

Telefonplan Stockholm Property AB (publ)

REPORT FOR THE PERIOD January 1 – June 30, 2016



Image: View of Timotejen 19



Telefonplan Property

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JANUARY 1 – JUNE 30, 2016 COMPARED WITH THE SAME PERIOD IN 2015

- The Group's net revenue amounted to SEK 5,149 thousand (2,983)
- The operating net amounted to SEK 64 thousand (loss: 2,624)
- Property management net (EBITDA) amounted to a loss of SEK 5,480 thousand (loss: 6,611)
- The loss after tax was SEK 37,400 thousand (loss: 30,469)

SIGNIFICANT EVENTS AND COMMENTS ON PERFORMANCE

- Development planning is in progress in collaboration with White Arkitekter for the Timotejen 19 and 28 properties. On September 1, 2014, the company submitted the complete documentation for consultation to the City of Stockholm.

In February 2015, the Swedish Armed Forces gave notice that construction of the Timotejen 17 property, adjacent to the Timotejen 28 property owned by the SSM Group, was not permitted at the proposed location. The plan for the Timotejen 17 property comprises a 237-meter high building with 75 floors and falls within the scope of the same detailed development plan as the Timotejen 19 and 28 properties. The decision of the Swedish Armed Forces is irrevocable and will impact the ongoing detailed development plan process in respect of when it can be approved.

In September 2015, the Air Navigation Services Provider of Sweden (LFV) announced that all heights over 80 meters above sea level cause conflict with the radar facility at Bällsta radar tower. The radar tower has been shut down for several years and not comprised any hindrance for currently approved detailed development plans. Therefore, the total heights for Timotejen 19 and 28 have been adjusted and calculations are ongoing with the aim of investigating any lost development rights in terms of space.

- The Internationella Engelska Skolan continues to increase the size of its establishment at Telefonplan in the Timotejen 19 property. In August 2015, the school took possession of an additional 2,700 square meters of space and, accordingly, leases a total of approximately 6,250 square meters, which will be increased by an additional 1,200 square meters from 2016.

During the reporting period (January 1– June 30, 2016)

- The new date stipulated for when the City of Stockholm can be expected to adopt the detailed development plan for Timotejen 19 and 28 has been set for September 2016 and for the plan to enter legal force in October 2016.
- In a press release published on February 22, 2016, Telefonplan Stockholm Property AB (publ) announced that a process had been initiated to explore the possibility of obtaining additional financing to further strengthen the company's financial capacity in relation to its strategic real estate investments in the properties.
- On April 14, 2016, the company's existing bond loan was extended by 12 months and matures on May 23, 2017. The same bond loan was increased by SEK 50 million to a total of SEK 300 million. The extension of the existing bond loan was carried out with unchanged terms and the increase of SEK 50 million was issued subject to the same terms and conditions.

FUTURE OUTLOOK

The delay in the new detailed development plan has placed pressure on the Group's liquidity in the short term. As the properties are developed, they will be divided into saleable units, which will lead to gradual strengthening of the total cash flow. The expanded and extended bond loan has strengthened cash flow pending the date the detailed development plan gains legal force.

OVERVIEW OF OPERATIONS

The Group's property portfolio comprises mainly properties held for future development and development properties. The properties were originally acquired to be converted from their existing uses into properties with other uses that are in demand in the property market for that area. The conversion process is being implemented in collaboration with the surrounding property owners and the City of Stockholm.

Telefonplan is an area located in the Midsommarkransen city district, in southern Stockholm, only about three kilometers from Hornstull. The area is dominated largely by LM Ericsson's former telephone plant, constructed in the 1940s. Telefonplan is currently undergoing the biggest change in the area for more than 60 years. Plans are in place to redevelop and convert the characteristic Ericsson building, Timotejen 19, on Tellusborgsvägen, into housing units, stores and a school.

COMMENTS ON THE FINANCIAL PERFORMANCE

Net revenue/income

The Group's income in the first quarter of 2016 amounted to SEK 5,149 thousand (2,983).

During the property portfolio's development process, parts of the property portfolio are successively being converted from former operations, and old tenants are moving out to facilitate the planned remodeling of the buildings and the area. In November 2013, the last of Ericsson's operational departments and personnel vacated the premises, in parallel with space being created in part of the property for the Internationella Engelska Skolan to move in. The fact that rental income declined or even ceased during the conversion process is according to plan and is a natural part of the development process. However, the properties are still kept available for temporary tenants during the development process.

Earnings

Property management net (EBITDA) amounted to a loss of SEK 5,480 thousand (loss: 6,611) for the first six months.

