

# REAL HOLDING



INTERIM REPORT  
January - June 2016



# REAL HOLDING

INTERIM REPORT  
JANUARY - JUNE

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# Q2 IN BRIEF



# 5,0

Rental Income(MSEK)

# 3,9

Net Profit (MSEK)

# 88,4

Equity (MSEK)

## The Second Quarter in Brief

- Rental income in Q2 2016 increased to 5,0 MSEK in 2015, compared to 0,1 MSEK in Q2 2015.
- Net income amounted to 3,9 MSEK in Q2 2016, compared to -0,2 MSEK in Q2 2015. The result can primarily be attributed to unrealised value gains of 8,9 MSEK on the Company's property in Karlskrona.
- Earnings per share of 0,33 SEK on a fully diluted basis, in Q2 2016, compared to -0,06 SEK in Q2 2015. Earnings per average number of shares in the period amounted to 0,33 SEK, compared to -0,07 SEK in Q2 2015.
- Equity capital, including the quarter's net income and unrealized value changes on properties, amounted to 88,4 MSEK at the end of Q2 2016, compared to 5,8 MSEK at the end of Q2 2015.
- Equity per share at the end of Q2 2016 amounted to 7,52 SEK and 7,56 SEK per average number of shares in the quarter, compared to 1,62 SEK and 2,06 SEK respectively at the end of Q2 2015.
- The market value of the Company's property portfolio amounted to 246,6 MSEK at the end of Q2 2016, compared to 5,0 MSEK at the end of Q2 2015.
- Annualized direct yield for the Company's property portfolio, adjusted for the value of building permits, rose to 7,52 percent per June 30 2016, from 6,12 percent per June 30 2015.



### Key Developments in the Quarter

- Listing of the Company's Class B common shares and PREF1 preference shares on the Nordic Growth Market Nordic MTF exchange.
- Acquisition and takeover of two properties in Karlskrona, the Company's first first newbuild development with building permits for at least 47 000 sqm and around 500 new apartments. As a result of the completion of detailed land and environmental studies risk related to land quality has been significantly reduced. Consequently, the property value has increased from 36,3 million Swedish kronor to 48 million Swedish kronor.
- Acquisition and takeover of newbuild project in Skövde, building permits for 4 500 sqm of residential spaces, with planned construction of 50-60 new apartments.
- Successful Rights Issue of 7,5 MSEK Series B common shares.
- Previous minority interests have been terminated following the acquisition of the remaining 49 percent of shares in Real Samhällsfastigheter AB.

### Developments After the End of the Quarter

- Strategically important acquisition of the real estate management services firm Efficax Sydfastgruppen AB, bringing on board the organisation to manage and grow Real Holding's portfolio.
- Acquisition of Hägglundsfastigheterna AB - 53 000 of industrial, storage and office spaces in Örnsköldsvik, for 180 MSEK, representing the Company's largest acquisition so far.

# 500

New Apartments  
On Pottholmen

# 247

Property Portfolio  
(MSEK)

# Comment from the CEO



Dear Stakeholders

**R**eal Holding reached important milestones in the second quarter. We posted positive quarterly earnings. Net profit of 3,9 million Swedish kronor, compared to a loss of -11,5 million Swedish kronor in the first quarter. Our main emphasis is on growth. Nevertheless it is gratifying to note that our strategy is starting to produce results.

The most important milestone however, was reached with the listing of Real Holding's Series B common shares and series PREF1 preference shares on the Nordic Growth Market Nordic MTF market site, which was the first intermediate objective we set when we founded Real Holding.

Major step forward for Pottholmen

We also continued to grow our property portfolio in the second quarter. We took possession of two properties on Pottholmen in Karlskrona, of which one consists of land with building permits and which is the Company's first newbuild development. In Karlskrona we are working around the clock to drive through a new regulation plan, which will include construction of at least 47 000 square meters exclusively of residential spaces. We assume we get to build around 500 new apartments in Karlskrona. During the quarter we moved one step closer to the new regulation plan, with the completion of detailed land and environment surveys as well as assessment and examination of several construction alternatives. With the completion of land and environment studies the land quality risk has been significantly reduced. Consequently, the property value has increased from 36,3 million Swedish kronor to 48 million Swedish kronor. I am very excited to continue the progress on Pottholmen over the coming quarters and see one of the most exciting residential property developments in Sweden gradually materialise.

