Interim Report

Valerum AB (publ)

Organisational number
559264-5385

2023-01-01--2023-06-30

Valerum AB (publ)
559264-5385

Interimreport January-June 2023

Financial overview

The group's net sales during the period amounted to TSEK 47,764 (53,404). During the period, changes in value regarding investment properties affected the result by TSEK -152,104 (-40,805). The group's result amounted to TSEK -159,245 (-29,918). Cash and cash equivalents at the end of the period amounted to TSEK 5,502 (18,683).

The interim report for Valerum AB (publ) has not been reviewed by an auditor.

Key metrics, amounts in SEK thousand	**Jan-Jun 2023**	**Jan-Jun 2022**	**Jan-Dec 2022**
Operating income	47 764	53 404	106 891
Change in value of investment properties	-152 104	-40 805	-163 236
Operating profit	-123 695	-12 649	-119 378
Profit/loss for the year	-159 245	-29 918	-229 288
Investment properties	786 512	1 479 133	1 366 908
Balance sheet total	1 304 396	1 655 062	1 810 359
Equtiy	224 407	159 772	268 902
Cash and cash equivalents	5 502	18 683	12 889
Equity ratio, %	17	10	15

Publication of financial reports

Valerum AB (publ) intends to publish the next interim financial report on 30 nov 2023.

Significant events during the period

During the first quarter Valerum has divested one unrestricted property and repaid corresponding bank loan. On March 30, 2023, Valerum AB (publ) initiated a written procedure in order to change the terms and conditions in the company’s outstanding SEK 710,000,000 senior secured floating rate bonds 2020-2023 with ISIN SE0015192190. The written procedure was successfully completed on 28 April 2023 and the final maturity date of the bond was extended to 30 October 2023.

During the second quarter Valerum has divested 15 properties and amortised its outstanding bond by SEK 400,000,368 on 9th of May in accordance with the updated terms and conditions.

Significant events after the balance sheet date

After the end of the second quarter Valerum has divested three properties and amortised its outstanding bond by SEK 37,885,600 on 5th of July. Remaining proceeds from the divestments on a locked account and will be used for amortization on the next interest payment date on 5th of October.

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CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand	Note	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
	2			
Operating income				
Rental income		47 294	53 349	106 832
Other income		471	55	58
		47 764	**53 404**	**106 891**
Operating expenses				
Change in value of investment properties		-152 104	-40 805	-163 236
Property management		-17 241	-21 637	-41 424
External costs		-2 115	-3 610	-21 609
Net operating income		**-123 695**	**-12 649**	**-119 378**
Financial income		6	14	5 580
Financial expenses		-24 946	-18 755	-43 422
Financial expenses, Group		-4 234	-4 139	-11 726
Profit/Loss from financial items		**-29 175**	**-22 880**	**-49 567**
Group contribution		–	–	-75 032
Profit before tax		**-152 870**	**-35 529**	**-243 977**
Current tax		349	-151	-80
Deferred tax		-6 724	5 762	14 769
Profit/loss for the year		**-159 245**	**-29 918**	**-229 288**
Other income for the period net after tax		–	–	–
Total profit for the period		**-159 245**	**-29 918**	**-229 288**
Profit for the period attributable to:				
Shareholders of the parent company		-159 245	-29 918	-229 288
Holdings without controlling influence		–	–	–
Total profit attributable to:				
Shareholders of the parent company		-159 245	-29 918	-229 288
Holdings without controlling influence		–	–	–

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CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand

	Note	30 Jun. 2023	30 Jun. 2022	31 Dec. 2022
	2			
ASSETS				
Non-current assets				
Tangible assets				
Investment properties	4	786 512	1 479 133	1 366 908
Other tangible fixed assets		–	1	9
Total tangible assets		**786 512**	**1 479 134**	**1 366 916**
Financial assets				
Other financial fixed assets		104	365	654
Total financial assets		**104**	**365**	**654**
Total non-current assets		**786 616**	**1 479 499**	**1 367 570**
Current assets				
Receivables				
Accounts receivable		2 021	2 820	1 759
Current receivable for Group companies		506 619	111 214	417 728
Other current assets		2 912	9 890	1 373
Accrued income and prepaid expenses		726	32 955	9 038
Total receivables		**512 278**	**156 880**	**429 899**
Cash and cash equivalents		5 502	18 683	12 889
Total current assets		**517 780**	**175 563**	**442 789**
TOTAL ASSETS		**1 304 396**	**1 655 062**	**1 810 359**
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		500	500	500
Total restricted equity		**500**	**500**	**500**
Unrestricted equity				
Other contributed capital		523 250	100 000	408 500
Retained earnings including profit/loss for the year		-299 343	59 272	-140 098
Total unrestricted equity		**223 907**	**159 272**	**268 402**
Total equity		**224 407**	**159 772**	**268 902**
Provisions				
Non-current liabilities				
Interest bearing liabilities	5	170 373	187 570	184 971
Bond loan	5	–	706 696	–
Non-current liabilities for Group companies	5	424 299	415 793	420 064
Deferred tax		19 948	17 374	8 367
Total non-current liabilities		**614 620**	**1 327 433**	**613 403**
Current liabilities				
Current interest-bearing liabilities	5	5 200	5 200	5 200
Bond loan	5	310 000		708 679
Accounts payable		9 424	6 627	7 385
Current liabilities for Group company	5	82 858	59 593	137 799
Other short debt		38 470	44 404	35 794
Accrued expenses and prepaid income		19 419	52 034	33 198
Total current liabilities		**465 370**	**167 858**	**928 055**
TOTAL LIABILITIES AND EQUITY		**1 304 396**	**1 655 062**	**1 810 359**