For the first half of the year, a loss after tax was reported of SEK 37,400 thousand (loss: 30,469).

Traditional operating and maintenance costs are declining as the properties are emptied before reaching a lowest level.

Equity and liabilities

The Group's equity amounted to SEK 1,882 thousand (72,375) at June 30, 2016.

The equity/assets ratio was 0.3% (10.2) on June 30, 2016.

A development project of Telefonplan's nature generates considerable expenses, primarily interest expense, which has an immediate impact on earnings and equity. The value of the underlying asset, the property, is rising in pace with the development's progress, however, this is not visible in the company's balance sheet (see the following heading "Property values").

Cash flow and cash and cash equivalents

The Group's cash flow from operations for the first six months amounted to negative SEK 30,669 thousand (neg: 24,453).

Cash flow from investment activities in the first half of the year amounted to negative SEK 6,732 thousand (neg: 3, 689).

Cash flow from financing activities in the first six months was SEK 50,000 thousand (0).

At the end of the period, the Group's cash and cash equivalents amounted to SEK 69,655 thousand (71,975 thousand).

Deferred tax

The Group reported no deferred tax since no temporary differences are deemed to exist that are expected to lead to future taxation. Accordingly, prior years' recognized deferred tax was reversed in the fourth quarter of 2014.

Investments and financing

Telefonplan Stockholm Property AB (publ) has raised a bond loan of SEK 300,000 thousand. The bond has a duration of 24 + 12 months from May 23, 2014, with an annual interest rate of 10%. The bond's issue costs, SEK 7,500 + 4,875 thousand, were capitalized under fixed assets and will be amortized over the duration of the bond. The residual value of the asset will be offset as a long-term liability under the item "Bond issues."

Events after the balance sheet date

In April 2016, the above bond loan was extended for a further 12 months with unchanged terms and conditions. Concurrent with the above, the bond loan was increased by SEK 50 million subject to the same maturity date and terms and conditions.

The Group's interest-bearing liabilities pertaining to property acquisitions amounted to SEK 550,000 thousand.

On the balance-sheet date, the average interest rate for loans from credit institutions in the Group amounted to 3.64% on an annual basis or interest of SEK 4,556 thousand. The loan pertains to an amount of SEK 250,000 thousand and extends until May 31, 2017.

Human resources

The Group has no employees. All management and maintenance services are managed through agreements with subcontractors.

PARENT COMPANY

The Parent Company's income in the first half of the year amounted to SEK 5,032 thousand (2,855).

For the first six months, the loss before tax was SEK 36,175 thousand (loss: 28,768).

Cash and cash equivalents at the end of the period, June 30, 2016, was SEK 67,969 thousand (71,816).

The Parent Company's equity amounted to SEK 9,567 thousand (76,939) at June 30, 2016.

In general, the above comments about the Group's financial position also apply to the Parent Company in applicable sections.

RISKS AND UNCERTAINTIES

Telefonplan Stockholm Property AB (publ) is exposed to risks and uncertainties through its operations. Information about the Group's risks and uncertainties is available in the company description prepared in conjunction with the listing of the company's bond on the Nasdaq First North Bond Market.

PROPERTY VALUES

External, professional property appraisers have valued the Group's property portfolio at SEK 1,115,000 thousand following the adoption of the detailed development plan. The consolidated carrying amount for the property on the reporting date was SEK 544 million.

Additional information about the property appraisal is available in the company description prepared in conjunction with the listing of the company's bond on the Nasdaq First North Bond Market.

ACCOUNTING POLICIES

Telefonplan Stockholm Property AB (publ) applies the rules and regulations of the K3 framework from the beginning of 2014. This report has been prepared in accordance with the Swedish Annual Accounts Act.

The report is unaudited but was prepared in consultation with the company's auditor. The report pertains to the first half of 2016, with comparative figures for the corresponding period in 2015, for both the Group and the Parent Company, Telefonplan Stockholm Property AB (publ).

In addition to the Parent Company, Telefonplan Stockholm Property AB (publ), the Group comprises the wholly owned subsidiaries Telefonplan Garage Holding AB, which owns Telefonplan Garage AB, Telefonplan Byggrätt AB, Scanprop Fastigheter 4 AB and Telefonplan Timotejen Holding AB, which owns eight dormant companies. All companies in the Group structure are wholly owned. The Group's companies own no interests in associated companies.

The Parent Company owns the Timotejen 19 property, while Telefonplan Garage AB owns the Timotejen 28 property. These two properties constitute the Group's total property portfolio. The total leasable space of the properties comprises about 60,000 square meters.

