Interim Report

Valerum AB (publ)

Organisational number
559264-5385

2022-01-01--2022-12-31

Valerum AB (publ)
559264-5385

Interimreport January-December 2022

Financial overview

The group's net sales during the period amounted to TSEK 106,891 (105,251). During the period, unrealized changes in value regarding investment properties affected the result by TSEK -183,236 (147,611). The group's result amounted to TSEK -229,288 (89,190). Cash and cash equivalents at the end of the period amounted to TSEK 12,889 (12,412).

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

Key metrics, amounts in SEK thousand	**Jan-Dec 2022**	**Dec 2020-Dec 2021**	**Dec 2020-Dec 2021**
Operating income	106 891	105 251	105 251
Change in value of investment properties	-183 236	147 611	147 611
Operating profit	-119 378	192 863	192 863
Profit/loss for the year	-229 288	89 190	89 190
Investment properties	1 366 908	1 526 083	1 526 083
Balance sheet total	1 810 359	1 640 578	1 640 578
Equtiy	268 902	189 690	189 690
Cash and cash equivalents	12 889	12 412	12 412
Equity ratio, %	15	12	12

Publication of financial reports

Valerum AB (publ) intends to publish the next interim financial report on 31 may 2023.

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CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand	**Note**	**Jan-Dec 2022**	**Dec 2020-Dec 2021**
	2		
Operating income			
Rental income		106 832	103 485
Other income		58	1 766
		106 891	**105 251**
Operating expenses			
Change in value of investment properties		-183 236	147 611
Property management		-41 424	-41 757
External costs		-1 609	-18 242
Net operating income		**-119 378**	**192 863**
Financial income		5 580	173
Financial expenses		-43 422	-46 207
Financial expenses, Group		-11 726	-8 265
Profit/Loss from financial items		**-49 567**	**-54 299**
			–
Group contribution		-75 032	-25 726
Profit before tax		**-243 977**	**112 838**
Current tax		-80	-913
Deferred tax		14 769	-22 735
Profit/loss for the year		**-229 288**	**89 190**
Other income for the period net after tax		–	–
Total profit for the period		**-229 288**	**89 190**
Profit for the period attributable to:			
Shareholders of the parent company		-229 288	89 190
Holdings without controlling influence		–	–
Total profit attributable to:			
Shareholders of the parent company		-229 288	89 190
Holdings without controlling influence		–	–

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CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand

	Note	31 Dec. 2022	31 Dec. 2021
	2		
ASSETS			
Non-current assets			
Tangible assets			
Investment properties	4	1 366 908	1 526 083
Other tangible fixed assets		9	36
Total tangible assets		**1 366 916**	**1 526 119**
Financial assets			
Other financial fixed assets		654	241
Total financial assets		**654**	**241**
Total non-current assets		**1 367 570**	**1 526 360**
Current assets			
Receivables			
Accounts receivable		1 759	3 143
Current receivable for Group companies		417 728	73 569
Other current assets		1 373	891
Accrued income and prepaid expenses		9 038	24 203
Total receivables		**429 899**	**101 807**
Cash and cash equivalents		12 889	12 412
Total current assets		**442 789**	**114 219**
TOTAL ASSETS		**1 810 359**	**1 640 578**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		500	500
Total restricted equity		**500**	**500**
Unrestricted equity			
Other contributed capital		408 500	100 000
Retained earnings including profit/loss for the year		-140 098	89 190
Total unrestricted equity		**268 402**	**189 190**
Total equity		**268 902**	**189 690**
Provisions			
Non-current liabilities			
Interest bearing liabilities	5	184 971	190 168
Bond loan	5	–	708 679
Non-current liabilities for Group companies	5	420 064	411 653
Deferred tax		8 367,139	
Total non-current liabilities		**613 403**	**1 310 500**
Current liabilities			
Current interest-bearing liabilities	5	5 200	1 952
Bond loan	5	708 679	

Accounts payable		7 385	4 640
Current liabilities for Group company	5	137 799	40 796
Other short debt		35 794	28 275
Accrued expenses and prepaid income		33 198	41 590
Total current liabilities		**928 055**	**117 253**
TOTAL LIABILITIES AND EQUITY		**1 810 359**	**1 617 442**

CHANGE IN GROUP EQUITY

Amounts in SEK thousand

	Share capital	Other contributed capital	Retained earnings including profit/loss	Total equity
Equity at 30 Dec. 2020	**–**	**–**	**–**	**–**
Incorporation of limited company	500			**500**
Profit for the year	–	–	89 190	**89 190**
Ohter comprehensive income	–	–	–	**–**
Comprehensive income for the year	**500**	**–**	**89 190**	**89 690**
Share holder contribution	–	100 000	–	**100 000**
Equity closing 31 Dec. 2021	**500**	**100 000**	**89 190**	**189 690**
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**

The group's equity amounted to TSEK 268,902 (189,690) and the equity ratio to 15 percent (12) at the end of the period.
The share capital amounted to TSEK 500 (500) as of december 31.

