

Delarka Fastighet AB (publ)

Interim Report First half of 2016

January – June 2016

CONTACT INFORMATION

Delarka Fastighet AB (publ)

a company managed by Pareto Business Management AB

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For further information on Delarka, please visit www.delarka.se

RESOLVED DIVIDEND FOR 2016

- At the Annual General Meeting (AGM) on 31 March 2016 it was resolved that a dividend of SEK 80 (80) per share would be distributed to the parent company.

FIRST HALF OF 2016 IN BRIEF

- Rental income amounted to TSEK 49,370 (49,334)
- Net Operating Income was TSEK 39,124 (39,497)
- Net income was TSEK -9,989 (-10,495)

IMPORTANT EVENTS IN THE PERIOD January - June 2016

- No important events have occurred during the period.

KEY FIGURES Period 1 Jan - 30 Jun 2016

	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Rental Income, (TSEK)	49,370	49,334	98,665
Net Operating Income, (TSEK)	39,124	39,497	80,116
Income Before Tax, (TSEK)	-9,455	-8,616	-16,057
Net Income, (TSEK)	-9,989	-10,495	-17,134
Interest Coverage Ratio	2.3	2.3	2.3
Return on equity, %	-1.5%	-5.5 %	-4.5 %
Total Assets, (TSEK)	1,082,877	1,151,563	1,125,124
Equity Ratio, %	27.9 %	31.1 %	31.3 %
Loan-To-Value Ratio, %	59.9 %	60.4 %	59.9 %
Equity Per Share, (SEK)	603	717	703
Profit Per Share, (SEK)	-20.0	-21.0	-34.3
Yield, %	6.1 %	6.4 %	6.3 %

The property and the lease agreement

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

The rental income excluding supplements for the first half of 2016 is TSEK 44,806 (44,768) 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 center. The landlord has a subscription for high-voltage electricity and the tenant reimburses the landlord for the cost for PostNord ABs 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 it 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 January to June 2016 CBRE reports about the market as summarized below:

The property owners are successfully pushing up the rents and new rental levels are reached on several markets. With the current limited supply of new office space under construction and the continued high demand the short-time expectation is a continued rental growth in the prime segment. The current average prime rent in CBD is 5,400 (4,700) SEK/sq. m. with a range of +/- 10 (10) %.

The total office stock in Solna/Sundbyberg amounts to over 1.5 million sq. m. of which the majority, 1.1 million sq. m., is located in Solna.

Ranked as Sweden´s most business friendly municipality in 2014, 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 decrease can be noted and in Q1 2016 the vacancy rate was at approx. 10 %. The current average prime rent is estimated at 2,800 (2,500) sek/sq. m.. The rent spread is generally between 2,400-2,800 (1,800-2,500) sek/sq. m. and year.

Largest Transaction in Solna and Sundbyberg: The most active players in the commercial property market in the area of Solna and Sundbyberg during the last year has been Fabege and Klöver.

In February 2016, Union Investment Real Estate GmbH bought the property Uarda 5 in Solna from Fabege. The property is located in Arenastaden with Vattenfall as tenant and is a modern real estate with approximately 44,000 square meters of lettable area. The price was SEK 2.2 billion.

Fabege has bought the so called "Bilia plot" from Catena for SEK 1.45 billion. The "Bilia plot" includes two properties "Stora Frösunda 2" and "Hagalund 2:2". Together they comprise 51,000 sq. m. and approximately 225,000 sq. m of building rights. The building rights are for commercial buildings and residential buildings (90,000 sq. m.). The "Bilia plot" is located in the northern part of Solna (in Haga), which is in the vicinity of the area around Arenastaden. Fabege has made a new zoning plan for this area which was just recently accepted.

