

Interim Report

Valerum AB (publ)

**Organisational number
559264-5385**

2022-01-01--2022-09-30

Interimreport January-September 2022

Financial overview

The group's net sales during the period amounted to TSEK 79,501 (82,276). During the period, unrealized changes in value regarding investment properties affected the result by TSEK -42,086 (50,941). The group's result amounted to TSEK -27,583 (45,712). Cash and cash equivalents at the end of the period amounted to TSEK 22,247 (12,398).

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

Key metrics, amounts in SEK thousand			
	Jan-Sep 2022	Jan-Sep 2021	Dec 2020-Dec 2021
Operating income	79,501	82,276	105,251
Change in value of investment properties	-42,086	50,941	147,611
Operating profit	2,466	91,079	192,863
Profit/loss for the year	-27,583	45,712	89,190
Investment properties	1,479,133	1,493,828	1,526,083
Balance sheet total	1,655,325	1,612,753	1,640,578
Equity	162,107	169,639	189,690
Cash and cash equivalents	22,247	12,398	12,412
Equity ratio, %	10	11	12

Publication of financial reports

Valerum AB (publ) intends to publish the next interim financial report on 28 feb 2023.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand

	Note	Jan-Sep 2022	Dec 2020- Dec 2021
	2		
Operating income			
Rental income		79,440	103,485
Other income		61	1,766
		79,501	105,251
Operating expenses			
Change in value of investment properties		-42,086	147,611
Property management		-30,060	-41,757
External costs		-4,890	-18,242
		2,466	192,863
Net operating income			
Financial income		14	173
Financial expenses		-30,125	-46,207
Financial expenses, Group		-6,254	-8,265
		-36,365	-54,299
Profit/Loss from financial items			
Group contribution			-25,726
Profit before tax		-33,899	112,838
Current tax		-	-913
Deferred tax		6,316	-22,735
		-27,583	89,190
Profit/loss for the year			
Other income for the period net after tax		-	-
Total profit for the period		-27,583	89,190
Profit for the period attributable to:			
Shareholders of the parent company		-27,583	89,190
Holdings without controlling influence		-	-
Total profit attributable to:			
Shareholders of the parent company		-27,583	89,190
Holdings without controlling influence		-	-

CONSOLIDATED BALANCE SHEET

		30 Sep. 2022	31 Dec. 2021
Amounts in SEK thousand	Note		
	2		
ASSETS			
Non-current assets			
Tangible assets			
Investment properties	4	1,479,133	1,526,083
Other tangible fixed assets		5	36
Total tangible assets		1,479,137	1,526,119
Financial assets			
Other financial fixed assets		365	241
Total financial assets		365	241
Total non-current assets		1,479,502	1,526,360
Current assets			
Receivables			
Accounts receivable		1,923	3,143
Current receivable for Group companies		114,608	73,569
Other current assets		219	891
Accrued income and prepaid expenses		36,825	24,203
Total receivables		153,576	101,807
Cash and cash equivalents		22,247	12,412
Total current assets		175,823	114,219
TOTAL ASSETS		1,655,325	1,640,578
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		500	500
Total restricted equity		500	500
Unrestricted equity			
Other contributed capital		100,000	100,000
Retained earnings including profit/loss for the year		61,607	89,190
Total unrestricted equity		161,607	189,190
Total equity		162,107	189,690
Provisions			
Non-current liabilities			
Interest bearing liabilities	5	186,271	190,168
Bond loan	5	–	708,679
Non-current liabilities for Group companies	5	417,907	411,653
Deferred tax		16,820	
Total non-current liabilities		620,998	1,310,500
Current liabilities			
Current interest-bearing liabilities	5	5,200	1,952
Bond loan		707,687	

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Accounts payable		6,199	4,640
Current liabilities for Group company	5	83,132	40,796
Other short debt		31,900	28,275
Accrued expenses and prepaid income		38,103	41,590
Total current liabilities		872,221	117,253
TOTAL LIABILITIES AND EQUITY		1,655,325	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
Other 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	–	–	-27,583	-27,583
Comprehensive income for the year	500	100,000	61,607	162,107
Equity closing 30 Sep. 2022	500	100,000	61,607	162,107

The group's equity amounted to TSEK 162,107 (189,690) and the equity ratio to 10 percent (12) at the end of the period.
The share capital amounted to TSEK 500 (500) as of september 30.

