

Delarka Holding AB (publ)



Interim Report First half of 2015

January – June 2015

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

RESOLVED DIVIDEND FOR 2015

- At the Annual General Meeting (AGM) on 25 March, 2015 it was resolved that a dividend of SEK 8 per share will be distributed to the shareholders, through a quarterly payment of SEK 2 per share.

FIRST HALF OF 2015 IN BRIEF

- Rental income amounted to TSEK 49,334
- Net Operating Income was TSEK 39,673
- Net income was TSEK 16,407
- Earnings per share was SEK 3.28

IMPORTANT EVENTS IN THE PERIOD January - June 2015

- No important events have occurred during the period.

KEY FIGURES - Period 1 Jan - 30 Jun 2015

	2015	2014	2014
	Jan-Jun	Jan-Jun	Jan-Dec
Rental income, (TSEK)	49,334	49,356	99,231
Net Operating Income, (TSEK)	39,673	40,540	80,976
Income from property management, (TSEK)	21,046	21,599	42,922
Income before tax, (TSEK)	21,046	9,099	30,422
Net income, (TSEK)	16,407	8,493	23,908
Interest coverage ratio	2.24	2.3	2.3
Return on equity, %	6.88 %	3.47%	4.8 %
Total assets, (TSEK)	1,276,329	1,264,193	1,270,759
Equity ratio, %	36.5 %	37.5 %	38.5 %
Loan-to-value ratio, %	60.4 %	58.5 %	60.4 %
Market value of investment property, (TSEK)	1,225,000	1,225,000	1,225,000
Equity per share, (SEK)	93.1	95.1	97.8
Earnings per share, (SEK)	3.28	1.70	4.78
Yield, %	6.21 %	6.3 %	6.3 %

Important events and development

No important events have occurred during the period.

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 sq. m. of office space and around 14,000 sq. m. parking spaces with approximately 450 parking spaces.

The rental income excluding supplements for the first half of 2015 is TSEK 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.

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 2015 CBRE reports about the market as summarized below:

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 4,700 (4,500) SEK/sq. m. with a range of +/- 10 (20) %.

The total office stock in Solna/Sundbyberg is approximately 1.4 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 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 decrease 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 estimated at 2,500 (2,300) sek/sq. m., however levels above 2,600 sek/sq. m. have been noted. The rent spread is generally between 1,800-2,500 (1,600-2,400) sek/sq. m. and year.

Developments and reconstruction in Solna/Sundbyberg: The largest office project taking place in Solna, Arenastaden is the landlords Fabege's production of a 42,000 sq. m. building to the Swedish telecom company "TeliaSonera", with completion late 2015. Fabege has also signed a 20-year lease with SEB for premises in the same area. SEB will gather together large portions of its operations in Stockholm and create 67,500 sq. m. in new office buildings adjacent to the Mall of Scandinavia.

Another project in Stockholm is the new Karolinska Hospital, Solna.

By year 2018, around 200,000 sq. m. of new office space has entered the Solna market, of which more than 90 per cent already is pre-let.

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.

Fabege has bought the so called "Bilia plot" from Catena for SEK 1.45 billion. This is so far the largest transaction in the municipality of Solna, during 2015. 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

The group rental income was for the period TSEK 49,334 (49,356).

Result

Net Operating Income for the period was TSEK 39,673 (40,540) and the Net income was TSEK 16,407 (8,493).

Investments and cash flow

Net cash flow from operating activities was TSEK 23,605 (6,104)

Net cash flow from financing activities was negative TSEK 20,000 (10,000) due to dividend payments. Of the paid dividend of TSEK 20,000, TSEK 10,000 is related to resolution at the AGM in 2014 and TSEK 10,000 is related to resolution at the AGM in 2015.

Net cash flow from investments is zero.

Net cash flow for the period was TSEK 3,605 (-3,896).

Valuation of properties

Two independent external valuers, DTZ and CBRE, 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 2015, the property was valued at 1,225,000 (1,225,000) TSEK. No change in Market value has occurred during the period.

Equity

The group equity at 30 June, 2015 was TSEK 465,310 (473,488) with an equity ratio of 36.5 (37.5) %.

Financing

The group 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 and during its duration the interest rate is fixed with 4.58 % with no amortization. Interest cost during the period was TSEK 16,986 (16,957).

Share and shareholders

The company is listed on Nasdaq OMX First North with Wildecos Ekonomisk Information as Certified Adviser. The company had 580 (305) registered shareholders on 30 June 2015. Outstanding shares per 30 June 2015 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 on 30 June 2015 are presented below.

#	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	Avanza pension	3.62 %	181,193
5	SEB SA Luxemburg	3.48 %	174,108
6	DBS Bank AS NO. 001	2.60 %	130,000
7	LGT Bank Ltd	2.60 %	130,000
8	ICA Handlarna	1.92 %	95,814
9	SIX SIS AG	1.89 %	94,500
10	Nordnet pensionsförsäkring	1.87 %	93,457
	Total 10 largest share holders	53.0 %	2,649,072
	Others	47.0 %	2,350,928
	Total	100 %	5,000,000

Dividend 2015

At the AGM it was resolved that a dividend of SEK 8 per share, implying a total dividend of TSEK 40,000. Payments of the dividend occur at 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 will be 31 March 2015, 30 June 2015, 30 September 2015 and 30 December 2015.

During 2015 a total of TSEK 20,000 has been distributed to the shareholders, of which TSEK 10,000 is related to resolution at the AGM in 2014 and TSEK 10,000 is related to resolution at the AGM in 2015.

