

Delarka Fastighet AB (publ)



Interim Report Second half of 2014

July – December 2014

CONTACT INFORMATION

Delarka Fastighet 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

PROPOSED DIVIDEND FOR 2015

- The Board proposes a dividend of SEK 80 per share

2014 IN BRIEF

- Rental income amounted to TSEK 99,231
- Net Operating Income was TSEK 81,011
- Net income was TSEK -17,780
- Dividend paid out was TSEK 30,000

The company was established May 30, 2013 and registered by October 8, 2013 why historical comparative figures are not available. The company has by April 24, 2014 merged with its subsidiary Delarka Fastighet AB and then renamed the company to Delarka Fastighet AB.

IMPORTANT EVENTS IN THE PERIOD JULY - DECEMBER 2014

- Delarka Fastighet AB has listed the bond loan on NASDAQ OMX on November 11, 2014.

KEY FIGURES⁽¹⁾ - Period 1. Jan - 31. Dec 2014

	Jan–Dec 2014	8 Oct- 31 Dec 2013	Jul-Dec 2014
Rental income, (TSEK)	99,231	0	49,874
Net Operating Income, (TSEK)	81,011	10,484	40,180
Income before tax, (TSEK)	-16,716	-5,230	-19,962
Net income, (TSEK)	-17,780	-5,230	-21,032
Interest coverage ratio, %	2.3 %	N/A	2.3 %
Return on equity, %	-4.06 %	-2.24 %	-4.79 %
Total assets, (TSEK)	1,175,842	1,214,825	1,175,842
Equity/Asset ratio, %	34.8 %	38.1 %	34.8 %
Loan-to-value ratio, %	60.4 %	60.9 %	60.4 %
Market value of investment property, (TSEK)	1,225,000	N/A	1,225,000
Equity per share, (SEK)	818	933	818
Profit per share, (SEK)	-35.56	-10.46	-42.09
Yield, %	6.8 %	N/A	6.6 %

⁽¹⁾ The company did not own the property last year why some of the key figures are not relevant as a comparison.

Important events and development

Delarka Fastigheter AB has listed the bond loan on NASDAQ OMX on November 11, 2014.

The property and the lease agreement

Delarka Fastighet AB (publ) is a Swedish holding company which owns the property Solna Polisen 2, PostNord's headquarter in Stockholm. The building was completed in November 2003 and consists of approximately 39,000 m² of office space and around 14,000 m² parking space that constitute approximately 450 parking spaces. The company was established by Pareto Securities AB and Pareto Project Finance AS and the company is managed by Pareto Business Management AB. The parent company's shares are traded on NASDAQ OMX First North as of December 17, 2013.

The annual rental income for 2014 is TSEK 99,231 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. There is no vacancy in the property and is fully used by PostNord AB and its subsidiaries.

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, Faberge, 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. Tygelin 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

Rental income was for the period TSEK 99,231 and in line with budget.

Result

Net Operating Income for the period was TSEK 81,011 and the Net income was TSEK -17,780.

Investments and cash flow

Net cash flow from operating activities was TSEK 13,213. Net cash from the merger was TSEK 18,026 which gives a total Net cash flow of TSEK 31,239

Net cash flow from financing activities was negative TSEK 30,000 due to dividend payments.

Net cash flow from investing activities is zero.

Valuation of properties

Two independent external valuers have assessed the property based on Market value. At December 31, 2014, the property was valued at 1,225,000 TSEK. In the legal entity the book value is presented where the building is depreciated annually with 2 per cent and building inventories with 5-20 per cent annually.

Equity

The equity at the 31st of December was TSEK 408,799 with an equity ratio of 34.8 %.

Financing

The company 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

Outstanding shares per December 31, 2014 totaled 500,000. There has been no dilution or issuing of new shares during the period why the average number of shares is totaling 500,000. The company is owned 100 % by the parent company Delarka Holding AB (publ). Delarka Holding AB (publ) is listed on Nasdaq OMX First North with Wildecos Ekonomisk Information as Certified Adviser. Delarka Holding AB (publ) had 234 (129) registered shareholders on December 31, 2014. The largest shareholders in the parent company registered with Euroclear at December 31, 2014 are presented below. The parent company has 5,000,000 shares.

#	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
Total 10 largest share holders		55.6 %	2,779,793
Others		44.4 %	2,220,207
Total		100.0 %	5,000,000

Dividend 2015

The Board proposes a dividend of SEK 8 per share, implying a dividend of in total TSEK 40,000.

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

Employees

The company 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) with registration number 556944-5843.

Related party transactions

The company has not had any transactions with related parties during the period.

Significant risks and uncertainty factors

The company 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.

Accounting principles

Delarka Fastighet AB (publ) applies RFR2 and this report has not been prepared with the same accounting principles and calculation methods as in the annual report 2013. This interim report has been prepared in accordance with IAS 34. The company publishes three reports annually, a half year interim report, year-end report and an annual report.