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CONSOLIDATED CASH-FLOW STATEMENT

Amounts in SEK thousand	Note	Jan-Dec 2022	22 July 2020-Dec 2021
	2		
Operating activities			
Operating profit	-	119 378	192 863
Adjustment for other non-cash items			
Change in value of investment properties		163 342	-124 911
Depreciation	-	7 153	
Interest received		5 580	
Interest paid	-	48 992	-37 094
Taxes paid	-	80	-2 600
Cash flow from operating activities before changes in working capital	**-**	**6 680**	**28 258**
Cash flow from operating activities			
Increase(+)/decrease(-)in operating receivables		-307 323	-102 520
Increase(+)/decrease(-)in operating liabillities		99 100	609 139
Cash flow from operating activities		**-214 902**	**534 877**
Investing activities			
Property aquisitions		0	-1 748 420
Investments in existing properties		-11 667	-3 668
Sales proceeds from sold properties		0	325 000
Divestment and disposals equipment		0	436
Change in financial fixed assets		-413	0
Cash flow from investing activities		**-12 080**	**-1 426 652**
Financing activities			
Other contributed capital		308 500	0
Group contribution		-75 032	0
Raised loans		0	909 088
Repayment of loan		-6 008	-4 901
Cash flow from financing activities		**227 460**	**904 187**
Total cashflow		**478**	**12 412**
Opening cash and cash equivalents		**12 412**	**0**
Closing cash and cash equivalents		**12 890**	**12 412**

Cash flow from operating activities amounted to TSEK -214,902 (534,877). Cash flow from investing activities amounted to TSEK -12,080 (-1,426,652).

Cash flow from financing activities amounted to TSEK 227,460 tkr (904,187). Total cash flow for the period amounted to TSEK 478 (12,412).
Cash balance at the end of the period of TSEK 12,890 (12,412).

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PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand

	Note	Jan-Dec 2022	22 July 2020-Dec 2021
	2		
Operating income			
Other income		29 270	24 699
Operating expenses			
External costs		7 218	-13 181
Net operating income		**36 488**	**11 519**
Profit from shares in group companies	7	-159 125	
Financial income, Group		51 001	47 866
Financial income		1	
Financial expenses, Group		- 14 204	-8 265
Financial expenses		- 37 080	-38 502
Profit/Loss from financial items		**-159 408**	**1 100**
Group contribution		-36 501	-11 604
Profit before tax		**-159 421**	**1 014**
Current/Deffered tax		–	–
Profit/loss for the year		**-159 421**	**1 014**
Other income for the period net after tax		–	–
Total profit for the period		**-159 421**	**1 014**
Profit for the period attributable to:			
Shareholders of the parent company		-159 421	1 014
Holdings without controlling influence		–	–
Total profit attributable to:			
Shareholders of the parent company		-159 421	1 014
Holdings without controlling influence		–	–

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PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand

	Note	31 Dec. 2022	31 Dec. 2021
	2		
ASSETS			
Non-current assets			
Financial assets			
Shares and participations in subsidiaries		14 263	17 468
Non-current receivable for Group companies		1 275 998	1 228 131
Total financial assets		**1 290 260**	**1 245 599**
Total non-current assets		**1 290 260**	**1 245 599**
Current assets			
Receivables			
Current receivable for Group companies		343 604	64 258
Other current assets		-276	–
Accrued income and prepaid expenses		–	1 330
Total receivables		**343 328**	**65 588**
Cash and cash equivalents		58	44
Total current assets		**343 387**	**65 632**
TOTAL ASSETS		**1 633 647**	**1 311 231**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		500	500
Total restricted equity		**500**	**500**
Unrestricted equity			
Other contributed capital		408 500	100 000
Retained earnings including profit/loss for the year		-158 408	1 014
Total unrestricted equity		**250 092**	**101 014**
Total equity		**250 592**	**101 514**
Non-current liabilities			
Bond loan	5		704 714
Non-current liabilities for Group companies	5	420 064	411 653
Total long-term liabilities		**420 064**	**1 116 368**
Current liabilities			
Bond loan	5	708 679	–
Accounts payable		48	231
Short-term liabilities, Group	5	242 788	55 864
Other short debt		1 769	29 407
Accrued expenses and prepaid income		9 706	7 848
Total current liabilities		**962 990**	**93 350**
TOTAL LIABILITIES AND EQUITY		**1 633 647**	**1 311 231**