Since the properties are development properties and are largely empty, a loss is recognized in the operating activities and consists of non-capitalized costs for operation, maintenance and interest.

Remodeling costs for new tenants are capitalized and amortized over the duration of the lease agreement.

All comparative figures for both the Group and the Parent Company pertain to same report period 2015.

FORTHCOMING INFORMATION DATES

Interim report, third quarter of 2016 November 30, 2016

Year-end report for 2016 February 28, 2017

Annual Report March 10, 2017

Annual General Meeting March 31, 2017

ABOUT TELEFONPLAN STOCKHOLM PROPERTY AB (PUBL)

Within the Group, Telefonplan Stockholm Property AB (publ) owns the two properties, Timotejen 19 and Timotejen 28 at Telefonplan in Stockholm, where the telecom company Ericsson previously had operations. Telefonplan Property now adds value to properties in accordance with the objectives of the City of Stockholm in a development planning effort aimed at making the area into a vibrant city district with offices and housing that are well integrated with Central Stockholm. Telefonplan Stockholm Property AB (publ) has initiated a process to have the properties reclassified as residential properties. Telefonplan Stockholm Property AB (publ) is a wholly owned subsidiary of Telefonplan Stockholm AB, which in turn is a wholly

owned subsidiary of Scanprop KB, a private venture capital company founded in 2011 with a focus on strategic investment in the property sector.

Telefonplan Stockholm Property AB (publ) has issued the TELEFONPLAN1 bond, which is listed on Nasdaq First North Bond Market, with Wildeco as the Certified Advisor.

INCOME STATEMENT, THE GROUP	Apr 1, 2016	Jan 1, 2016	Jan 1, 2015
Amount SEK thousand	June 30, 2016	June 30, 2016	June 30, 2015
Revenues			
<i>Net sales</i>			
Rental income	2,516	5,149	2,983
Total income	2,516	5,149	2,983
<i>Property costs</i>			
Operating and maintenance costs	-872	-4,301	-4,853
Property Tax	-392	-784	-754
Net Operating income (NOI)	1,252	64	-2,624
<i>Property management costs</i>	-3,787	-5,544	-3,987
EBITDA	-2,536	-5,480	-6,611
<i>Depreciations</i>			
Depreciation on assets	-2,022	-4,045	-4,121
	-2,022	-4,045	-4,121
<i>Financial items</i>			
Financial income	1	1	14
Financial expenses	-17,959	-27,876	-19,751
	-17,959	-27,875	-19,737
Profit/loss before tax	-22,517	-37,400	-30,469
<i>Tax</i>	–	–	–
Profit/loss for the period after tax	-22,517	-37,400	-30,469

BALANCE SHEET, THE GROUP

Amount SEK thousand

Assets	June 30, 2016	June 30, 2015
<i>Fixed assets</i>		
Property	543,876	575,164
Work in progress	38,047	36,051
Total fixed assets	581,923	611,215
<i>Current assets</i>		
Receivables	3,202	935
Other current receivables	32,616	21,759
Cash and cash equivalents	69,655	71,975
Total current assets	105,473	94,669
Total assets	687,396	705,885

Equity and Liabilities	June 30, 2016	June 30, 2015
<i>Equity</i>		
Share capital	500	500
Retained earnings	38,782	102,344
Profit/loss for the period	-37,400	-30,470
Total equity	1,882	72,375
<i>Non-current liabilities and provisions</i>		
Provision garage ramp	3,000	–
Bond issues	296,196	246,583
Non-current interest bearing liabilities	250,000	250,000
Total non-current liabilities and provisions	549,196	496,583
<i>Current liabilities</i>		
Other current liabilities	136,318	136,927
Total current liabilities	136,318	136,927
Total equity and liabilities	687,396	705,885

CHANGES IN EQUITY, THE GROUP	Apr 1, 2016	Jan 1, 2016	Jan 1, 2015
Amount SEK thousand	June 30, 2016	June 30, 2016	June 30, 2015
Opening balance of equity	24,399	39,282	102,844
Profit/loss for the period	-22,517	-37,400	-30,469
Closing balance of equity	1,882	1,882	72,375