The second largest transaction in the municipality of Solna during 2015 occurred between Klöver AB and Mengus, where Klöver bought Solna Gate (Aprikosen 2) for SEK 1.2 billion. Aprikosen 2 comprises 35,200 sq. m. with a majority of the space being commercial offices. Solna Gate is subjected for some substantial reconstructions for a couple of their tenants (Santander, Toyota and BP).

Source: CBRE Research and Valuation

FINANCIAL PERFORMANCE

Rental income

Rental income was for the period TSEK 49,370 (49,334).

Result

Net operating income for the period was TSEK 39,124 (39,497) and the Net income was TSEK -9,989 (-10,495).

Investments and cash flow

Net cash flow from operating activities was TSEK 10,483 (23,712).

Net cash flow from financing activities was negative TSEK 20,000 (20,000) due to dividend payments.

Net cash flow from investing activities is 0 (zero).

Net cash flow for the period was TSEK -9,517 (3,712).

Valuation of properties

Two independent external valuation companies assess the property every year. At June 30, 2016, the property was valued at TSEK 1,235,000 (1,225,000). In the legal entity the book value is presented where the building is depreciated annually with 1 per cent and building inventories with 10-20 per cent annually.

Equity

The equity at the 30th of June was TSEK 301,676 (358,304) with an equity ratio of 27.9 % (31.1 %).

Financing

The company issued on 8 November 2013 a senior secured callable bond of TSEK 740,000. The final maturity date for the bond is 13 November 2020. The interest rate is fixed with 4.58 % with no amortization. Interest cost during the period was TSEK 16,986 (16,986).

Share and shareholders

Outstanding shares per 30 June 2016 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 745 (580) registered shareholders on 30 June 2016. The largest shareholders in the parent company registered with Euroclear at June 30, 2016 are presented below. The parent company has 5,000,000 shares.

#	Name	Share %	No. of Shares
1	Ålandsbanken AB	20.00 %	1,000,000
2	EOJ 1933 AB	10.00 %	500,000
3	Socialdemokraterna	5.00 %	250,000
4	ICA Handlarna	4.74 %	236,950
5	SEB SA Luxemburg	3.48 %	174,108
6	Avanza pension	3.45 %	172,726
7	Magnus Lindholm	3.16 %	158,000
8	DBS Bank AS NO. 001	2.60 %	130,000
9	LGT Bank Ltd	2.60 %	130,000
10	Johan Olofsson	1.80 %	90,214
	Total 10 largest share holders	56.83 %	2,628,743
	Others	43.17 %	2,371,257
	Total	100 %	5,000,000

Dividend 2016

At the AGM it was resolved that a dividend of SEK 80 (80) per share would be distributed, implying a total dividend of TSEK 40,000 (40,000) to the parent company. Payments of the dividend occur monthly.

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 except for a group management fee and the dividend to the parent company.

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 2015. Compared to the annual report for 2015, 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 been prepared with the same accounting principles and calculation methods as in the annual report 2015. 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

28 February 2017

4 April 2017

Year-end Report 2016

Annual General Meeting 2017

STATEMENT OF COMPREHENSIVE INCOME

	2016	2015	2015
Amount in TSEK	Jan-Jun	Jan-Jun	Jan-Dec
Rental income	49,370	49,334	98,665
Operating expenses	-6,390	-6,100	-9,409
Planned maintenance	-721	-602	-2,870
Property tax	-3,135	-3,135	-6,270
Net Operating Income	39,124	39,497	80,116
Administrative expenses	-1,401	-1,032	-2,042
Depreciation	-30,096	-30,096	-60,193
EBIT	7,627	8,369	17,881
Financial income	3	-	2
Financial cost	-17,085	-16,986	-33,940
Income Before Tax	-9,455	-8,616	-16,057
Current tax	-	-	-
Deferred tax	-534	-1,879	-1,077
Net Income	-9,989	-10,495	-17,134
Earnings per share, SEK	-20.0	-21.0	-34.3
Average number of shares, thousands	500	500	500

