

Interim Report

HL 18 Property AB (publ)

**Organizational number
559337-2559**

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

Interimreport January - June 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-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Operating income	89 281	24 103	123 638
Change in value of investment properties	88 225	22 419	-23 697
Operating profit	104 924	39 576	21 859
Profit/loss for the year	65 927	14 268	-29 789
Investment properties	1 053 793	961 500	944 000
Balance sheet total	1 521 413	1 397 069	1 459 949
Cash and cash equivalents	5 741	5 961	9 752
Equity ratio, %	32	33	29

Publication of financial reports

HL 18 (publ) intends to publish the next interim financial report on 30 November 2023.

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.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand

	Note	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
	2			
Operating income				
Rental income		30 102	23 997	60 366
Other income		59 179	106	63 272
		89 281	24 103	123 638
Operating expenses				
Change in value of investment properties		88 225	22 419	-23 697
Property management		-66 600	-6 771	-11 813
External costs		-2 334	-175	-66 270
Write-down of investment property		-3 648	–	–
		15 643	15 473	-101 780
Net operating income		104 924	39 576	21 859
Financial income		7	34	20 840
Financial expenses		-25 274	-16 884	-53 544
Profit/Loss from financial items		-25 266	-16 849	-32 704
Group contribution		–	–	-27 417
Profit before tax		79 657	22 727	-38 261
Current tax		–	–	-1 106
Deferred tax		-13 730	-8 458	9 578
Profit/loss for the year		65 927	14 268	-29 789
Other income for the period net after tax		–	–	–
Total profit for the period		65 927	14 268	-29 789
Profit for the period attributable to:				
Shareholders of the parent company		65 927	14 268	-29 789
Holdings without controlling influence		–	–	–
Total profit attributable to:				
Shareholders of the parent company		65 927	14 268	-29 789
Holdings without controlling influence		–	–	–

CONSOLIDATED BALANCE SHEET		30 Jun 2023	30 Jun 2022	31 Dec 2022
Amounts in SEK thousand	Note			
	2			
ASSETS				
Non-current assets				
Tangible assets				
Investment properties	4	1 053 793	961 500	944 000
Tangible fixed assets		–	–	–
Financial assets		595	45	45
Total tangible assets		1 054 388	961 545	944 045
Total non-current assets		1 054 388	961 545	944 045
Current assets				
Receivables				
Accounts receivable		31 927	5 148	58 261
Current receivable for Group companies		395 491	408 361	430 080
Current tax assets		2 552	2 358	390
Other current assets		7 297	13	47
Accrued income and prepaid expenses		24 016	15 503	17 373
Total receivables		461 283	431 383	506 152
Cash and cash equivalents		5 741	4 141	9 752
Total current assets		467 025	435 524	515 904
TOTAL ASSETS		1 521 413	1 397 069	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		107 511	85 828	41 584
Total unrestricted equity		486 415	464 732	420 488
Total equity		486 915	465 232	420 988
Provisions				
Allocation of deferred tax		37 425	32 656	16 078
Total provisions		37 425	32 656	16 078
Non-current liabilities				
Bond loan	5	546 362	541 967	544 164
Other long-term liabilities	5	65	65	65
Total non-current liabilities		546 427	542 032	544 229
Current liabilities				
Accounts payable		45 193	10 332	46 062
Current liabilities for Group company		367 667	325 200	397 340
Other short debt		17 489	4 545	15 444
Accrued expenses and prepaid income		20 298	17 072	19 808
Total current liabilities		450 647	357 149	478 654
TOTAL LIABILITIES AND EQUITY		1 521 413	1 397 069	1 459 949