CONSOLIDATED CASH-FLOW STATEMENT

Amounts in SEK thousand	Note	Jan-Sep 2022	22 July 2020- Dec 2021
	2		
Operating activities			
Operating profit		2,466	192,863
<i>Adjustment for other non-cash items</i>			
Change in value of investment properties		41,927	-124,911
Depreciation		137	
Interest received		14	
Interest paid	-	32,817	-37,094
Taxes paid		-	-2,600
Cash flow from operating activities before changes in working capital		11,727	28,258
Cash flow from operating activities			
Increase(+)/decrease(-)in operating receivables		-51,506	-102,520
Increase(+)/decrease(-)in operating liabilities		62,530	609,139
Cash flow from operating activities		22,751	534,877
Investing activities			
Property acquisitions		0	-1,748,420
Investments in existing properties		-8,083	-3,668
Sales proceeds from sold properties		0	325,000
Divestment and disposals equipment		0	436
Change in financial fixed assets		-124	0
Cash flow from investing activities		-8,207	-1,426,652
Financing activities			
Raised loans		0	909,088
Repayment of loan		-4,709	-4,901
Cash flow from financing activities		-4,709	904,187
Total cashflow		9,835	12,412
Opening cash and cash equivalents		12,412	0
Closing cash and cash equivalents		22,247	12,412

Cash flow from operating activities amounted to TSEK 22,751 (534,877). Cash flow from investing activities amounted to TSEK -8,207 (-1,426,652).

Cash flow from financing activities amounted to TSEK -4,709 tkr (904,187). Total cash flow for the period amounted to TSEK 9,835 (12,412).

Cash balance at the end of the period of TSEK 22,247 (12,412).

PARENT COMPANY INCOME STATEMENT	Note	Jan-Sep 2022	22 July 2020- Dec 2021
Amounts in SEK thousand			
	2		
Operating income			
Other income		-930	24,699
Operating expenses			
External costs		-1,057	-13,181
Net operating income		-1,987	11,519
Financial income, Group		35,801	47,866
Financial expenses, Group	-	6,254	-8,265
Financial expenses	-	25,914	-38,502
Profit/Loss from financial items		3,634	1,100
Group contribution		-	-11,604
Profit before tax		1,646	1,014
Current/Deferred tax		-	-
Profit/loss for the year		1,646	1,014
Other income for the period net after tax		-	-
Total profit for the period		1,646	1,014
Profit for the period attributable to:			
Shareholders of the parent company		1,646	1,014
Holdings without controlling influence		-	-
Total profit attributable to:			
Shareholders of the parent company		1,646	1,014
Holdings without controlling influence		-	-

PARENT COMPANY BALANCE SHEET	Note	30 Sep. 2022	31 Dec. 2021
Amounts in SEK thousand			
	2		
ASSETS			
Non-current assets			
Financial assets			
Shares and participations in subsidiaries		122,138	17,468
Non-current receivable for Group companies		1,263,933	1,228,131
Total financial assets		1,386,070	1,245,599
Total non-current assets		1,386,070	1,245,599
Current assets			
Receivables			
Current receivable for Group companies		61,259	64,258
Other current assets		22	–
Accrued income and prepaid expenses		–	1,330
Total receivables		61,281	65,588
Cash and cash equivalents		92	44
Total current assets		61,373	65,632
TOTAL ASSETS		1,447,443	1,311,231
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		500	500
Total restricted equity		500	500
Unrestricted equity			
Other contributed capital		100,000	100,000
Retained earnings including profit/loss for the year		2,660	1,014
Total unrestricted equity		102,660	101,014
Total equity		103,160	101,514
Non-current liabilities			
Interest bearing liabilities	5	–	704,714
Non-current liabilities for Group companies	5	417,907	411,653
Total long-term liabilities		417,907	1,116,368
Current liabilities			
Interest bearing liabilities		707,687	–
Accounts payable		56	231
Short-term liabilities, Group	5	181,088	55,864
Other short debt		29,407	29,407
Accrued expenses and prepaid income		8,138	7,848
Total current liabilities		926,376	93,350
TOTAL LIABILITIES AND EQUITY		1,447,443	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
Other 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	–	–	1,646	1,646
Other comprehensive income	–	–	–	–
Comprehensive income for the year	500	100,000	2,660	103,160
Equity closing 30 Sep. 2022	500	100,000	2,660	103,160

The parent company's equity amounted to TSEK 103,160 (101,514) and the equity ratio to 7 percent (8) at the end of the period.
The share capital amounted to TSEK 500 (500) as of september 30.

