 Sep. 2023**	**31 Dec. 2022**
The table below shows the group's and the parents companys borrowing, net of transaction costs.		
Group		
Bond loan	547 461	544 164
Other long-term liabilities	65	65
Total	**547 526**	**544 229**
Parent company		
Bond loan	546 362	544 164
Total	**546 362**	**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.

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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.

Note 6

Pledged assets and contingent liabilities	**30 Sep. 2023**	**31 Dec. 2022**
Group		
Property mortgages	646 725	665 400
Pledged shares in subsidiaries	603 433	625 707
Parent company		
Pledged shares in subsidiaries	44 672	79 116
Guarantee commitment	30 437	30 437

Note 7

Profit from shares in group companies	**30 Sep. 2023**	**31 Dec. 2022**
Impairment of shares in subsidiarys	41 224	–

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 33,763,305 and short-term liabilities amounting to SEK 413,909.

HL 18 Property Portfolio AB (Publ)
Stockholm 30 November 2023

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

Average term to maturity

Average term to matuirty on interest-bearing liabilities

Equity ratio %

Equity as a percentage to total assets.