

Delarka



FOURTH QUARTER AND PRELIMINARY RESULTS FOR 2013

CONTACT INFORMATION

Delarka Holding AB

a company managed by Pareto Business Management AB

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

IMPORTANT EVENTS IN THE FOURTH QUARTER OF 2013

Delarka Holding AB acquires the office building, Polisen 2 from Vasakronan and lists the shares on Nasdaq OMX First North.

The company was established in October 2013 by Pareto Securities AB and Pareto Project Finance AS who completed a private placement of SEK 500,000,000 in equity and a bond of SEK 740,000,000. The equity and bond was used to acquire the office building that houses the Headquarter to PostNord in Stockholm. The acquisition date was 14 November 2013.

The placement of equity was subscribed at a subscription price of SEK 100 per share.

The company shares started trading on NASDAQ OMX First North as of December 17, 2013. Short name on First North: DELARK, ISIN-code: SE0005504347 and the shares are registered by the Euroclear Sweden AB.

The company is managed by Pareto Business Management AB and Newsec Facility Management AB that have used the time after the acquisition to overlap and transfer all the knowledge from Vasakronan. This includes getting control over the property, transfer / negotiating new agreement with office suppliers and securing the handover from Vasakronan goes as smoothly as possible for all parts including PostNords facility management. The handover process has gone very well and no surprises have yet been detected.

The property is fully let until 30 April 2026 to PostNord AB and there is no vacancy in the building.

For further information about the company please find the Company description on www.delarka.se

Proposes a dividend of SEK 8 per share

On the ordinary general meeting, Thursday 27 March 2014 the board of directors plans to propose a dividend of SEK 8.00 per share totaling SEK 40 million, divided into four quarterly payments. The total dividend corresponds to 8,00 per cent of the private placement of MSEK 500. The board also proposes that SEK 459 994 222 be carried forward.

Payment of the dividend will take place on four separate occasions before the next annual general meeting with four equal installments. This means that at each installment SEK 2 per share shall be paid, or a total of SEK 10,000,000. It is proposed that the record dates for payment of the dividend shall be 1 April 2014, 30 June 2014, 30 September 2014 and 30 December 2014, respectively. The payment date will be the 3 to 5 bank days after the record dates.

KEY FIGURES Q4 - Period 17. Oct - 31. Dec

Profit and loss for continued operations		17. Oct - 31. Dec
Gross income	SEK thousand	12,968
Operating profit before adm. expenses	SEK thousand	10,484
Operating profit before value adj.	SEK thousand	9,704
Profit before income tax and value adjustments	SEK thousand	-455
Profit before income tax	SEK thousand	26,456
Profit after income tax	SEK thousand	25,117
Interest coverage ratio		2.10

Balance sheet		17. Oct - 31. Dec
Market value of investment property	SEK thousand	1,237,500
Equity	SEK thousand	504,995
Bond	SEK thousand	740,000
Working capital	SEK thousand	8,834
Equity ratio	Per cent	39.5 %
Pre-tax return on equity (annualized)	Per cent	5.5 %
Loan to Value	Per cent	59.8 %

Cash flow		17. Oct - 31. Dec
Cash flow from operating activities	SEK thousand	7,267
Cash position	SEK thousand	41,706

Key numbers, shares		17. Oct - 31. Dec
No. of shares issued	Number	5,000,000
Profit per share	SEK	5.02
Book value per share	SEK	101.00
Deferred property tax per share	SEK	0.27
Net asset value per share	SEK	101.27

FINANCIAL PERFORMANCE

PRELIMINARY RESULTS FOR THE PERIOD 17. OCT. to 31. DEC 2013

Rental income for Delarka Holding totaled kSEK 12,968 for the period 17 October to 31 December 2013. Maintenance and other operating costs for the same period totaled kSEK 1,610. Property tax expenses came to kSEK 873, and administrative expenses came to kSEK 780. Administrative expenses are somewhat higher than normal in this period due to expenses related to the handover of the property from Vasakronan. Operating profit before fair-value adjustments in the period thereby amounted to kSEK 9,704.

The profit before value adjustments and tax is for 2014 expected to be approximately kSEK 43,000.

Fair-value adjustments to the property portfolio yielded an unrealised gain of kSEK 26,911. Net realized financial expenses came to kSEK 10,159. This includes kSEK 5,500 in establishment cost regarding the bond. The pre-tax loss for the period came to kSEK 26,456, which is according to the information given in the Information Memorandum under the Private placement of shares in Delarka Holding As.