Employees

The group has had no employees during the period. 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 (0). Income before tax was TSEK 39,566 (-235) and cash at the end of the period was TSEK 10,391 (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 2014. Compared to the annual report for 2014, 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 of 2014. 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

22 February 2016

Year-end report

31 Mars 2016

Annual General Meeting

STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand	2015 Jan-Jun	2014 Jan-Jun	2014 Jan-Dec
Rental Income	49,334	49,356	99,231
Operating expenses & Maintenance	-6,526	-5,775	-11,472
Property tax	-3,135	-3,041	-6,782
Net Operating Income	39,673	40,540	80,976
Administrative expenses	-1,641	-1,993	-4,171
Financial income	0	9	28
Financial cost	-16,986	-16,957	-33,911
Income from property management	21,046	21,599	42,922
<i>Changes in market value</i>			
Properties, unrealized	-	-12,500	-12,500
Income before tax	21,046	9,099	30,422
Current tax	-	-	-
Deferred tax	-4,639	-606	-6,514
Net Income	16,407	8,493	23,908
<i>Other comprehensive income</i>	-	-	-
Comprehensive income for the period	16,407	8,493	23,908
Earnings per share, SEK	3.28	1.70	4.78
Average number of shares, thousands	5,000	5,000	5,000

CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousand

	30 Jun 2015	30 Jun 2014	31 Dec 2014
ASSETS			
Investment properties	1,225,000	1,225,000	1,225,000
Total fixed assets	1,225,000	1,225,000	1,225,000
Accounts receivable	0	6	74
Other receivables	3,647	1,377	1,402
Cash and cash equivalents	47,888	37,810	44,283
Total current assets	51,535	39,193	45,759
Total assets	1,276,535	1,264,193	1,270,759
EQUITY AND LIABILITIES			
Shareholders' equity	465,310	473,488	488,903
Total equity	465,310	473,488	488,903
Deferred tax	12,492	1,945	7,853
Bond	740,000	740,000	740,000
Total long-term liabilities	752,492	741,945	747,853
Accounts payable	1,154	1,387	874
Other liabilities	44,143	32,794	16,783
Prepaid rental income	9,011	10,154	10,277
Accrued interest cost	4,425	4,425	6,068
Total current liabilities	58,733	48,760	34,003
Total equity and liabilities	1,276,353	1,264,193	1,270,759

STATEMENT OF CASH FLOWS

Amounts in SEK thousand	2015	2014	2014
	Jan-Jun	Jan-Jun	Jan-Dec
Operating profit	39,673	40,540	80,976
Other items not included in cash flow	-	-	-5
Administration costs	-1,641	-1,993	-4,171
Interest received	-	9	28
Interest paid	-16,986	-16,957	-33,906
Cash flow from operating activities			
Before changes in working capital	21,046	21,599	42,922
<i>Cash flow from changes in working capital</i>			
Increase / decrease in accounts receivable	74	-3	-70
Increase / decrease in other receivables	-2,040	-655	-679
Increase / decrease in trade payables	280	555	41
Increase / decrease in other current liabilities	4,245	-15,392	-9,637
Cash flow from operating activities	23,605	6,104	32,577
<i>Financing activities</i>			
Dividend paid to shareholders	-20,000	-10,000	-30,000
Cash flow from financing activities	-20,000	-10,000	-30,000
Cash flow for the period	3,605	-3,896	2,577
Cash and cash equivalents at beginning of period	44,283	41,706	41,706
Cash and cash equivalents at the end of the period	47,888	37,810	44,284

STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand	Share capital	Other contributed capital	Retained earnings	Total equity
Equity 1 Jan 2014	5,000	474,878	25,117	504,995
Dividend	-	-	-40,000	-40,000
Comprehensive income	-	-	8,493	8,493
Equity 30 Jun 2014	5,000	474,878	-6,390	473,488
Comprehensive income	-	-	15,415	15,415
Equity 31 Dec 2014	5,000	474,878	9,026	488,903
Comprehensive income	-	-	16,407	16,407
Dividend	-	-	-40,000	-40,000
Equity 30 Jun 2015	5,000	474,878	-14,568	465,310

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand	2015 Jan-Jun	2014 Jan-Jun	2014 Jan-Dec
Gross Income	-	-	-
Other operating expense	-	-33	-35
Administration expenses	-434	-210	-462
Net Operating Income	-434	-243	-497
Financial income	40,000	8	40,016
Financial expenses	-	-	-
Income before tax	39,566	-235	39,518
Tax	-	-	-
Net Income	39,566	-235	39,518

CONDENSED PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	30 Jun 2015	30 Jun 2014	31 Dec 2014
ASSETS			
Participation in subsidiaries	476,920	479,661	476,920
Total fixed assets	479,920	479,661	476,920
Other receivables	30,088	24	1,931
Cash and cash equivalents	10,391	10,674	10,497
Total current assets	40,479	10,698	12,428
Total assets	517,399	490,359	489,348
EQUITY AND LIABILITIES			
Paid in equity	5,000	5,000	5,000
Premium reserve	474,878	474,878	474,878
Dividend	-80,000	-40,000	-40,000
Retained earnings	78,968	-351	39,402
Equity	478,845	439,526	479,279
Other liabilities	38,554	50,833	10,069
Total current liabilities	38,554	50,833	10,069
Total equity and liabilities	517,399	490,359	489,348

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 2014. 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.

The financial statements include Delarka Holding AB and subsidiary Delarka Fastighet AB. 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 through its subsidiary Delarka Fastighet AB. 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 Holding AB was approved at a Board meeting on 26 August 2015. This report has not been audited.

Stockholm 26 August 2015
Delarka Holding AB (publ)
Registration 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 the property value 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.