

## Delarka Holding AB (publ)



### Interim Report Second half of 2014

July – December 2014

#### CONTACT INFORMATION

**Delarka Holding AB (publ)**

a company managed by Pareto Business Management AB

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For further information on Delarka, including presentation material relating to this interim report and financial information, please visit [www.delarka.se](http://www.delarka.se)

## PROPOSED DIVIDEND FOR 2015

- The Board proposes a dividend of SEK 8 per share through a quarterly payment of SEK 2.

## 2014 IN BRIEF

- Rental income amounted to TSEK 99,231
- Net Operating Income was TSEK 80,976
- Net income was TSEK 23,908
- Earnings per share was SEK 4.78
- Dividend paid out in 2014 was TSEK 40,000

The company was established October 7, 2013 why historical comparative figures are not available.

## IMPORTANT EVENTS IN THE PERIOD JULY - DECEMBER 2014

- The subsidiary Delarka Fastighet AB has listed the bond loan on NASDAQ OMX on November 11, 2014 with the ticker DELAR1.

## KEY FIGURES - Period 1. Jan - 31. Dec 2014

	7 Oct- 31 Dec		
	Jan–Dec 2014	2013	Jul-Dec 2014
Rental income, (TSEK)	99,231	12,968	49,875
Net Operating Income, (TSEK)	80,976	10,484	40,437
Income from property management, (TSEK)	42,922	-455	21,324
Income before tax, (TSEK)	30,422	26,456	21,324
Net income, (TSEK)	23,908	25,117	15,415
Interest coverage ratio	2.3	2.1	2.3
Return on equity, %	4.8 %	5.2 %	3.2 %
Total assets, (TSEK)	1,270,759	1,279,931	1,270,759
Equity ratio, %	38.5 %	39.5 %	38.5 %
Loan-to-value ratio, %	60.4 %	59.8 %	60.4 %
Market value of investment property, (TSEK)	1,225,000	1,237,500	1,225,000
Equity per share, (SEK)	97.8	101.3	97.8
Earnings per share, (SEK)	4,78	5.02	3.08
Yield, %	6.3 %	6.2 %	6.3 %

## ***Important events and development***

Delarka Fastigheter AB has listed their bond loan on NASDAQ OMX on November 11.

## ***The property and the lease agreement***

Delarka Holding AB (publ) is a Swedish holding company which through its subsidiary, Delarka Fastigheter AB, owns the property Solna Polisen 2, PostNord's headquarter in Stockholm. The building was completed in November 2003 and consists of approximately 39,000 m<sup>2</sup> of office space and around 14,000 m<sup>2</sup> parking space with approximately 450 parking spaces.

The annual rental income for 2014 is TSEK 92,449 and in addition the tenant pays 100 per cent of the property tax in respect of the property. Costs for heating, warm water, cooling, snow clearance and waste handling is included in the rent. Costs for water supply and sewerage is included in the rent up to what can be considered normal for office premises and the tenant pays for additional consumption as well as for costs for water supply and sewerage for restaurants, pool and exercise centre. The landlord has a subscription for high-voltage electricity and the tenant reimburses the landlord for the cost for PostNord AB's electricity consumption. The landlord is in general responsible for costs and investments connected to technical installations, building components etc. The Lease agreement is entered into for a fixed period and runs until 30 April 2026. Unless terminated by either party no later than 24 months prior to the end of the lease period, the Lease agreement will automatically be prolonged for a period of 5 years each time.

## ***Market assessment and Analysis***

The Management and Board of Directors have identified CBRE as a reliable source of relevant market assessments and analysis. For the period July to December 2014 CBRE reports the following:

So far during H2 2014, the rent trend is continuing to be stable or slightly increasing in most of the office zones in Stockholm. There is a sentiment on the market of a continuing rent increase during 2015 as a result of the small supply of premises in prime products. The current average prime rent in CBD is 4,500 SEK/sqm with a range of +/- 20 %.

The total office stock in Solna/Sundbyberg is approximately 1.4 million sqm of which the majority, 1.1 million sqm, is located in Solna.