CHANGE IN GROUP EQUITY

Amounts in SEK thousand

	Share capital	Other contributed capital	Retained earnings including profit/loss	Total equity
Equity at 1 Jan. 2022	**500**	**100 000**	**89 190**	**189 690**
Profit for the year	–		-229 288	**-229 288**
Share holder contribution	–	308 500	–	**308 500**
Comprehensive income for the year	**500**	**408 500**	**-140 098**	**268 902**
Equity closing 31 Dec. 2022	**500**	**408 500**	**-140 098**	**268 902**
Equity at 1 Jan. 2023	**500**	**408 500**	**-140 098**	**268 902**
Profit for the year	–		-159 245	**-159 245**
Share holder contribution	–	114 750	–	**114 750**
Comprehensive income for the year	**500**	**523 250**	**-299 343**	**224 407**
Equity closing 30 Jun. 2023	**500**	**523 250**	**-299 343**	**224 407**

The group's equity amounted to TSEK 224,407 (268,902) and the equity ratio to 17 percent (15) at the end of the period.
The share capital amounted to TSEK 500 (500) as of June 30.

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CONSOLIDATED CASH-FLOW STATEMENT

Amounts in SEK thousand	Note	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
	2			
Operating activities				
Operating profit		- 123 695	- 12 649	- 119 378
Adjustment for other non-cash items				
Change in value of investment properties		67 335	40 805	163 342
Depreciation		6	35	- 7 153
Interest received		6	14	5 580
Interest paid		- 32 577	- 21 703	- 48 992
Taxes paid		-	- 151	- 80
Cash flow from operating activities before changes in working capital		**- 88 925**	**6 351**	**- 6 680**
Cash flow from operating activities				
Increase(-)/decrease(+)in operating receivables		-89 171	-47 197	-307 323
Increase(+)/decrease(-)in operating liabillities		-43 034	52 695	99 100
Cash flow from operating activities		**-221 130**	**11 850**	**-214 904**
Investing activities				
Property aquisitions		0	0	0
Investments in existing properties		-2 678	-2 855	-11 667
Divestment and disposals equipment		515 719	0	0
Change in financial fixed assets		550	-124	-413
Cash flow from investing activities		**513 591**	**-2 979**	**-12 080**
Financing activities				
Other contributed capital		114 750	0	308 500
Group contribution		0	0	-75 032
Raised loans		0	0	0
Repayment of loan		-414 598	-2 600	-6 008
Cash flow from financing activities		**-299 848**	**-2 600**	**227 460**
Total cashflow		**-7 387**	**6 271**	**476**
Opening cash and cash equivalents		**12 889**	**12 412**	**12 412**
Closing cash and cash equivalents		**5 502**	**18 683**	**12 889**

Cash flow from operating activities amounted to TSEK -221,130 (11,850). Cash flow from investing activities amounted to TSEK 513,591 (-2,979).

Cash flow from financing activities amounted to TSEK -299,849 tkr (-2,600). Total cash flow for the period amounted to TSEK -7387 (6,271).

Cash balance at the end of the period of TSEK 5,502 (18,683).

