

Delarka Holding AB (publ)



Interim Report first half of 2014

January – June 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.

THE PERIOD IN BRIEF

- Rental income amounted to TSEK 49,356
- Net Operating Income was TSEK 40,540
- Net income was TSEK 8,493
- Earnings per share was SEK 1.70
- Dividend paid out was TSEK 10,000

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

IMPORTANT EVENTS IN THE PERIOD JANUARY - JUNE 2014

- The company has signed a two year prolongation agreement with Newsec Asset Management for technical property management.
- The board of director's has changed according to the annual general meeting.
- Delarka Fastigheter AB has merged into Delarka AB (publ) which then was renamed Delarka Fastigheter AB.

KEY FIGURES - Period 1. Jan - 30. Jun 2014

	Jan–Jun 2014	7 Oct- 31 Dec 2013
Rental income, (TSEK)	49,356	12,968
Net Operating Income, (TSEK)	40,540	10,484
Income from property management, (TSEK)	21,599	-455
Income before tax, (TSEK)	9,099	26,456
Net income, (TSEK)	8,493	25,117
Interest coverage ratio, %	2.3 %	2.1 %
Return on equity, %	3.47 %	5.23 %
Total assets, (TSEK)	1,264,193	1,279,931
Equity ratio, %	37.5 %	39.5 %
Loan-to-value ratio, %	58.5 %	57.8 %
Market value of investment property, (TSEK)	1,225,000	1,237,500
Net asset value per share, (SEK)	95.1	101.3
Earnings per share, (SEK)	1.70	5.02
Yield, %	6.3 %	6.2 %

Important events and development

The company has renegotiated the agreement with the technical manager, Newsec Asset Management. Delarka has signed a two years agreement until 31/12/2015. Delarka Fastigheter AB has merged into Delarka AB (publ) which then was renamed to Delarka Fastigheter AB.

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 m² of office space and around 14,000 m² parking space that constitute approximately 450 parking spaces. The company was established in November 2013 by Pareto Securities AB and Pareto Project Finance AS and the company is managed by Pareto Business Management AB. The Company's shares are traded on NASDAQ OMX First North as of December 17, 2013.

The annual rental income for 2014 is TSEK 89,644 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 January to June 2014 CBRE reports the following:

The demand for office space in inner city and in several submarkets continues to be high in first half of 2014. The vacancy rate in the CBD is stable at around 4 per cent. The average prime rent has slightly increased to SEK 4,500 per m² per annum, with a range of +/- 20 per cent. The total office stock in Solna/Sundbyberg is approximately 1,400,000 million m², of which the majority, 1,100,000 million m², is located in Solna.

The vacancy rate for Q2 in Solna/Sundbyberg is around 12 per cent, or nearly 160,000 m². Known upcoming vacancies from Q1 2014 and onwards is approximately 26,000 m². The vacancy rate has for the last years been relatively stable between 10 and 12 per cent, in the same time, a slow increase in prime rents have been observed. This increase is mainly due to lettings made in newly built properties in Arenastaden and Frösunda.

Solna is one of the most attractive locations for office in Stockholm and both Swedish as well international companies choose to establish their business here. During the last year there has been an adjustment upwards in prime rents for Solna and Sundbyberg. The average prime rent is 2,300 sek/m² today. However, levels above 2,500 SEK/m² have also been noted. The rent spread generally lies between 1,600-2,400 sek/m² and year. By the year 2016 more than 130,000 m² new office space will be added to the existing stock, of which 80,000 is located in Solna and today more than 80 per cent is already precontracted.

Source: CBRE Research and Valuation

FINANCIAL PERFORMANCE

Rental income

The group rental income was for the period TSEK 49,356 and in line with budget.

Result

Net Operating Income for the period was TSEK 40,540 and the Net income was TSEK 8,493.

Investments and cash flow

Net cash flow from operating activities was TSEK 6,104

Net cash flow from financing activities was negative TSEK 10,000 due to dividend payments.

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 30 June 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 the 30th of June was TSEK 473,488 with an equity ratio of 37.5 %.

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 16.957.

Share and shareholders

The company is listed on Nasdaq OMX First North with Wildeco Ekonomisk Information as Certified Adviser. The company had 305 registered shareholders at the 30th of June. Outstanding share per 30th of June 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 at 30th June 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	SEB SA Luxemburg	6.3 %	316,950
4	Socialdemokraterna	5.0 %	250,000
5	Magnus Lindholm	5.0 %	248,750
6	Von Eulers & Partners AB	4.6 %	230,000
7	SIX SIS AG	2.6 %	128,700
8	LGT Bank Ltd	2,5 %	125,000
9	JP Morgan Bank	2.2 %	110,000
10	Hajskäret Invest AB	2.0 %	100,000
Total 10 largest share holders		60.2 %	3,009,400
Others		39.8 %	1,990,600
Total		100.0 %	5,000,000

Dividend

At the annual general meeting, on Thursday 27 March 2014 it was resolved that the distribution per share will amount to in aggregate SEK 8, implying a distribution of in aggregate TSEK 40,000. Payment of the dividend will 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 were 1st of April 2014 and 30th of June 2014.

Next record dates shall be 30 September 2014 and 30 December 2014, respectively. The payment date will be 2 to 5 bank days after the record dates. Undistributed dividend is accounted as a liability.

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 negative TSEK 235 and cash at the end of the period was TSEK 10,674. 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.