Ranked as Sweden's most business friendly municipality in 2014, Solna continues to attract new companies. Solna is one of the most attractive locations in Stockholm and both Swedish and international companies choose to establish their business here. Some of the attracting factors are the proximity to Stockholm city, a large variety of cultural and sport events, good communication, high competence, and modern premises. Although the vacancy level has been relatively high during a longer time period between 10-12 per cent, a slight increase can be noted. This is a result of lettings made in newly produced properties mostly in Arenastaden and Frösunda. The current average prime rent is 2,300 sek/sqm, however levels above 2,500 sek/sqm have been noted. The rent spread is generally between 1,600-2,400 sek/sqm and year.

One of Scandinavia's most exciting areas is being developed in Arenastaden. The dominating property owner, Fabege, is developing the area around Friends Arena and the upcoming Mall of Scandinavia. They have started the construction of Scandinavian Office Building, totalling 42 000 sqm office space. TeliaSonera has signed a 15-

year lease for the whole space and will move in during spring 2016. The average base rent is approximately 2,300 sek/sqm.

Fabege has also started construction of Uarda building C, where Svenska Spel has signed a lease on 7 000 of the 20 000 sqm large office building. Construction is expected to be completed in the beginning of 2016. Furthermore, Fabege will start Uardia building B as Siemens has signed a lease of 10 000 of the total 17 000 sqm and the building is expected to be ready in the end of 2017. Thanks to the lease signed by SEB, Fabege will realize their plans to tear down the 3 000 sqm Pyramiden 4 and replace it and the parking lot next to it with a 67 500 sqm office building. SEB will move in to their new office spaces in Q2 2017.

In Ulriksdal, right next to the commuter train station, Peab has started construction of the 11 000 sqm office building "Distansen" in which Johnson & Johnson will lease 7 000 sqm starting Q1 2016. Peab is also marketing Ulriksdal "Silhoutte" along E4 which can potentially total 60 000 sqm divided on three buildings.

Skanska is planning to demolish kv. Tygeln 2, Gårdsvägen 7, and replace it with 45 000 sqm new office space. The project Solna United may be built in phases with the earliest moving in date during 2017. Currently, nothing is being built on speculation.

Humlegården has the possibility to build ca 30 000 sqm new office space on kv. Stenhöga, located close to Solna Strand.

Up until 2018, approximately 200 000 sqm of new office space will be added in Solna/Sundbyberg as a result of new constructions as well as comprehensive renovations. 90 per cent of these are already pre contracted.

*Source: CBRE Research and Valuation*

## FINANCIAL PERFORMANCE

### *Rental income*

The group rental income was for the period TSEK 99,231 and is in line with budget.

### *Result*

Net Operating Income for the period was TSEK 80,976 and the Net income was TSEK 23,908.

### *Investments and cash flow*

Net cash flow from operating activities was TSEK 2,577

Net cash flow from financing activities was negative TSEK 40,000 due to dividend payments.

Net cash flow from investments is zero.

### *Valuation of properties*

Two independent external valuers have assessed the property based on Market value. The valuation in the accounts is based on an average of the two external valuations. At December 31, 2014, the property was valued at 1,225,000 TSEK. In the period the overall outcome was a negative fair value adjustment of TSEK 12,500 mainly due to lower CPI forecast.

### *Equity*

The group equity at December 31, 2014 was TSEK 488,903 with an equity ratio of 38.5 %.

### *Financing*

The group issued on November 8, 2013 a senior secured callable bond of TSEK 740,000. The final maturity date for the bond is November 13, 2020 and during its duration the interest rate is fixed with 4.58 % with no amortization. Interest cost during the period was TSEK 33.911.

### *Share and shareholders*

The company is listed on Nasdaq OMX First North with Wildeco Ekonomisk Information as Certified Adviser. The company had 234 (129) registered shareholders on December 31, 2014. Outstanding shares per 31<sup>st</sup> of December totaled 5,000,000. There has been no dilution or issuing of new shares during the period why the average number of shares is totaling 5,000,000. The largest shareholders registered with the Euroclear on December 31, 2014 are presented below.