PARENT COMPANY CASH FLOW STATMENT	Note	Jan-Sep 2022	22 July 2020- Dec 2021
Amounts in SEK thousand			
	2		
Operating activities			
Operating profit		-1,987	11,508
Adjustment for other non-cash items		–	-5,727
Interest received		35,801	
Interest paid		-27,920	-26,827
Cash flow from operating activities before changes in working capital		5,894	-21,046
Cash flow from operating activities			
Increase(+)/decrease(-)in operating receivables		4,307	-1,296,035
Increase(+)/decrease(-)in operating accounts payable		-175	231
Increase(+)/decrease(-)in operating liabilities		-9,978	1,332,046
Cash flow from operating activities		48	15,196
Investing activities			
Acquisition of subsidiaries		0	-15,152
Cash flow from investing activities		0	-15,152
Financing activities			
Group contribution		0	0
Cash flow from financing activities		0	0
Total cashflow		48	44
Opening cash and cash equivalents		44	0
Closing cash and cash equivalents		92	44

Cash flow from operating activities amounted to TSEK 48 (15,196). Cash flow from investing activities amounted to TSEK 0 (-15,152). Cash flow from financing activities amounted to TSEK 0 (0). Total cash flow for the period amounted to TSEK 48 (44). Cash balance at the end of the period of TSEK 92 (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 Linnégatan 2, 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.

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 2022

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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

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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.

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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.

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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.

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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.

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Financial instruments

The parent company applies the exception regarding IFRS 9 in RFR2.

On the first accounting date, financial instruments are reported at acquisition value, which means the amount corresponding to the expenses for the acquisition of the asset plus transaction expenses that are directly attributable to the acquisition. At each balance sheet date, the parent company reports the change in expected credit losses since the first accounting date in the result.

When calculating the net sales value of financial assets that are reported as current assets, the principles for impairment in IFRS 9 are applied. A financial asset or financial liability is derecognised from the balance sheet when the contractual right to the cash flow from the asset has ended or settled, respectively when the contractual obligation has been fulfilled or ended.

Note 3**Estimates and Assessments**

When preparing the accounts, 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 Sep. 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	8,083	3,668
Sales proceeds from sold properties	–	-329,909
Reclassification	-106	
Changes in value	-54,927	75,936
Opening fair value at end of year	1,479,133	1,526,083

SUMMARY	30 Sep. 2022	31 Dec. 2021
Average dividend yield requirement	6,2%	6,2%
Average discount rate	8,0%	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 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 8.1 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 6.1 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

Valerum AB (publ)

559264-5385

On September 30, 2022, Valerum AB's entire property portfolio was valued, with an assessed fair value of SEK 1,479 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 8.0 percent.

On 30 September 2022, 32 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	30 Sep. 2022	31 Dec. 2021
The table below shows the group's and the parents companies 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	191,471	192,120
Bond loan	707,687	708,679
Liabilities for Group companies	501,039	452,450
Total	1,400,197	1,353,249
Parent company		
Bond loan	707,687	704,714
Liabilities for Group companies	598,996	467,517
Total	1,306,683	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	30 Sep. 2022	31 Dec. 2021
Group		
Property mortgages	906,177	906,177
Parent company		
Guarantee commitment	-	-

Note 7

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 417.9 million.

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Note 8

Significant events after the balance sheet date

No significant events after the end of the financial period.

Valerum AB (publ)
Stockholm 30 nov 2022

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

Total Assets

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

Average term to maturity

Average term to maturity on interest-bearing liabilities

Equity ratio %

Equity as a percentage to total assets.