STATEMENT OF FINANCIAL POSITION

Amount in TSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
ASSETS			
Investment properties	877,452	855,433	881,368
Building inventories	172,863	255,075	199,043
Total fixed assets	1,050,315	1,110,508	1,080,411
Accounts receivable	-	-	-
Other receivables	111	260	2,812
Prepaid costs and accrued income	329	3,298	262
Total current assets	440	3,558	3,074
Cash and cash equivalents	32,122	37,497	41,639
Total assets	1,082,877	1,151,563	1,125,124
EQUITY AND LIABILITIES	30 Jun 2016	30 Jun 2015	31 Dec 2015
Share capital (500,000 shares, par value 1 SEK)	500	500	500
Total restricted equity	500	500	500
Other contributed capital	471,305	471,305	471,305
Profit earned	-160,140	-103,006	-103,006
Net profit of the year	-9,989	-10,495	-17,134
Total unrestricted equity	301,176	357,804	351,165
Total equity	301,676	358,304	351,665
Deferred tax	2,813	3,081	2,279
Total untaxed reserves	2,813	3,081	2,279
Bond	740,000	740,000	740,000
Total long-term liabilities	740,000	740,000	740,000
Accounts payable	2,384	1,126	1,871
Other payables	1,243	1,058	-
Current tax liabilities	1,254	13,052	13,052
Liabilities to group companies	20,457	21,557	1,457
Accrued expenses and deferred income	13,050	13,386	14,800
Total current liabilities	38,388	50,179	31,180
Total equity and liabilities	1,082,877	1,151,563	1,125,124

STATEMENT OF CASH FLOWS

Amount in TSEK	2016	2015	2015
	Jan-Jun	Jan-Jun	Jan-Dec
EBIT	7,627	8,369	17,881
Adjustments for non-cash items:			
Depreciations	30,096	30,096	60,193
Interest received	3	-	2
Interest paid	-17,085	-16,986	-33,940
Cash flow from operating activities			
Before changes in working capital	20,641	21,480	44,136
<i>Cash flow from changes in working capital</i>			
Increase / decrease in accounts receivable	-	74	74
Increase / decrease in other receivables	2,634	-2,179	-1,696
Increase / decrease in trade payables	513	270	1,015
Increase / decrease in other current liabilities	-13 305	4,067	4,323
Cash flow from operating activities	10,483	23,712	47,852
<i>Financing activities</i>			
Dividend paid to shareholders	-20,000	-20,000	-40,000
Cash flow from financing activities	-20,000	-20,000	-40,000
Cash flow for the period	-9,517	3,712	7,852
Cash and cash equivalents at beginning of period	41,639	33,785	33,787
Cash and cash equivalents at the end of the period	32,122	37,497	41,639

STATEMENT OF CHANGES IN EQUITY

Amount in TSEK	<i>Restricted equity</i>	<i>Non-restricted equity</i>		Total equity
	Share capital	Other contributed capital	Retained earnings	
Equity 1 Jan 2015	500	466,074	-57,776	408,798
Dividend	-	-	-40,000	-40,000
Net profit of the year	-	-	-17,134	-17,134
Equity 31 Dec 2015	500	466,074	-114,910	351,665
Dividend	-	-	-40,000	-40,000
Net profit of the period	-	-	-9,989	-9,989
Equity 30 Jun 2016	500	466,074	-165,156	301,676

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 parent 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 been prepared with the same accounting principles and calculation methods as in the annual report 2015. 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 2015.

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 environment 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 is approved by the Board of Directors.

This report has not been audited.

Stockholm 29 August 2016
Delarka Fastighet AB (publ)
Registration number 556944-7096

Lennart Låftman
Chairman of the board

Johan Thorell
Board Member

Henrik Viktorsson
Board Member

DEFINITIONS

Interest-coverage ratio

Net Operating Income including property administration as a percentage of financial expenses.

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.

Equity ratio

Equity as a percentage of total assets.

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.

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.