#	Name	Share %	No. of Shares
1	Ålandsbanken AB	20.0 %	1,000,000
2	EOJ 1933 AB	10.0 %	500,000
3	Socialdemokraterna	5.0 %	250,000
4	Von Eulers & Partners AB	4.6 %	230,000
5	SEB SA Luxemburg	3.9 %	194,423
6	Magnus Lindholm	2.6 %	131,501
7	DBS Bank AS NO. 001	2.6 %	130,000
8	LGT Bank Ltd	2,5 %	125,000
9	SIX SIS AG, W8IMY	2,3 %	116,500
10	Avanza pension	2.0 %	102,369
	<b>Total 10 largest share holders</b>	<b>55.6 %</b>	<b>2,779,793</b>
	Others	44.4 %	2,220,207
	<b>Total</b>	<b>100.0 %</b>	<b>5,000,000</b>

## ***Dividend 2015***

The member of the Board proposes to the Annual General Meeting a distribution per share of SEK 8, implying a distribution of in aggregate TSEK 40,000. Payments of the dividend are proposed to take place on four separate occasions with four equal installments. This means that at each installment SEK 2.00 per share shall be paid, or a total of TSEK 10,000. The record dates for payment of the dividend will be 31<sup>st</sup> of March 2015, 30<sup>th</sup> of June 2015, 30<sup>th</sup> of September 2015 and 31<sup>st</sup> of December 2015.

During 2014 a total of TSEK 40,000 has been distributed to the shareholders.

## ***Employees***

The group has had no employees during the period and no remunerations have been paid out to the board members during the period. The company is managed by Pareto Business Management AB and the property is managed by Newsec Asset Management AB.

## ***Parent company***

The parent company is Delarka Holding AB (publ). The parent company gross income was TSEK 0. Income before tax was TSEK 39,518 and cash at the end of the period was TSEK 10,497. Otherwise, the above comments about the group financial position also are applicable to the parent company.

## ***Related party transactions***

No transactions to related parties have occurred during the period.

## ***Significant risks and uncertainty factors***

Delarka Holding AB (publ) is exposed to a number of risks. The most relevant risk factors are described in the annual report for 2013. Compared to the annual report for 2013, no new risks have been identified. The annual report can be found on the company's homepage [www.delarka.se](http://www.delarka.se).

## ***Accounting principles***

Delarka Holding AB (publ) applies International Financial Reporting Standards (IFRS) and the same accounting principles and calculation methods as in the annual report 2013. The company publishes three reports annually, a half year interim report, year-end report and an annual report.

This interim report has been prepared in accordance with IFRS, IAS 34 and the Swedish Accounting Standards Board's General Guidelines regarding voluntary interim reporting (BFNAR 2007:1).

## ***Audit***

The information in this interim report has not been reviewed by the company's auditors.

## ***Financial calendar***

25/03/2015	Annual general meeting 2015
27/08/2015	Semi-annual Report

## STATEMENT OF COMPREHENSIVE INCOME

Amount in SEK thousand	Note	2014 Jan-Dec	2013 7. Oct – 31 Dec	2014 Jul - Dec
Rental Income		99,231	12,968	49,875
Operating expenses & Maintenance		-11,472	-1,610	-5,697
Property tax		-6,782	-873	-3,741
<b>Net Operating Income</b>		<b>80,976</b>	<b>10,485</b>	<b>40,437</b>
Administrative expenses		-4,171	-780	-2,178
Financial income		28	20	19
Financial cost		-33,911	-10,179	-16,954
<b>Income from property management</b>		<b>42,922</b>	<b>-455</b>	<b>21,324</b>
<i>Changes in market value</i>				
Properties, unrealized		-12,500	26,911	-
<b>Income before tax</b>		<b>30,422</b>	<b>26,457</b>	<b>21,324</b>
Current tax		-	-	-
Deferred tax		-6,514	-1,339	-5,908
<b>Net Income</b>		<b>23,908</b>	<b>25,117</b>	<b>15,415</b>
<i>Other comprehensive income</i>		-	-	-
<b>Comprehensive income for the period</b>		<b>23,908</b>	<b>25,117</b>	<b>15,415</b>
Earnings per share, SEK		4.78	5.02	3.08
Earnings per share after dilution, SEK		4.78	5.02	3.08
Average number of shares, thousands		5,000	5,000	5,000