Furthermore we acquired a residential development project, where the regulation plan is determined. We are planning construction of around 60 new rental apartments, with expected completion in 2017.

On track for profitability

After the end of the quarter Real Holding acquired Hägglundfastigheterna AB in a transaction worth 180 million Swedish kronor. The acquisition gives Real ownership of the property Norrlungånger in Örnsköldsvik, containing 53 000 square meters of industrial, storage and office spaces. The transaction increases Real's rental income by 35 million Swedish kronor, corresponding to an increase of 150 percent, while net operating income will rise by 19-20 million Swedish kronor, a 125-133 percent increase.

There are a number of positive sides to the Örnsköldsvik transaction. Firstly the acquisition will make Real a profitable company. Second, it will bring our property portfolio closer to the critical mass necessary to deliver returns to our shareholders. Thirdly, the transaction will strengthen Real's organisation

with the addition of two of Hägglundfastigheterna's part owners, who will become shareholders in Real and contribute to develop and grow our company.

### Strengthening our in-house expertise

Real Holding has made an important strategic acquisition with the purchase of 89,75 percent of Efficax Sydfastgruppen AB – a commercial real estate services firm offering a full range of commercial services, property management, project management of newbuild and renovation projects, mall management, and financial and real estate accounting services, all with a local focus. With offices in Stockholm, Huskvarna, Gothenburg and Karlstad and operations throughout Sweden, Sydfastgruppen has contributed to increase the value of properties and developments for clients for more than 20 years.

The acquisition secures professional management of Real Holding's existing portfolio as well as future property acquisitions. We are convinced that Sydfastgruppen's expertise in property and project management will contribute to unlock more value inherent in Real Holding's property portfolio and position the company to exploit further opportunities for growth and increased value creation. We are also glad to present Claes Örtegren, who has been Sydfastgruppen's Head of Real Estate Management since 2012 and who is incredibly competent within real estate management, as Sydfastgruppen's new CEO as well as Director of Properties in Real, and thus an important partner in Real Holding's management group.

### Going Forward

As CEO I am very satisfied with the steps we have taken in the second quarter as well as the acquisitions we have made after the end of the quarter. In small but steady steps we are laying the groundwork for building a solid real estate platform. We have started the journey to grow our property portfolio to 2-3 billion Swedish kronor within the next two years, and we look into the future with great enthusiasm.

Daniel Andersson  
Real Holding  
CEO



# ABOUT REAL HOLDING



"Sweden faces an acute housing shortage. Real want to help close this gap. If a society cannot provide its inhabitants with shelter it has failed one of its most basic tasks"

DANIEL ANDERSSON  
CEO

Real Holding was founded in 2011, although no operations commenced before June 2014 when the company acquired its first property. In December 2015 the company took possession of eight properties and acquired a further two.

Real Holding is marked by a highly qualified management team, a professional and independent board and strong long-term owners. The Company's founders have more than 100 years of real estate experiencing between them, spanning acquisitions, financing, ownership and management of commercial and residential properties.

The management team has built a unique industry network, including decision makers in the Scandinavian construction and real estate sectors, top-level political contacts as well as banks and other financial markets actors. The board is composed of recognized professionals with top-level experience from companies such as Volvo, IKEA, ABB, Fujitsu and EQT.

In addition to significant management ownership Real Holding's initial owners include Tuve Holding – owner of West Sweden's largest privately owned construction company Tuve Bygg and Kvalitena, one of Sweden's most successful real estate investment firms and the architect behind the property companies D. Carnegie & Co and Stendörren Fastigheter, which own property portfolios worth a combined 25 billion kronor.

# STRATEGY



Real Holding is primarily seeking properties with previously neglected and unrealised development potential, and to develop such properties in order to obtain higher long-term returns. Real may also acquire properties without need for development if the yield on offer is sufficiently attractive.

Real Holding's strategy is centered on three pillars:

1. Development of affordable rental apartments
2. Renovate rental apartments where people can afford to live
3. Acquire, own and manage high-yielding commercial properties, which shall generate resources to build new rental apartments.

