

Quartiers Properties AB (publ)

PRESS RELEASE

Stockholm, 17 July 2020

Half-year Report Quartiers Properties – January to June 2020

Quartiers Properties AB (publ) has today published the company's half-year report for the January–June 2020 period.

Summary of the half year

- Net sales for the first six months of the year totalled SEK 28,136 thousand (SEK 56,389 thousand). By way of comparison, sales in the second quarter of 2020 totalled SEK 2,492 thousand, whereas sales for the seasonally weak first quarter were SEK 25,644 thousand. The company's hotel and restaurant business was shut completely from the end of March until 29 May. The company's sale of properties was also hit hard, with no sales made in the second quarter, compared with four in the first quarter.
- Despite the dramatic decrease in the second quarter, revenues from the operator business rose from SEK 7,155 thousand for the first half of 2019 to SEK 11,477 thousand in the same period in 2020.
- During this period four apartments in the company's apartment hotel in Benahavís were sold, all in the first quarter. Profit, less selling costs of SEK 1,668 thousand, totalled SEK 8,310 thousand, which corresponds to a margin of approximately 101%. SEK 8,571 thousand of this profit has been recognised in previous periods as an unrealised change in value. Recognised income in this period consequently amounts to SEK -261 thousand before tax.
- Operating income for the first six months of the year totalled SEK -23,241 thousand (SEK 212 thousand). Operating income includes the result of the revaluation of assets and liabilities of a net amount of SEK 2,513 thousand.
- Income after tax was SEK -27,133 thousand (SEK -3,764 thousand).
- A new third-party property valuation has been conducted by Savills Aguirre Newman since the Covid-19 outbreak, indicating that the property portfolio has a value corresponding to SEK 783 million. This represents a depreciation in value of 5.3% compared with 31 December 2019 (according to a valuation by CBRE). The premium on the carrying amount is approximately SEK 149 million, compared with around SEK 200 million at 31 December 2019.
- Earnings per share for the first six months of 2020 were SEK -0.49 (-0.06).
- Shareholders' equity at 30 June 2020 was SEK 333,578 thousand (SEK 378,079 thousand).
- The company's net asset value per ordinary share at 30 June 2020 was SEK 325,280 thousand (SEK 365,987 thousand), which equates to SEK 6.72 (7.56) per share and a decrease of 11.1%.

Significant events during the period

- In January, the company completed a new issue of preference shares, generating proceeds of around SEK 25 million after share issue expenses.
- The coronavirus has had a dramatic impact on the operating business. The company's hotel and restaurant business closed in compliance with the Spanish government's lockdown decision to prevent the spread of the virus. This has, of course, had a negative impact on revenues. However, it has been possible to partially mitigate the loss of income in the personnel-intensive part of the business by furloughing staff. Parts of the business started to reopen in May.
- The AGM on 26 June approved an exchange offer to all preference shareholders in the company. See the report from the AGM and the financing section on page 8.

Significant events after the end of the period

- On 15 July the company entered into a financing agreement with global investment bank Alantra and Desalkiv Portfolios L.L.C regarding refinancing that safeguarded the company's liquidity position and assessed working capital requirements, as well as refinancing the company's investment loans that would have otherwise fallen due in 2021. See also the press release of 15 July 2020 and the financing section on page 8.

Other events after the end of the period

- Quartiers increased its ownership in Boho Club SL, the operator company for the Boho Club hotel and restaurant business, from 80% to 100%. Raouf Lotfi remains a Board member of the subsidiary and, in connection with the transaction, received a call option to acquire 1.6% of the shares in the subsidiary at predetermined dates over the next 48 months. The purchase price is to be determined by the relevant equity in the subsidiary for such period.
- Boho Club hotel and Quartiers' apartment hotel in Benahavís reopened to guests in July.

Message from the CEO

Shutdown and resumption

We have finally resumed our business operations and are now looking ahead with confidence. Nevertheless, the company has experienced one of its most challenging periods ever. The Covid-19 outbreak had a major impact on both our operating business and the financing processes that we had underway. The hotel and restaurant business, as well as apartment sales, was halted immediately when Spain went into lockdown, resulting in almost no sales in the second quarter.

We took rapid action to limit damage to the company, which involved lay-offs (temporary and permanent) of a large percentage of personnel, raising small liquidity loans from BBVA, negotiating payment plans with suppliers and stopping ongoing investments. These measures helped limit the damage and were implemented quickly and resolutely by company management.

Unfortunately the outbreak of the virus led many national and global loan providers to reconsider and, in view of the change in circumstances for our business, which was hit hard by Covid-19, the ongoing refinancing process with JLL was discontinued.

We have been operating again since July, albeit with some restrictions, and we are now endeavouring to gradually return to full capacity and continue developing our business based on the new circumstances. I am positive about the future and am already seeing signs that the difficult period that we have been through has forged a real team spirit in which everyone has been incredibly determined and constantly committed to finding new, innovative solutions to take the business forward. Overall, I believe we have so far managed the situation in an effective and balanced way.

Financing

We have also had to change track on financing solutions, and during this period have worked hard to find a solution to get us through the current market climate and the risk of a second wave of Covid-19.

As we have noted in our press releases, it became clear early on in the process that new financiers would not allow us to pay dividends on our shares until the Covid-19 situation was resolved and the global economic outlook was more predictable.

Halfway into the year, we have succeeded in putting key financing in place for the company. This ensures the necessary working capital and enables the company to continue generating growth and developing its long-term business strategy by gradually reassigning capital from projects that have already been developed, such as Hacienda del Señorío de Cifuentes, to new projects that can be developed and generate added value.



Emphasis on cash flow

The financing from Alantra and DESALKIV PORTFOLIOS L.L.C (part of the D. E. Shaw Group, a global investment and technology development company with over USD 50 billion in invested capital at 1 June 2020) allows us to now focus fully on optimising the operating side of our business.

The company is also now entering a new phase. We have previously had a firm focus on generating value and developing our business and organisation through investments in our properties, structures and processes. Today many of these elements are in place and we are now instead able to begin reaping the benefits of the value we have generated, both within our organisation and in our property portfolio.

This is particularly reflected in our success in selling apartments at value increases of almost 100% since acquisition. Along with the operation of Boho Club, sales will now bring cash flow into the business.

Future investments

Of course, given the circumstances we need first and foremost to get to grips with the current situation and get through this effectively without exposing the company to excessive risk. We are also maintaining our proactive stance and keeping up to date on trends and business opportunities that often arise in these types of situation. With an organisation that is stronger than ever, financing in place and now with much more experience in the company, Quartiers is well placed to continue growing and flourishing.

Please address questions to:

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The Company in brief

Quartiers Properties is a Swedish property development company with operations on the Spanish Costa del Sol. The Company was founded in 2014 and has since built up a portfolio of investment properties and project properties. The Company develops, sells and rents out properties.

Mangold is the Company's Certified Adviser. Mangold can be contacted on +46 8-503 015 50 or by email to ca@mangold.se.

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