## CONDENSED STATEMENT OF FINANCIAL POSITION

Amount in SEK thousand			
ASSETS	Note	31/12/2014	31/12/2013
Investment properties		1,225,000	1,237,500
<b>Total fixed assets</b>		<b>1,225,000</b>	<b>1,237,500</b>
Accounts receivable		74	3
Other receivables		1,402	722
Cash and cash equivalents		44,283	41,706
<b>Total current assets</b>		<b>45,759</b>	<b>42,431</b>
<b>Total assets</b>		<b>1,270,759</b>	<b>1,279,931</b>
<b>EQUITY AND LIABILITIES</b>		<b>31/12/2014</b>	<b>31/12/2013</b>
Shareholders' equity <sup>1</sup>		488,903	504,995
<b>Total equity</b>		<b>488,903</b>	<b>504,995</b>
Deferred tax		7,853	1,339
Bond		740,000	740,000
<b>Total long-term liabilities</b>		<b>747,853</b>	<b>741,339</b>
Accounts payable		874	832
Other liabilities <sup>1</sup>		16,783	28,335
Prepaid rental income		10,277	5
Accrued interest cost		6,068	4,425
<b>Total current liabilities</b>		<b>34,003</b>	<b>33,597</b>
<b>Total equity and liabilities</b>		<b>1,270,759</b>	<b>1,279,931</b>

<sup>1</sup>The resolved dividend of TSEK 40,000 is accounted as a liability and will be paid out quarterly. As of December 31, 2014 TSEK 30,000 has been distributed to the shareholders and TSEK 10,000 is accounted as a liability.



## STATEMENT OF CASH FLOWS

Amount in SEK thousand	2014	2013	2014
	Jan-Dec	Oct-Dec	Jul - Dec
Operating profit	80,976	10,485	40,436
Other items not included in cash flow	-5	0	-5
Administration costs	-4,171	-780	-2,178
Interest received	28	20	19
Interest paid	-33,906	-10,179	-16,954
<b>Cash flow from operating activities Before changes in working capital</b>	<b>42,922</b>	<b>-455</b>	<b>21,319</b>
<b><i>Cash flow from changes in working capital</i></b>			
Increase / decrease in accounts receivable	-70	-3	-67
Increase / decrease in other receivables	-679	-478	-25
Increase / decrease in trade payables	41	832	-514
Increase / decrease in other current liabilities	-9,637	7,371	15,755
<b>Cash flow from operating activities</b>	<b>32,577</b>	<b>7,267</b>	<b>36,473</b>
<b><i>Investing activities</i></b>			
Payments for purchase of investment property	-	-1,206,061	-
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-1,206,061</b>	<b>-</b>
<b><i>Financing activities</i></b>			
Establishment of the company	-	500	-
Net payment from bond	-	740,000	-
Capital increase	-	500,000	-
Dividend paid to shareholders	-30,000	-	-30,000
<b>Cash flow from financing activities</b>	<b>-30,000</b>	<b>1,240,500</b>	<b>-30,000</b>
<b>Cash flow for the period</b>	<b>2,577</b>	<b>41,706</b>	<b>6,473</b>
<b>Change in cash and cash equivalents</b>	<b>2,577</b>	<b>41,706</b>	<b>6,473</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>41,706</b>	<b>-</b>	<b>37,810</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>44,284</b>	<b>41,706</b>	<b>44,284</b>

## STATEMENT OF CHANGES IN EQUITY

Amount in SEK thousand	Share capital	Other contributed capital	Profit earned incl. net profit for the year	Total equity
<b>Equity October 7, 2013</b>	-	-	-	-
Comprehensive income			25,117	25,117
<b>Comprehensive income October 7, 2013 – December 31, 2013</b>	-	-	<b>25,117</b>	<b>25,117</b>
<b>Transactions with share holders</b>				
Establishment of the company	500	-	-	500
Capital decrease	-500			-500
Issuing new shares 14/11/2013 <sup>1</sup>	5,000	474,878	-	479,878
<b>Sum transactions with share holders</b>	<b>5,000</b>	<b>474,878</b>	-	<b>479,878</b>
<b>Equity December 31, 2013</b>	<b>5,000</b>	<b>474,878</b>	<b>25,117</b>	<b>504,995</b>
<b>Comprehensive income January-December 2014,</b>				
Comprehensive income	-	-	23,908	23,908
<b>Comprehensive income January-December 2014,</b>	-	-	<b>23,908</b>	<b>23,908</b>
<b>Transactions with share holders</b>				
Dividend	-	-	-40,000	-40,000
<b>Sum transactions with share holders</b>	-	-	<b>-40,000</b>	<b>-40,000</b>
<b>Equity December 31, 2014</b>	<b>5,000</b>	<b>474,878</b>	<b>9,026</b>	<b>488,903</b>

<sup>1</sup> The resolved dividend of TSEK 40,000 is accounted as a liability and will be paid out quarterly. As of December 31<sup>st</sup> TSEK 30,000 has been distributed to the shareholders and TSEK 10,000 is accounted as a liability.