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

2015-02-24	Year-end report 2014
2015-03-25	Annual general meeting 2015

STATEMENT OF COMPREHENSIVE INCOME

Amount in SEK thousand	Note	2014 Jan-Jun	2013 7. Oct – 31 Dec
Rental Income		49,356	12,968
Operating expenses & Maintenance		-5,775	-1,610
Property tax		-3,041	-873
Net Operating Income		40,540	10,485
Administrative expenses		-1,993	-780
Financial income		9	20
Financial cost		-16,957	-10,179
Income from property management		21,599	-455
<i>Changes in market value</i>			
Properties, unrealized		-12,500	26,911
Income before tax		9,099	26,457
Current tax		-	-
Deferred tax		-606	-1,339
Net Income		8,493	25,117
<i>Other comprehensive income</i>		-	-
Comprehensive income for the period		8,493	25,117
Earnings per share, SEK		1.7	5.02
Earnings per share after dilution, SEK		1.7	5.02
Average number of shares, thousands		5,000	5,000

CONDENSED STATEMENT OF FINANCIAL POSITION

Amount in SEK thousand			
ASSETS	Note	30/06/2014	31/12/2013
Investment properties		1,225,000	1,237,500
Total fixed assets		1,225,000	1,237,500
Accounts receivable		6	3
Other receivables		1,377	722
Cash and cash equivalents		37,810	41,706
Total current assets		39,193	42,431
Total assets		1,264,193	1,279,931
EQUITY AND LIABILITIES		30/06/2014	31/12/2013
Shareholders' equity ¹		473,488	504,995
Total equity		473,488	504,995
Deferred tax		1,945	1,339
Bond		740,000	740,000
Total long-term liabilities		741,945	741,339
Accounts payable		1,387	832
Other liabilities ¹		32,794	28,335
Prepaid rental income		10,154	5
Accrued interest cost		4,425	4,425
Total current liabilities		18,760	33,597
Total equity and liabilities		1,264,193	1,279,931

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

STATEMENT OF CASH FLOWS

Amount in SEK thousand	2014	2013
	Jan-Jun	Oct-Dec
Operating profit	40,540	10,485
Administration costs	-1,993	-780
Interest received	9	20
Interest paid	-16,957	-10,179
Cash flow from operating activities		
Before changes in working capital	21,599	-455
<i>Cash flow from changes in working capital</i>		
Increase / decrease in accounts receivable	-3	-3
Increase / decrease in other receivables	-655	-478
Increase / decrease in trade payables	555	832
Increase / decrease in other current liabilities	-15,392	7,371
Cash flow from operating activities	6,104	7,267
<i>Investing activities</i>		
Payments for purchase of investment property	-	-1,206,061
Cash flow from investing activities	-	-1,206,061
<i>Financing activities</i>		
Establishment of the company	-	500
Net payment from bond	-	740,000
Capital increase	-	500,000
Dividend paid to shareholders	-10,000	-
Cash flow from financing activities	-10,000	1,240,500
Cash flow for the period	-3,896	41,706
Change in cash and cash equivalents	-3,896	41,706
Cash and cash equivalents at beginning of period	41,706	0
Cash and cash equivalents at the end of the period	37,810	41,706

STATEMENT OF CHANGES IN EQUITY

Amount in SEK thousand	Note	2014	2013
		Jan-Jun	Oct-Dec
Opening Equity		504,995	500
Capital decrease		-	-500
New Issue		-	500,000
Cost of private placement		-	-20,123
Dividend resolved ¹		-40,000	-
Net income for the period		8,493	25,117
Equity at end of the period		473,488	504,995

Amounts in SEK thousand	Share Capital	Other paid in equity	Retained Earnings	Total equity
Equity 17 October 2013	500	-	-	500
Capital decrease	-500	-	-	-500
Issue of new shares	5,000	474,787	-	479,878
Comprehensive income for the period	-	-	25,117	25,117
Equity December 31, 2013	5,000	474,878	25,117	504,995
Dividends ¹	-	-40,000	-	-40,000
Comprehensive income for the period	-	-	8,493	8,493
Equity June 30, 2014	5,000	434,878	33,610	473,488

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

PARENT COMPANY INCOME STATEMENT

Amount in SEK thousand	Note	2014	2013
		Jan-Jun	7. Oct – 31. Dec
Gross Income		-	-
Other operating expense		-33	-38
Administration expenses		-210	-98
Net Operating Income		-243	-136
Financial income		8	19
Financial expenses		-	-
Income before tax		-235	-117
Tax		-	-
Net Income		-235	-117

CONDENSED PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand			
ASSETS	Note	6/30/2014	12/31/2013
Participation in subsidiaries		479,661	476,920
Total fixed assets		479,661	476,920
Other receivables		24	-
Cash and cash equivalents		10,674	28,050
Total current assets		10,698	28,050
Total assets		490,359	504,970
EQUITY AND LIABILITIES		6/30/2014	12/31/2013
Paid in equity		5,000	5,000
Premium reserve		474,878	474,878
Dividend resolved		-40,000	-
Retained earnings		-351	-116
Equity		439,526	479,761
Other liabilities		50,833	25,209
Total current liabilities		50,833	25,209
Total equity and liabilities		490,359	504,970

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. 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. 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 20th of August 2014. This report has not been audited.

Stockholm 20th of August 2014
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 total assets 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.