CHANGE IN PARENT COMPANY EQUITY

Amounts in SEK thousand

	Share capital	Other contributed capital	Retained earnings including profit/loss	Total equity
Equity at 22 Jul. 2020	**–**	**–**	**–**	**–**
				–
Incorporation of limited company	500			**500**
Profit for the year	–	–	1 014	**1 014**
Ohter comprehensive income	–	–	–	**–**
Comprehensive income for the year	**500**	**–**	**1 014**	**1 514**
Share holder contribution	–	100 000	–	**100 000**
Equity closing 31 Dec. 2021	**500**	**100 000**	**1 014**	**101 514**
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**

The parent company's equity amounted to TSEK 250,592 (101,514) and the equity ratio to 15 percent (8) 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 2022**	**22 July 2020-Dec 2021**
	2		
Operating activities			
Operating profit		36 488	11 508
Adjustment for other non-cash items		-7 138	-5 727
Interest received		51 002	
Interest paid		-44 477	-26 827
Cash flow from operating activities before changes in working capital		**35 875**	**-21 046**
Cash flow from operating activities			
Increase(+)/decrease(-)in operating receivables		-270 602	-1 296 035
Increase(+)/decrease(-)in operating accounts payable		-183	231
Increase(+)/decrease(-)in operating liabillities		-37 074	1 332 046
Cash flow from operating activities		**-271 984**	**15 196**
Investing activities			
Acquisition of subsidiaries		0	-15 152
Cash flow from investing activities		**0**	**-15 152**
Financing activities			
Other contributed capital		308 500	
Group contribution		-36 501	0
Cash flow from financing activities		**271 999**	**0**
Total cashflow		**14**	**44**
Opening cash and cash equivalents		**44**	**0**
Closing cash and cash equivalents		**58**	**44**

Cash flow from operating activities amounted to TSEK -271,984 (15,196). Cash flow from investing activities amounted to TSEK 0 (-15,152). Cash flow from financing activities amounted to TSEK 271,999 (0). Total cash flow for the period amounted to TSEK 14 (44). Cash balance at the end of the period of TSEK 58 (44).

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 2022
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	**31 Dec. 2022**	**31 Dec. 2021**
Opening fair value at start of year	1 526 083	–
Aquisition value of properties acquired during the year	–	1 776 388
Investments in properties	11 667	3 668
Sales proceeds from sold properties	–	-329 909
Reclassification	-106	
Changes in value	-170 736	75 936
Opening fair value at end of year	**1 366 908**	**1 526 083**

SUMMARY	**31 Dec. 2022**	**31 Dec. 2021**
Average dividend yield requirement	6,2%	6,2%
Average discount rate	9,2%	8,0%

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 6.2 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 December 31, 2022, Valerum AB's entire property portfolio was valued, with an assessed fair value of SEK 1,367 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 6.2 percent. The average discount rate used for the period was 9.2 percent.

On 31 December 2022, 30 out of 32 properties have been externally valued by Newsec and Savills. 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 6.2 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	**31 Dec. 2022**	**31 Dec. 2021**
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	190 171	192 120
Bond loan	708 679	708 679
Liabilities for Group companies	557 864	452 450
Total	**1 456 713**	**1 353 249**
Parent company		
Bond loan	708 679	704 714
Liabilities for Group companies	662 852	467 517
Total	**1 371 531**	**1 172 231**

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	**31 Dec. 2022**	**31 Dec. 2021**
Group		
Property mortgages	632 792	906 177
Parent company		
Guarantee commitment	-	–

Note 7

Profit from shares in group companies	**31 Dec. 2022**	**31 Dec. 2021**
Impairment of shares in subsidiarys	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 420.1 million.

Note 9

Significant events after the balance sheet date

No significant events after the end of the financial period.

Valerum AB (publ)
Stockholm 28 feb 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
20: 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

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.