CHANGE IN GROUP EQUITY

Amounts in SEK thousand

	Share capital	Other contributed capital	Retained earnings including profit/loss for the year
Equity at 1 Jan. 2022	500	378 904	71 401
Prospectus fee			-28
Profit for the year	–	–	-29 789
Other comprehensive income	–	–	–
Comprehensive income for the year	500	378 904	41 584
<i>Transactions with owners</i>			
Acquisition	–	–	–
Total transactions with owners	–	–	–
Equity closing 31 Dec. 2022	500	378 904	41 584
Equity at 1 Jan. 2023	500	378 904	41 584
Adjustment Property acquisitions			
Profit for the year	–	–	65 927
Comprehensive income for the year	500	378 904	107 511
<i>Transactions with owners</i>			
Shareholder contribution	–	–	–
Total transactions with owners	–	–	–
Equity closing 30 Jun. 2023	500	378 904	107 511

The group's equity amounted to TSEK 486,915 (420,988) and the equity ratio to 32 percent (33) at the end of the period. The share capital amounted to TSEK 500 (500) as of Jun 30.

CONSOLIDATED CASH-FLOW STATEMENT

Amounts in SEK thousand

	Note	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
	2			
Operating activities				
Operating profit		104 924	39 576	21 859
Adjustment for other non-cash items		-111 201	-22 413	23 539
Interest received		7	34	20 840
Interest paid		-20 589	-12 638	-44 947
Taxes paid			443	
Cash flow from operating activities before changes in working capital		-26 859	5 002	21 291
Cash flow from operating activities				
Increase(-)/decrease(+)in operating receivables		54 884	-16 240	-72 013
Increase(+)/decrease(-)in operating accounts payable		-869	-4 758	30 972
Increase(+)/decrease(-)in operating liabilities		-30 931	43 283	111 234
Cash flow from operating activities		-3 775	27 287	91 484
Investing activities				
Property acquisitions		-219 500		
Investments in existing properties		-23 185	-24 950	-43 571
Disposal of properties		243 000		
Investments in other financial assets		-550		
Adjustment Property acquisitions			156	-12 364
Cash flow from investing activities		-235	-24 794	-55 935
Financing activities				
Prospectus fee				-28
Setup fees				-4 950
Amortization			-4 950	
Group contribution				-27 417
Cash flow from financing activities		0	-4 950	-32 395
Total cashflow		-4 010	-2 457	3 154
Opening cash and cash equivalents		9 752	6 598	6 598
Closing cash and cash equivalents		5 741	4 141	9 752

Cash flow from operating activities amounted to TSEK -3,775 (27,287). Cash flow from investing activities amounted to TSEK -235 (-24,794).

Cash flow from financing activities amounted to TSEK 0 tkr (-4,950). Total cash flow for the period amounted to TSEK 4,010 (-2,457).

Cash balance at the end of the period of TSEK 5,741 (4,141).

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand

	Not	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
	2			
Operating income				
Operating expenses				
External costs		-206	-368	-878
Net operating income		-206	-368	-878
Interest income	6	—	—	44 036
Financial expenses		-24 603	-16 848	-37 259
Profit/Loss from financial items		-24 603	-16 848	6 777
Group contribution		—	—	905
Profit before tax		-24 809	-17 216	6 804
Current/Deferred tax		—	—	—
Profit/loss for the year		-24 809	-17 216	6 804
Other income for the period net after tax		—	—	—
Total profit for the period		-24 809	-17 216	6 804
Profit for the period attributable to:				
Shareholders of the parent company		-24 809	-17 216	6 804
Holdings without controlling influence		—	—	—
Total profit attributable to:				
Shareholders of the parent company		-24 809	-17 216	6 804
Holdings without controlling influence		—	—	—

PARENT COMPANY BALANCE SHEET	Not	30 Jun. 2023	30 Jun. 2022	31 Dec. 2022
Amounts in SEK thousand				
	2			
ASSETS				
Non-current assets				
Financial assets				
Shares and participations in subsidiaries		85 556	44 406	79 116
Total financial assets		85 556	44 406	79 116
Total non-current assets		85 556	44 406	79 116
Currents assets				
Receivables				
Current receivable for Group companies		871 018	883 937	883 792
Other current assets		13	23	–
Total receivables		871 031	883 960	883 792
Cash and cash equivalents		–	–	–
Total current assets		871 031	883 960	883 792
TOTAL ASSETS		956 587	928 366	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		-23 186	-22 370	1 622
Total unrestricted equity		355 718	356 534	380 526
Total equity		356 218	357 034	381 026
Non-current liabilities				
Bond loan		546 362	541 967	544 164
Total non-current liabilities		546 362	541 967	544 164
Current liabilities				
Accounts payable		287	14	141
Short-term liabilities, Group		43 049	22 972	29 043
Other short debt		–	–	–
Accrued expenses and prepaid income		10 672	6 379	8 533
Total current liabilities		54 008	29 365	37 717
TOTAL LIABILITIES AND EQUITY		956 587	928 366	962 908