## PARENT COMPANY INCOME STATEMENT

Amount in SEK thousand	Note	2014 Jan-Dec	2013 7. Oct – 31. Dec	2014 Jul-Dec
Gross Income		-	-	-
Other operating expense		-35	-38	-2
Administration expenses		-462	-98	-252
<b>Net Operating Income</b>		<b>-497</b>	<b>-136</b>	<b>-254</b>
Financial income		40,016	19	40,008
Financial expenses		-	-	-
<b>Income before tax</b>		<b>39,518</b>	<b>-117</b>	<b>39,754</b>
Tax		-	-	-
<b>Net Income</b>		<b>39,518</b>	<b>-117</b>	<b>39,754</b>

## CONDENSED PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	Note	12/31/2014	12/31/2013
<b>ASSETS</b>			
Participation in subsidiaries		476,920	476,920
<b>Total fixed assets</b>		<b>479,661</b>	<b>476,920</b>
Other receivables		1,931	-
Cash and cash equivalents		10,497	28,050
<b>Total current assets</b>		<b>12,428</b>	<b>28,050</b>
<b>Total assets</b>		<b>489,348</b>	<b>504,970</b>
<b>EQUITY AND LIABILITIES</b>		<b>12/31/2014</b>	<b>12/31/2013</b>
Paid in equity		5,000	5,000
Premium reserve		474,878	474,878
Dividend		-40,000	-
Retained earnings		39,402	-116
<b>Equity</b>		<b>479,279</b>	<b>479,761</b>
Other liabilities <sup>1</sup>		10,069	25,209
<b>Total current liabilities</b>		<b>10,069</b>	<b>25,209</b>
<b>Total equity and liabilities</b>		<b>489,348</b>	<b>504,970</b>

<sup>1</sup>The resolved dividend of TSEK 40,000 is accounted as a liability and will be paid out quarterly. As of December 31<sup>st</sup> TSEK 30,000 has been distributed to the shareholders and TSEK 10,000 is accounted as a liability.

## GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Delarka is a real estate company, established in October 2013. The company owns a commercial property in Solna, Stockholm. The holding company, Delarka Holding AB, is a public limited company with its headquarters in Stockholm (Sweden). The company's shares are listed on the Nasdaq OMX First North under the ticker DELARK.

This interim report is prepared in accordance with IAS 34 - Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting policies used in preparing the interim report is in accordance with the principles applied in the preparation of the annual accounts for 2013. The interim report presents condensed financial statements, and do not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2013.

The financial statements include Delarka Holding AB and subsidiary Delarka Fastighet AB. Acquired properties are included in the financial statements from the acquisition.

Delarka Holding ABs business consists of ownership and management of the property Polisen 2, Headquarter of PostNord in Solna through its subsidiary Delarka Fastighet AB. No material differences in risks and returns exist in the economic environments in which the company operates. Consequently, the company is only present in one business segment and one geographic market, and no further segment information has been prepared.

Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are primarily related to the valuation of investment property.

The interim report of Delarka Holding AB was approved at a Board meeting on 23<sup>rd</sup> of February 2015. This report has not been audited.

Stockholm 23<sup>rd</sup> of February 2015  
Delarka Holding AB (publ)  
Organization number 556944-5843

Lennart Låftman  
*Chairman of the board*

Johan Thorell  
*Board Member*

Tony Karlström  
*Board Member*

## DEFINITIONS

### *Equity ratio*

Equity as a percentage of total assets.

### *IFRS*

International Financial Reporting Standards. International Financial Reporting Standards (IFRS), to be applied by listed companies within the EU.

### *Interest-coverage ratio*

Income from property management, after reversal of financial expenses as a percentage of financial expenses.

### *Loan-to-value ratio*

Interest-bearing liabilities at the end of the period as a percentage of the property value at the end of the period.

### *Income from property management*

Income excluding changes in value and tax.

### *Return on equity*

Net income for the period, recalculated to 12 months, as a percentage of average equity (opening and closing balances) for the period.

### *Yield*

Net operating income for the period (including property administration), recalculated at 12 months, adjusted for the holding periods of the properties during the period as a percentage of the carrying amounts of the properties at the end of the period.