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	-	49,875
Operating expenses		-10,531	-	-5,233
Planned maintenance		-906	-	-721
Property tax		-6,782	-	-3,741
Net Operating Income		81,011	-	40,180
Administrative expenses		-3,709	-20	-1,669
Depreciation		-60,119	-	-41,536
EBIT		17,184	-20	-3,025
Financial income		12	4,773	7
Financial cost		-33,911	-9,983	-16,954
Income from property management		-16,715	-5,230	-19,972
Income before tax		-16,715	-5,230	-19,972
Current tax		-	-	-
Deferred tax		-1,065	-	-1,065
Net Income		-17,780	-5,230	-21,037
<i>Other comprehensive income</i>		-	-	-
Comprehensive income for the period		-17,780	-5,230	-21,037
Earnings per share, SEK		-35.6	-10.5	-42.1
Earnings per share after dilution, SEK		-35.6	-10.5	-42.1
Average number of shares, thousands		500	500	500

CONDENSED STATEMENT OF FINANCIAL POSITION

Amount in SEK thousand			
ASSETS	Note	31/12/2014	31/12/2013
Investment properties		869,300	-
Building inventories		271,305	-
Total fixed assets		1,140,604	-
Shares in subsidiaries		-	458,310
Receivables, group companies		-	753,516
Total financial assets		-	1,211,826
Accounts receivable		74	-
Other receivables		697	397
Prepaid costs and accrued income		681	56
Total current assets		1,452	453
Cash and cash equivalents		33,785	2,546
Total assets		1,175,842	1,214,825
EQUITY AND LIABILITIES		31/12/2014	31/12/2013
Share capital (500,000 shares, par value 1 SEK)		500	500
Total restricted equity		500	500
Other contributed capital		471,305	471,305
Profit earned		-45,230	-
Merger result		4	-
Net profit of the year		-17,780	-5,230
Total unrestricted equity		408,299	466,075
Total equity		408,799	466,575
Deferred tax		1,202	-
Total untaxed reserves		1,202	-
Bond		740,000	740,000
Total long-term liabilities		740,000	740,000
Accounts payable		856	-
Current tax liabilities		6,783	-
Liabilities to group companies ¹		1,907	3,825
Accrued expenses and deferred income		16,296	4,425
Total current liabilities		25,841	8,251
Total equity and liabilities		1,175,842	1,214,825

¹ The resolved dividend of TSEK 40,000 is accounted as a liability and will be paid out quarterly. As of December 31st TSEK 30,000 is distributed to the shareholder and TSEK 10,000 is accounted as a liability.

STATEMENT OF CASH FLOWS

Amount in SEK thousand	2014 Jan-Dec	2013 Oct-Dec	2014 Jul - Dec
EBIT	17,184	-20	-3,025
Adjustments for non-cash items:			
Depreciations	60,119	-	41,536
Interest received	12	4,773	12
Interest paid	-33,911	-9,983	-16,953
Cash flow from operating activities			
Before changes in working capital	43,404	-5,230	21,570
<i>Cash flow from changes in working capital</i>			
Increase / decrease in accounts receivable	-74	-	-68
Increase / decrease in other receivables	-925	-454	746
Increase / decrease in trade payables	856	-	-514
Increase / decrease in other current liabilities	-47	8,250	4,848
Cash flow from operating activities	43,213	2,567	26,565
<i>Investing activities</i>			
Investments in subsidiaries	-	-458,310	-
Cash flow from investing activities	-	-458,310	-
<i>Financing activities</i>			
Establishment of the company	-	50	-
Issuing new shares	-	450	-
Share holder contribution	-	471,500	-
Costs relating to issuing new shares	-	-195	-
Loan to subsidiaries	-	-753,516	-
Bond	-	740,000	-
Dividend paid to shareholders	-30,000	-	-20,000
Cash flow from financing activities	-30,000	458,289	-20,000
Cash flow for the period	13,213	2,546	6,565
Change in cash and cash equivalents	13,213	2,546	6,565
Merger cash	18,026	-	18,026
Cash and cash equivalents at beginning of period	2,546	-	2,546
Cash and cash equivalents at the end of the period	33,785	2,546	27,136

STATEMENT OF CHANGES IN EQUITY

Amount in SEK thousand	Share capital	Other contributed capital	Profit earned incl. net profit for the year	Total equity
Equity October 8, 2013	-	-	-	-
Comprehensive income	-	-	-5,230	-5,230
Comprehensive income October 8, 2013 – December 31, 2013	-	-	-5,230	-5,230
Transactions with share holders				
Establishment of the company	50	-	-	50
Unconditional share holder contribution	-	471,500	-	471,500
Issuing new shares 2013-11-14 ¹	450	-195	-	255
Sum transactions with share holders	500	471,305	-	471,805
Equity December 31, 2013	500	471,305	-5,230	466,575
Comprehensive income	-	-	-17,780	-17,780
Merger result	-	-	4	4
Comprehensive income January-December 2014,	-	-	-17,776	-17,776
Transactions with share holders				
Dividend	-	-	-40,000	-40,000
Sum transactions with share holders	-	-	-40,000	-40,000
Equity December 31, 2014	500	471,305	-63,006	408,799

¹ The resolved dividend of TSEK 40,000 is accounted as a liability and will be paid out quarterly. As of December 31st TSEK 30,000 is distributed to the shareholder and TSEK 10,000 is accounted as a liability.

GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Delarka Fastighet AB is a real estate company, established in May 2013 and registered on October 2013. The company owns a commercial property in Solna, Stockholm. The parent 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.

Delarka Fastighet AB (publ) applies RFR2 and this report has not been prepared with the same accounting principles and calculation methods as in the annual report 2013. This interim report has been prepared in accordance with IAS 34. The company publishes three reports annually, a half year interim report, year-end report and an annual report.

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 2014.

Delarka Fastighet ABs business consists of ownership and management of the property Polisen 2, Headquarter of PostNord in Solna. 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 Fastighet AB was approved at a Board meeting on 23rd of February 2015. This report has not been audited.

Stockholm 23rd of February 2015
Delarka Fastighet AB (publ)
Organization number 556944-7096

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 total fixed assets at the end of the period.

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.