CHANGE IN PARENT COMPANY EQUITY

Amounts in SEK thousand

	Share capital	Other contributed capital	Retained earnings including profit/loss
Equity at 1 Jan. 2022	500	378 904	-5 154
Prospectus fee			-28
Profit for the year	–	–	6 804
Comprehensive income for the year	500	378 904	1 622
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Equity closing 31 Dec. 2022	500	378 904	1 622
Equity at 1 Jan. 2023	500	378 904	1 622
Profit for the year	–	–	-24 809
Comprehensive income for the year	500	378 904	-23 186
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Equity closing 30 Jun. 2023	500	378 904	-23 186

The equity of the parent company amounted to TSEK 356 218 (381,026) and the equity ratio to 37 percent (40) ; of the period. The share capital amounted to TSEK 500 (500) as of June 30.

PARENT COMPANY CASH FLOW STATMENT

Amounts in SEK thousand

	Note	Jan-Jun 2023	Jan-Jun 2022	Jan - Dec 2022
	2			
Operating activities				
Operating profit		-206	-368	-878
Interest received		—	—	44 036
Expenses paid		-20 266	-12 603	-28 662
Cash flow from operating activities before change in working capital		-20 472	-12 971	14 496
Cash flow from operating activities				
Increase(-)/decrease(+)in operating receivables		12 761	27 845	-92 059
Increase(+)/decrease(-)in operating accounts payable		145	-5 487	-5 360
Increase(+)/decrease(-)in operating liabilities		7 566	-4 856	121 287
Total change in working capital		0	4 531	38 364
Investing activities				
Shareholder contribution		—	—	—
Sale of financial fixed assets		—	—	-34 710
Cash flow from investing activities		0	0	-34 710
Prospectus fee		—	—	-28
Setup fees		—	-4 950	-4 950
Group contribution received		—	—	905
Cash flow from financing activities		0	-4 950	-4 073
Total cashflow		0	-419	-419
Opening cash and cash equivalents		0	419	419
Closing cash and cash equivalents		0	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 (-419).

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 Swedish 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

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 depreciation 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.

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

Den 30 december 2020 förvärvar Valerum AB förvaltningsfastigheter från SBB.

CHANGE DURING THE YEAR	30 Jun. 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	23 185	43 571
Disposal of properties	-243 000	
Changes in value	110 108	-27 571
Opening fair value at end of year	1 053 793	944 000
SUMMARY	30 Jun. 2023	31 Dec. 2022
Average dividend yield requirement	6,7%	6,7%
Average discount rate	8,7%	8,7%

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 discount rate. The assessed discount rate must correspond to a nominal return requirement on total capital. The discount rate is adjusted individually for each property. The average discount rate for discounting cash flows was 8.7 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 6.7 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 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 Jun. 2023

31 Dec. 2022

The table below shows the group's and the parents companies borrowing, net of transaction costs.

Group

Bond loan	546 362	544 164
Other long-term liabilities	65	65
Total	546 427	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 Jun. 2023	31 Dec. 2022
Group		
Property mortgages	505 200	665 400
Pledged shares in subsidiaries	886 355	625 707
Parent company		
Pledged shares in subsidiaries	886 355	625 707
Guarantee commitment	30 437	30 437

Note 7

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 395,491,458 and short-term liabilities amounting to SEK 367,667,228.

HL 18 Property Portfolio AB (Publ)
Stockholm 31 Aug. 2023

Per-Axel Sundström
VD

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 maturity on interest-bearing liabilities

Equity ratio %

Equity as a percentage to total assets.