## FINANCIAL STRATEGY

Real Holding's aim is to build a leading Pan-Scandinavian property company that will deliver good risk-adjusted returns to the group's investors. To that end Real will constantly seek to reduce financing costs, in order to increase returns and enable growth. To lower financing costs Real is focused on continuously expanding the company's property portfolio. With prudent management Real will aim to achieve a mutually reinforcing relationship between higher growth and lower financing costs. To avoid the risk of jeopardizing liquidity, management will work to ensure that new acquisitions contributes positively to cash flow, net of financing costs,

# Board of Directors



**Bengt Engström - Chairman (born 1953)**

Bengt Engström graduated in mechanical engineering from the KTH Royal Institute of Technology in 1977. Since 2004 Bengt has been running his own senior management consultancy, counting large multinationals such as EQT, IKEA, Duni, BearingPoint, Dometic, VLT, Aller-gruppen and Accent Equity as clients. Mr Engström has long experience from leading positions in several multinational companies. He has been CEO for Fujitsu Nordic and Duni AB, deputy CEO for Whirlpool and CEO for Whirlpool Europe. Mr Engström currently serves as a board member in the following publicly listed companies: Bure Equity, Prevas Aktiebolag, Scanfil Oy as well as in several unlisted companies.



**Bengt Linden - Board Member (born 1956)**

Bengt Linden graduated with a Master of Business Administration (Civilekonom) from Stockholm University and since 1984 he has been self-employed as a commercial real estate broker. Beginning in 1995 Mr Linden started to build his own significant private real estate portfolio, currently amounting to circa 75 000 square meters. Apart from Real Holding Mr Linden is Chairman of the Board in the following companies: Stockholm Yacht Center AB, Yacht Center Stockholm, and Real Fastigheter AB (publ).



**Peter Karlsten - Board Member (born 1957)**

Peter Karlsten currently runs his own strategic advisory. He has previously served as deputy CEO in AB Volvo. Prior to that he was CEO for a number of Volvo subsidiaries, including Volvo Powertrain, Volvo USA and Volvo Brazil. In addition to his long experience from Volvo Mr Karlsten has held several leading positions in ABB and Munters. Mr Karlsten holds two Master's degrees, one in engineering physics and electronics from the University of Linköping as well as a Master of Business Administration from the University of Uppsala.

### Lennart Molvin - Board Member (born 1947)

Lennart Molvin has long experience from several public companies within the industrial, pharmaceutical and real estate sectors. Mr Molvin has been CFO in the IKEA Group, where he established the loyalty programme IKEA Family, which today has 60 million members. Mr Molvin played a key role in taking the real estate company Wihlborgs public on Nasdaq Stockholm. Apart from his service for Real Holding Mr Molvin is Chairman of the Board in Trifilon AB, Universal Learning Games ULG AB and Minnits Games AB. He also serves as a board member in the following companies: Böltörn AB, Drive Concept No 1 AB, Kvalitena Danmark AB, and KRAFTÖ AB.



### Robert Jukic - Board Member (born 1970)

Robert Jukic is founder and former CEO of Chamber Group and CBN Chamber Business Networks. He is an active partner in Tuve Holding – owner of Tuve Bygg. Mr Jukic is Honorary Consul for Croatia in Sweden. He is a board member in the following companies: Tuve Holding AB, Chamber Group Sweden AB, Chamber Bygg Sweden AB, Chamber Holding Sweden AB, TMJ Invest AB, JRWF Invest AB and ChamberTech AB.



### Lennart Holm - Board Member (born 1960)

Lennart Holm is a Swedish entrepreneur and business leader with a background as a CEO and Chairman for several blue-chip international corporations, such as Perstorp, PAI Partners and Stora Cell. Mr Holm has wide experience from marketing and sales, R&D, production, finance and private equity. Mr Holm is today Chairman of the board in the following companies: BillerudKorsnäs AB, ChamberTech AB, Tuve Holding AB, VIDA AB, Brunkeberg Systems AB, Polygiene AB and Nexam Chemicals AB.



# Management



Daniel Andersson - CEO (born 1978)

Daniel Andersson has been active as a business developer, deputy CEO and board member in Amasten Holding AB, listed on Nasdaq First North. Prior to that Mr Andersson worked as a financial advisor.



Nils Fransson - CFO (born 1959)

Nils Fransson has extensive experience from accounting and auditing. He established his own accounting practice in the 1990s and throughout the 2000s he has been an independent consultant to several major real estate firms.