CASH FLOW, THE GROUP	Apr 1, 2016	Jan 1, 2016	Jan 1, 2015
Amount SEK thousand	June 30, 2016	June 30, 2016	June 30, 2015
<i>Operations</i>			
Profit/loss before tax	-22,517	-37,400	-30,470
Adjustments not included in cash flow from operations	3,761	6,731	6,016
<i>Cash flow from operations before change in working capital</i>	-18,756	-30,669	-24,453
<i>Changes in working capital</i>	2,252	-2,733	-6,658
<i>Cash flow from operations</i>	-16,504	-33,402	-31,111
<i>Cash flow from investment activities</i>	-5,447	-6,732	-3,689
<i>Cash flow from financing activities</i>	50,000	50,000	–
<i>Cash flow for the period</i>	28,049	9,866	-34,800
<i>Opening cash and cash equivalents</i>	41,606	59,789	106,775
<i>Closing cash and cash equivalents</i>	69,655	69,655	71,975

INCOME STATEMENT, PARENT	Apr 1, 2016	Jan 1, 2016	Jan 1, 2015
Amount SEK thousand	June 30, 2016	June 30, 2016	June 30, 2015
Revenues			
<i>Net sales</i>			
Rental income	2,461	5,032	2,855
Total income	2,461	5,032	2,855
<i>Property costs</i>			
Operating and maintenance costs	-858	-4,272	-4,720
Property Tax	-318	-636	-606
Net operating income (NOI)	1,284	123	-2,471
<i>Property management costs</i>	-3,787	-5,524	-3,587
EBITDA	-2,503	-5,400	-6,058
<i>Depreciations</i>			
Depreciation on assets	-1,453	-2,906	-2,982
	-1,453	-2,906	-2,982
<i>Financial items</i>			
Financial income	1	1	14
Financial expenses	-17,954	-27,869	-19,742
	-17,953	-27,868	-19,728
Profit/loss before tax	-21,909	-36,175	-28,768
<i>Tax</i>	–	–	–
Profit/loss for the period after tax	-21,909	-36,175	-28,768

BALANCE SHEET, PARENT

Amount SEK thousand

Assets	June 30, 2016	June 30, 2015
<i>Fixed assets</i>		
Property	437,610	466,621
Work in progress	38,047	36,051
Total fixed assets	475,657	502,672
<i>Non-current assets</i>		
Participations in group companies	1,734	200
Total non-current assets	1,734	200
<i>Long-term receivables</i>		
Receivables from group companies	91,823	91,823
Total long-term receivables	91,823	91,823
<i>Current assets</i>		
Receivables	3,133	875
Other current receivables	4,146	21,596
Cash and cash equivalents	67,969	71,816
Receivables from group companies	47,654	21,008
Total current assets	122,901	115,294
Total assets	692,116	709,989
Equity and Liabilities	June 30, 2016	June 30, 2015
<i>Equity</i>		
Share capital	500	500
Retained earnings	45,242	105,207
Profit/loss for the period	-36,175	-28,768
Total equity	9,567	76,939
<i>Non-current liabilities and provisions</i>		
Bond issues	296,196	246,583
Non current interest bearing liabilities	250,000	250,000
Total non-current liabilities and provisions	546,196	496,583
<i>Current liabilities</i>		
Current liabilities to group companies	89	92
Other current liabilities	136,263	136,375
Total current liabilities	136,353	136,467
Total equity and liabilities	692,116	709,989

CHANGES IN EQUITY, PARENT

Amount SEK thousand

	Apr 1, 2016	Jan 1, 2016	Jan 1, 2015
	June 30, 2016	June 30, 2016	June 30, 2015
Opening balance of equity	31,476	45,742	105,707
Profit/loss for the period	-21,909	-36,175	-28,768
Closing balance of equity	9,567	9,567	76,939

CASH FLOW, PARENT	Apr 1, 2016	Jan 1, 2016	Jan 1, 2015
Amount SEK thousand	June 30, 2016	June 30, 2016	June 30, 2015
<i>Operations</i>			
Profit/loss before tax	-21,909	-36,175	-28,768
Adjustments not included in cash flow from operations	3,191	5,592	4,877
<i>Cash flow from operations before change in working capital</i>	-18,718	-30,583	-23,891
<i>Changes in working capital</i>	2,182	-2,859	-2,261
<i>Cash flow from operations</i>	-16,536	-33,441	-26,152
<i>Cash flow from investment activities</i>	-5,447	-6,732	-3,689
<i>Cash flow from financing activities</i>	50,000	50,000	–
<i>Cash flow for the period</i>	28,018	9,827	-29,841
<i>Opening cash and cash equivalents</i>	39,951	58,142	101,656
<i>Closing cash and cash equivalents</i>	67,969	67,969	71,816

Stockholm August 31, 2016

On behalf of The Board
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