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PARENT COMPANY INCOME STATEMENT	Note	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Amounts in SEK thousand				
	2			
Operating income				
Other income		–	-930	29 270
Operating expenses				
External costs		-163	-996	7 218
Net operating income		**-163**	**-1 926**	**36 488**
Profit from shares in group companies	7	-114 750		-159 125
Financial income, Group		23 736	23 736	51 001
Financial income		–	–	1
Financial expenses, Group		-4 234	-4 139	-14 204
Financial expenses		-20 841	-16 261	-37 080
Profit/Loss from financial items		**-116 089**	**3 336**	**-159 408**
Group contribution		–	–	-36 501
Profit before tax		**-116 252**	**1 410**	**-159 421**
Current/Deffered tax		–	–	–
Profit/loss for the year		**-116 252**	**1 410**	**-159 421**
Other income for the period net after tax		–	–	–
Total profit for the period		**-116 252**	**1 410**	**-159 421**
Profit for the period attributable to:				
Shareholders of the parent company		-116 252	1 410	-159 421
Holdings without controlling influence		–	–	–
Total profit attributable to:				
Shareholders of the parent company		-116 252	1 410	-159 421
Holdings without controlling influence		–	–	–

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PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand

	Note	30 Jun. 2023	30 Jun. 2022	31 Dec. 2022
	2			
ASSETS				
Non-current assets				
Financial assets				
Shares and participations in subsidiaries		88 373	71 838	14 263
Non-current receivable for Group companies		1 299 734	1 251 868	1 275 998
Total financial assets		**1 388 107**	**1 323 705**	**1 290 261**
Total non-current assets		**1 388 107**	**1 323 705**	**1 290 261**
Current assets				
Receivables				
Current receivable for Group companies		508 408	61 259	343 604
Other current assets		–	38	-275
Total receivables		**508 408**	**61 297**	**343 328**
Cash and cash equivalents		1 158	68	58
Total current assets		**509 566**	**61 365**	**343 386**
TOTAL ASSETS		**1 897 673**	**1 385 070**	**1 633 647**
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		500	500	500
Total restricted equity		**500**	**500**	**500**
Unrestricted equity				
Other contributed capital		523 250	100 000	408 500
Retained earnings including profit/loss for the year		-274 660	2 424	-158 408
Total unrestricted equity		**248 590**	**102 424**	**250 092**
Total equity		**249 090**	**102 924**	**250 592**
Non-current liabilities				
Bond loan	5	–	706 696	–
Non-current liabilities for Group companies	5	424 299	415 793	420 064
Total long-term liabilities		**424 299**	**1 122 489**	**420 064**
Current liabilities				
Bond loan	5	310 000	–	708 679
Accounts payable		208	4	48
Short-term liabilities, Group	5	907 593	123 462	242 788
Other short debt		2 301	29 407	1 769
Accrued expenses and prepaid income		4 182	6 784	9 705
Total current liabilities		**1 224 284**	**159 657**	**962 990**
TOTAL LIABILITIES AND EQUITY		**1 897 673**	**1 385 070**	**1 633 647**

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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**	**100 000**	**1 014**	**101 514**
Profit for the year	–	–	-159 421	**-159 421**
Share holder contribution		308 500		**308 500**
Ohter comprehensive income	–	–	–	**–**
Comprehensive income for the year	**500**	**408 500**	**-158 408**	**250 592**
Equity closing 31 Dec. 2022	**500**	**408 500**	**-158 408**	**250 592**
Equity at 1 Jan. 2023	**500**	**408 500**	**-158 408**	**250 592**
Profit for the year	–	–	-116 252	**-116 252**
Share holder contribution		114 750		**114 750**
Ohter comprehensive income	–	–	–	**–**
Comprehensive income for the year	**500**	**523 250**	**-274 661**	**249 090**
Equity closing 30 Jun. 2023	**500**	**523 250**	**-274 661**	**249 090**

The parent company's equity amounted to TSEK 249,090 (250,592) and the equity ratio to 13 percent (15) at the end of the period. The share capital amounted to TSEK 500 (500) as of June 30.

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PARENT COMPANY CASH FLOW STATMENT

Amounts in SEK thousand

	Note	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
	2			
Operating activities				
Operating profit		-163	-1 926	36 488
Adjustment for other non-cash items		–	0	-7 138
Interest received		23 736	23 736	51 002
Interest paid		-29 279	-20 479	-44 477
Cash flow from operating activities before changes in working capital		**-5 706**	**1 331**	**35 875**
Cash flow from operating activities				
Increase(-)/decrease(+)in operating receivables		-165 080	52 711	-270 602
Increase(-)/decrease(+)in operating accounts payable		160	-227	-183
Increase(+)/decrease(-)in operating liabillities		456 976	-53 792	-37 074
Cash flow from operating activities		**286 350**	**24**	**-271 984**
Investing activities				
Cash flow from investing activities		**0**	**0**	**0**
Financing activities				
Other contributed capital		114 750		308 500
Group contribution		0	0	-36 501
Amortizations of loans		-400 000	0	0
Cash flow from financing activities		**-285 250**	**0**	**271 999**
Total cashflow		**1 100**	**24**	**14**
Opening cash and cash equivalents		**58**	**44**	**44**
Closing cash and cash equivalents		**1 158**	**68**	**58**

Cash flow from operating activities amounted to TSEK 286,350 (24). Cash flow from investing activities amounted to TSEK 0 (0). Cash flow from financing activities amounted to TSEK -285,250 (0). Total cash flow for the period amounted to TSEK 1,100 (24). Cash balance at the end of the period of TSEK 660 (68).