Claes Örtegen - Director of Properties (born 1968)

Claes Örtegen has worked as Head of Real Estate Management for Sydfastgruppen since 2012. Previously he served Head of Real Estate Management and deputy CEO in Omnigruppen Asset Management from 2007 until 2012. Prior to that Mr Örtegen was Head of purchasing and facility for Sophiahemmet AB and Operative Chief for Allied Service Partners AB. Mr Örtegen even has experience as Regional Chief for Burger King.



Aerial photo of Real Holding's most recently acquired property in Örnsköldsvik, Norrlungänger 2:144.



Anderstorps-Törås 2:252, Gislaved Municipality.

Henja 10:4 in Gislaved.



# Consolidated Income Statement

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Rental Income	5,0	0,1	9,8	0,2	2,4
Other Income	-0,0	0,0	0,2	0,0	0,1
<b>Total Income</b>	<b>5,0</b>	<b>0,1</b>	<b>10,0</b>	<b>0,2</b>	<b>2,5</b>
Property Costs	-1,9	0,0	-4,3	0,0	-0,4
Other External Costs					
<b>Gross Profit</b>	<b>3,1</b>	<b>0,1</b>	<b>5,7</b>	<b>0,2</b>	<b>2,1</b>
	-3,3	-7,1	-7,0	-8,8	-14,7
Sales, General & Adm. Costs	-0,7	-0,4	-1,9	-0,5	-1,2
Depreciation	-0,2	0,0	-0,3	0,0	-0,1
Unrealised Value Changes	8,9	13,0	8,9	13,0	9,2
Other Operating Expenses	0,0	0,7	-1,2	0,0	-8,1
<b>Operating Profit</b>	<b>7,9</b>	<b>6,3</b>	<b>4,3</b>	<b>3,9</b>	<b>-12,9</b>
Net Financial Items					
Reversal of Priorly Activated					
Prepaid Expenses	-1,3	0,0	-4,4	0,0	0,0
Currency Adjustments	0,0	-0,7	0,0	-0,7	7,8
Interest & Other Financial Costs	-3,7	-6,7	-14,2	-7,0	-28,1
<b>Net Financial Items</b>	<b>-5,0</b>	<b>-7,3</b>	<b>-18,6</b>	<b>-7,6</b>	<b>-20,3</b>
<b>Pretax Profit</b>	<b>2,9</b>	<b>-1,0</b>	<b>-14,3</b>	<b>-3,7</b>	<b>-33,1</b>
Deferred Tax	0,9	0,7	6,9	1,3	6,7
Current Tax	0,1	0,0	-0,2	0,0	-0,5
<b>Net Income</b>	<b>3,9</b>	<b>-0,2</b>	<b>-7,6</b>	<b>-2,3</b>	<b>-27,0</b>
Attributable to:					
Shareholders of the Parent	3,9	-0,2	-7,6	-2,3	-25,5
Minority Interests					-1,5

# Consolidated Cash Flow Statement

MSEK	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Pretax Profit	-14,3	-3,7	-43,3
Adjustments for Non-Cash Items	-15,3	-12,5	-2,5
Paid Tax	0,0	0,0	0,0
<b>Cash Flow from Operations before Change in Working Capital</b>	<b>-29,6</b>	<b>-16,2</b>	<b>-45,8</b>
Change in Accounts Receivable	-1,0	2,6	2,5
Change in Other Current Assets	0,3	-38,2	-36,7
Change in Accounts Payable	-0,2	7,4	4,5
Change in Other Current Liabilities	-167,2	457,7	196,7
<b>Change in Working Capital</b>	<b>-168,1</b>	<b>429,5</b>	<b>167,0</b>
<b>Cash Flow from Investing Activities</b>			
Investments in Immaterial Fixed Assets	0,0	0,4	-0,5
Investments in Material Fixed Assets	-2,2	0,0	0,0
Investments in Financial Assets	-0,7	-255,8	-77,0
<b>Cash Flow from Investing Activities</b>	<b>-2,9</b>	<b>-255,4</b>	<b>-77,5</b>
<b>Cash Flow from Financing Activities</b>			
New Share Issues	37,0	5,0	5,0
New Loans	79,5	0,0	30,8
Currency Adjustments	0,0	0,0	7,8
<b>Cash Flow from Financing Activities</b>	<b>116,5</b>	<b>5,0</b>	<b>43,6</b>
<b>Total Cash Flow</b>	<b>-84,1</b>	<b>162,9</b>	<b>87,3</b>
Opening Cash & Cash Equivalents	87,3	0,0	0,0
Closing Cash & Cash Equivalents	3,2	162,9	87,3