VALUATION OF PROPERTIES

Two independent external valuers have valued the property based on Market value. The valuation in the accounts is based on an average of the two external valuations. At 31 December 2013, the property was valued at kSEK 1,237,500

In the fourth quarter the overall outcome was a positive fair-value adjustment of kSEK 26,911.

CASH FLOW

Net cash flow from operating activities before financial items for the fourth quarter was kSEK 7,267.

At 31 December 2013 the working capital is kSEK 8,834 compared to kSEK 6,456 presented to the investors in the Information Memorandum after adjusting to the actual interest cost.

BALANCE SHEET

The company held kSEK 41,706 in cash and the working capital is kSEK 8 834. Equity totaled kSEK 504,995, corresponding to an equity ratio of 39,5 per cent. Carried equity per share was SEK 101,00. Outstanding shares at 31 December totaled 5,000,000.

FINANCING - BOND

The interest bearing debt / property value (LTV) was 59.8 per cent at 31 December.

The debt financing is a senior bond secured on a 1st lien basis:

Issuer:	Delarka AB (publ) org. nr. 556944-7096
Amount:	SEK 740 million
Issue price:	100%
Coupon:	4,58% per annum (issue spread of +210 basis points)
Tenor:	7 years
Amortization:	100% at final maturity

The bond security package includes 1st lien security in the Property, the lease agreement, shares in the Subsidiary (i.e. the issuer), various accounts and insurances. Currently there is a mortgage deed corresponding to SEK 800 million on the Property.

OFFICE MARKET SNAP SHOT – CBRE reports the following.

The total office stock in Stockholm, suburbs included, is around 11 million sq. m of which some 1,8 million is located in CBD. The vacancy rate in CBD remains low and stable at around 4 per cent for Q4 2013 and average prime rate is unchanged at SEK 4,400 per sq.m. pa. Demand for office space in inner city continues to be high and several markets have historical low vacancy rates.

The office stock in Solna / Sundbyberg amounts to over 1.4 million sq. m., with most of the office space in Solna . Vacancy rates in the whole area Solna / Sundbyberg is for Q4 2013 just over 11 per cent, or nearly 160,000 sq. m. Notable upcoming vacancies, from Q3 2014 onwards , is approximately 70,000 sq.m.. The vacancy rate in Solna/Sundbyberg is 11 per cent for Q4 2013 and average prime rate is at SEK 2,300 per sq.m. pa

In recent years, the rental market in Solna and Sundbyberg have been relatively stable, but since the end of 2012 the occupational market has tightened and rents have begun to increase mainly in Solna. Whether this is the start of a medium to long-term development or only a short term temporary rise is currently difficult to say.

The “Mall of Scandinavia” and “Arenastaden” is one of the largest urban development projects in Sweden. There will be 2,000 new apartments in the area. Today, more than 70,000 people work in Solna, and the number is expected to grow to 80,000 by 2025.

In both Solna and Sundbyberg an ongoing and planned variety of office projects are to meet the market's demand for quality office space. Interest in the areas communication links and quality office space is large and contributes to the rent level has ratcheted up. By the year 2016, more than 110,000 sq. m. of new office space will exist in the area, of which 70,000 sq. m. only located in Solna.

Source: CBRE Research and Valuation

THE PROPERTY AND LEASE AGREEMENT

Delarka Holding AS is a single-purpose-company owning a single building of approximately 53 000 sq.m., of which around 14 000 sq.m. constitute approximately 450 parking spaces. The building is a contemporary construction, erected on behalf of the tenant, the national Swedish postal company Posten AB (now PostNord AB), as its new head office in December 2003.

The land area is approximately 40 000 sq.m. with the building designed as a single volume along the slope of a hill between Tomtebodavägen mail terminal and former police academy in Solna, Stockholm.

The rental income for 2014 is kSEK 89 644 and in addition the tenant pays 100% 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.

SHAREHOLDER INFORMATION

The company had 186 registered shareholders at 31 December. The company's share capital totalled kSEK 504,995 at 31 December, divided between 5,000,000 shares with a par value of SEK 101 per share. There are no outstanding shares.

EVENTS AFTER THE BALANCE SHEET DAY

There are no significant events after 31 December 2013 that provides information of conditions that existed at the balance sheet date resulting in adjustments of the financial statements, or events after the balance sheet date that do not require such adjustments.

ORGANISATION

Mattias Mattsson (34) joined Pareto Business Management on 1 February 2014 as CFO for Pareto Business Management AB and will join the Management team of Delarka Holding AB. Mattsson has relevant experience of managing properties, most recently as CFO of CBREBasale AB and business manager for 8 property companies.