Other disclosures and notes

Amounts in SEK thousands

Note 1
General information

Valerum AB (publ), org. no. 559264-5385, is a limited company registered in Sweden. The company is owned by Valerum Holding AB, org. no. 559274-6985 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.

The group was established at closing of the acquisition of Valerum Fastighets AB on 30 December 2020 from SBB.

The company's purpose is to own, develop and manage investment properties. The company has no employees.

Note 2
Basis of preparation and accounting policies

Accounting policies

The consolidated accounts for Valerum AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim reporting. Information according to IAS34.16A appears in addition to the financial reports also in other parts of the interim report. The parent company's accounting is prepared in accordance with RFR2, Accounting for legal entities and the Annual Accounts Act.

The parent company's accounting is prepared in accordance with Swedish law and application of the Swedish Financial Reporting Council's recommendation RFR 2 (Accounting for legal entities). In cases where the parent company applies different accounting principles than the group, this is stated separately at the end of this note.

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.

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 Valerum.

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.

Valerum 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 Valerum'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

Valerum 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

The changes that entered into force on January 1, 2020 are changes to IFRS 3 Business combinations and the company assesses that the addition has not had a material effect on information or reported amounts in this interim report. Other changes in IFRS have not had any significant impact on Valerum's financial reporting.

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.

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, Valerum 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.

Valerum 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 Jun. 2023	31 Dec. 2022
Opening fair value at start of year	1 366 908	1 526 083
Aquisition value of properties acquired during the year	–	–
Investments in properties	2 261	11 667
Sales proceeds from sold properties	-515 720	–
Reclassification	–	-106
Changes in value	-67 282	-170 736
Opening fair value at end of year	**786 167**	**1 366 908**

SUMMARY	30 Jun. 2023	31 Dec. 2022
Average dividend yield requirement	6,9%	6,2%
Average discount rate	9,2%	9,2%

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 9.2 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 6.9 percent.

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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 June 30, 2023, Valerum AB's entire property portfolio was valued, with an assessed fair value of SEK 787 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 6.9 percent. The average discount rate used for the period was 9.2 percent.

On 30 June 2023, all properties have been internally valued. 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 average dividend yield requirement on included valuation units was 6.9 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 Jun. 2023**	**31 Dec. 2022**
The table below shows the group's and the parents companys borrowing, net of transaction costs.		
The group's long-term liabilities to group companies consist of an interest-bearing debt to Valerum Holding AB.		
Group		
Interest bearing liabilities	175 573	190 171
Bond loan	310 000	708 679
Liabilities for Group companies	507 157	557 864
Total	**992 729**	**1 456 713**
Parent company		
Bond loan	310 000	708 679
Liabilities for Group companies	1 331 892	662 852
Total	**1 641 892**	**1 371 531**

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Through its operations, Valerum 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.

Note 6

Pledged assets and contingent liabilities	**30 Jun. 2023**	**31 Dec. 2022**
Group		
Property mortgages	495 301	632 792
Pledged shares in subsidiaries		
Parent company		
Pledged shares in subsidiaries	395 980	607 958
Guarantee commitment	-	–

Note 7

Profit from shares in group companies	**30 Jun. 2023**	**31 Dec. 2022**
Impairment of shares in subsidiarys	114 750	159 125

Note 8

Information on related party transactions

The subsidiaries in the group, Valerum Holding AB, as well as Oscar Properties Holding AB (Publ) and its subsidiaries are considered related parties to Valerum AB. Valerum AB has a loan to the owner company Valerum Holding AB, which as of the balance sheet date amounts to SEK 424,3 million.

Note 9

Significant events after the balance sheet date

After the end of the second quarter Valerum has divested three properties and amortised its outstanding bond by SEK 37,885,600 on 5th of July. Remaining proceeds from the divestments on a locked account and will be used for amortization on the next interest payment date on 5th of October.

Valerum AB (publ)
Stockholm 31 Aug 2023

Per-Axel Sundström
VD

Glossary

COMPANY-RELATED DEFINITIONS

Valerum, company or parent company

Valerum AB (publ)

Valerum, company or the group

Valerum AB (publ) and its wholly owned subsidiaries

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.

Total Assets

The sum of all assets or the sum of all liabilities and equity.

Average term to maturity

Average term to matuirty on interest-bearing liabilities

Equity ratio %

Equity as a percentage to total assets.