# Consolidated Balance Sheet

MSEK	2016-06-30	2015-06-30	2015-12-31
<b>Assets</b>			
Immaterial Assets	0,4	0,5	0,5
<b>Sum Immaterial Assets</b>	<b>0,4</b>	<b>0,5</b>	<b>0,5</b>
Buildings & Land	246,6	5,0	165,4
Inventories, Equipment & Installations	0,5	0,0	0,7
Long Term Fixed Assets	0,7	0,0	
<b>Sum Material Fixed Assets</b>	<b>247,7</b>	<b>5,0</b>	<b>166,1</b>
Pending Subsidiaries		268,3	55,5
Tax-Loss Carryforward	13,7	1,3	6,6
<b>Sum Financial Fixed Assets</b>	<b>13,7</b>	<b>269,6</b>	<b>62,1</b>
Accounts Receivable	5,3	0,3	4,3
Deferred Tax Assets		0,0	0,1
Other Receivables	2,5	10,6	3,8
Prepaid Costs & Accrued Revenue	35,5	29,0	34,5
Cash & Cash Equivalents	3,2	162,9	87,3
<b>Sum Current Assets</b>	<b>46,6</b>	<b>202,8</b>	<b>130,0</b>
<b>Sum Assets</b>	<b>308,3</b>	<b>477,9</b>	<b>358,7</b>

# Consolidated Balance Sheet

MSEK	2016-06-30	2015-06-30	2015-12-31
<b>Equity and Liabilities</b>			
Share Capital	23,5	7,1	9,9
Capital Reserve / Pending Share Capital	0,0	0,0	4,4
Bound Equity	0,6	0,0	
Capital Surplus	101,0	0,0	71,0
Retained Earnings	-29,2	1,0	1,9
Earnings in the Period	-7,6	-2,3	-25,5
<b>Equity Capital Shareholder of the Parent</b>	<b>88,4</b>	<b>5,8</b>	<b>61,6</b>
Minority Interests			-1,5
<b>Sum Equity Capital</b>	<b>88,4</b>	<b>5,8</b>	<b>60,2</b>
Deferres Tax Liabilities	0,2	0,0	0,2
Deferred Dividends PREF1	2,1	0,0	
<b>Long Term Liabilities</b>			
Debt to Financial Institutions	59,5	3,0	43,0
Bond	65,0	0,0	
<b>Sum Long Term Liabilities</b>	<b>124,5</b>	<b>3,0</b>	<b>43,0</b>
<b>Current Liabilities</b>			
Overdraft Facility	0,0	0,0	
Liabilities to Financial Institutions	2,2	0,0	4,4
Bridge Loan		0,0	193,0
Accounts Payable	5,0	7,8	5,1
Tax Liabilities	1,0	0,0	0,2
Other Current Liabilities	72,4	454,7	45,8
Accrued Costs & Prepaid Revenue	12,5	6,6	6,8
<b>Sum Current Liabilities</b>	<b>93,1</b>	<b>469,1</b>	<b>255,3</b>
<b>Sum Liabilities</b>	<b>219,9</b>	<b>472,1</b>	<b>298,5</b>
<b>Sum Equity &amp; Liabilities</b>	<b>308,3</b>	<b>477,9</b>	<b>358,7</b>

# Consolidated Change in Equity

Equity Capital (MSEK)	Share Capital	Pending Share Issue	Retained Earnings	Earnings in the Period	Minority Interests	Sum
Opening 2016-01-01	9,87	4,42	72,87	-25,54	-1,43	60,19
Change			-26,97	25,54	1,43	0,00
Share Issue	13,64	-4,42	28,29			37,51
Deferred Dividends PREF1			-2,12			-2,12
Earnings in the Period				-7,20		-7,20
Closing 2016-06-30	23,51	0,00	72,07	-7,20	0,00	88,38

Equity Capital (MSEK)	Share Capital	Pending Share Issue	Retained Earnings	Earnings in the Period	Minority Interests	Sum
Opening 2015-01-01	2,05	0,00	-0,36	0,50	0,00	2,19
Change			0,50	-0,50		0,00
Share Issue	5,00					5,00
Fusion Gain			0,88			0,88
Earnings in the Period				-1,13	-1,21	-2,34
Closing 2015-06-30	7,05	0,00	1,02	-1,13	-1,21	5,73