GENERAL MEETING – 27 March 2014

The ordinary general meeting is Thursday 27 March 2014. The notice of Annual General Meeting is published on www.delarka.se and the Annual report will be published Thursday 6 March 2014 on the company's website. There will be an election of a new board consisting of shareholders.

NEXT REPORTING DATE

The company reports semi-annually and the next report is expected to be published 27. August 2014

The Board of Directors of Delarka Holding AB

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

Amount in SEK thousand	Note	17. Oct - 31. Dec
Gross income	1	12,968
Operating expenses		-1,542
Maintenance		-68
Property tax		-873
Property-related expenses		-2,483
Administrative expenses		-780
Total operating expenses		-3,264
Operating profit before value adj.		9,704
Change in market value of investment property		26,911
Operating profit		36,615
Financial income		20
Financial cost	2	-10,179
Net financial items		-10,159
Profit before income tax for continued operations		26,456
Deferred income tax for continued operations		-1,339
Profit for the period		25,117
Profit attributable to non-controlling interests		0
Profit attributable to owners of the Company		25,117

1) Includes kSEK 5,500 in establishment cost to Pareto Securities AB regarding the bond.

2) Gross income includes rental income kSEK 11,711 and cost covered by tenant (including property tax) kSEK 1,257.

CONSOLIDATED CASH FLOW

Amounts in SEK thousand	31. Dec 2013
Profit before income tax	26,456
Fair value adjustments of investment property	-26,911
Change in short-term items	7,722
Net cash flow from operating activities	7,267
Payments for purchase of investment property	-1,206,061
Net cash flow from investing activities	-1,206,061
Net payment from bond	740,000
Capital increase	500,000
Net cash flow from financial activities	1,240,000
Net change in cash and cash equivalents	41,206
Cash and cash equivalents at the beginning of the period	500
Cash and cash equivalents at the end of the period	41,706

CONSOLIDATED BALANCE SHEET

ASSETS		Note	31. Dec 2013
Investment property	1		1,237,500
Total non-current assets			1,237,500
Account receivable			3
Other receivables			722
Cash and cash equivalents			41,706
Total current assets			42,431
Total assets			1,279,931
EQUITY AND LIABILITIES			31. Dec 2013
Paid in equity			5,000
Other reserves			474,878
Retained earnings			25,117
Total equity			504,995
Deferred tax	2		1,339
Bond			740,000
Total non-current liabilities			741,339
Trade payables	3		28,015
Other liabilities	4		5,582
Total current liabilities			33,597
Total liabilities			774,936
Total equity and liabilities			1,279,931

- 1) Acquisition cost is kSEK 1,210,589 and fair value adjustment is kSEK 26,911
- 2) According to the exception in IAS 12 deferred tax is not recognized when buying a company that is not a business. A provision for deferred tax is made after subsequent increases in the value beyond initial cost.
- 3) Trade payables include acquisition cost and cost of private placement kSEK 19,045 to Pareto Securities AB and Project Finance AS
- 4) Other liabilities include accrued interest kSEK 4,425

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		
Amount in SEK thousand	Note	
Total equity beginning of the periode 17. Oct 2013		500
Capital decrease		-500
Capital increase		500,000
Cost of private placement		-20,123
Profit for the periode		25,117
Total equity end of periode		504,995

There are no minority interests.

Amounts in SEK thousand	Note	Share capital	Other paid in equity	Retained earnings	Total equity
Total equity 17 October 2013		500			500
Capital decrease		-500			-500
Capital increase		5,000	495,000		500,000
Cost of private placement			-20,123		-20,123
Profit for the periode				25,117	25,117
Total equity 31 December 2013		5,000	474,878	25,117	504,995

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Delarka is a real estate group, established in October 2013. The group 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 subsidiaries. Acquired properties are included in the financial statements from the acquisition.

Delarka Holding ABs business consists of ownership and management of the property Polise 2, Headquarter to 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 24 February 2014. This report has not been audited nevertheless the figures under Financial Information is according to audited Financial Statement report for 2014.

DISCLAIMER

The information included in this report contains certain forward-looking statements which address activities, events or developments which Delarka Holding AB ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic area and counterparty risk, interest rates, access to financing and changes in governmental regulations. For a further description of other relevant risk factors, reference is made to Delarka's annual report for 2013. As a result of these and other risk factors, actual events and the company's actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and Delarka disclaims any and all liability in this respect.