Equity Capital (MSEK)	Share Capital	Pending Share Issue	Retained Earnings	Earnings in the Period	Minority Interests	Sum
Opening 2015-01-01	2,05	0,00	-0,36	0,50	0,00	2,19
Change			0,50	-0,50		0,00
Share Issue	7,82	4,42	70,99			83,23
Fusion Gain			1,74			1,74
Earnings in the Period				-25,54	-1,43	-26,97
Closing 2015-12-31	9,87	4,42	72,87	-25,54	-1,43	60,19

During the first half of 2016 the Company has completed a share issue of 40 MSEK before transaction costs, as well as a private placement of 7,5 MSEK. At the balance sheet date 2015-12-31 the Company had pending an offset issue registered in 2016.

# Key Figures

	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
<b>Per Share Figures</b>					
Shares Outstanding End of Period	11 756 224	3 525 000	11 756 224	3 525 000	4 936 109
Weighted Average Number of Shares in Period	11 697 432	2 766 758	8 996 084	1 964 560	2 980 555
Earnings Per Share, SEK	0,33	-0,06	-0,65	-0,65	-5,46
Earnings Per Average Number of Shares, SEK	0,33	-0,07	-0,84	-1,17	-9,04
Equity Per Share, SEK	7,52	1,62	7,52	1,62	12,12
Equity Per Average Number of Shares, SEK	7,56	2,06	9,83	2,90	20,07
<b>Property-Related Metrics</b>					
Rental Value, (incl pending properties 2015), SEK/sqm	486	1 576	486	1 576	486
Rental Income, SEK/sqm	466	1 576	466	1 576	460
Economic occupancy rate, %	96	100	96	100	95
Market Value of Properties, KSEK	246 600	5 000	246 600	5 000	165 400
- whereof value of pending building permits, KSEK	47 000	0	47 000	0	36 000
Gross Leasable Area, sqm	49 749	255	49 749	255	45 090
Minimum Pending Building Permits, sqm	47 000	0	47 000	0	47 000
Market Value per Square Meter, excl. Value of Building Permits, SEK	4 012	19 608	4 012	19 608	3 668
Market Value per sqm Building Permits, SEK	1 000	0	1 000	0	766
Annualized Direct Yield, excl. Value of Building Permits, %	7,52	6,12	7,52	6,12	7,26
Number of Properties (taken possession of)	11	1	11	1	9
<b>Financial Metrics</b>					
Solidity, %	28,57	1,19	28,57	1,19	16,78
Interest Coverage Ratio	neg.	neg.	neg.	neg.	neg.
Leverage Ratio	2,15	34,30	2,15	34,30	3,99

# Definitions of Key Figures

## Per Share Figures

Shares Outstanding End of Period	Number of shares outstanding at end of period
Weighted Average Number of Shares in Period	Number of shares outstanding at the beginning of the year, adjusted for number of shares issued during the period and number of days the shares have been outstanding in relation to total days in the period
Earnings Per Share, SEK	Earnings divided by shares outstanding at end of period
Earnings Per Average Number of Shares, SEK	Earnings divided by average number of shares outstanding throughout the period
Equity Per Share, SEK	Equity capital divided by shares outstanding end of period
Equity Per Average Number of Shares, SEK	Equity capital divided by average number of shares outstanding throughout the period

## Property-Related Metrics

Rental Value, (incl pending properties 2015), SEK/sqm	Annualized contracted rental income + estimated market rent for vacant spaces
Rental Income, SEK/sqm	Annualized contracted rental income
Economic occupancy rate, %	Rental income divided by rental value
Market Value of Properties, KSEK	Market value of acquired (and taken possession of) properties based on external valuation from accredited valuation institutes. Market value of land with pending building permits is included, as well as separately reported
Gross Leasable Area (GLA), sqm	Summation of total leasable spaces in possessed portfolio
Minimum Scenario Pending Building Permits, sqm	One property includes land which according to the municipality's zoning programme will be detailed with at least 47 000 sqm of building permits (GFA)
Market Value per Square Meter, SEK	Total market value divided by GLA
Market Value per sqm Building Permits, SEK	Market value of land with pending building permits, divided by minimum amount of sqm building permits
Annualized Direct Yield, excl. Value of Building Permits, %	Annualized net operating income in relation to the market value of the portfolio, adjusted for value of pending building permits

## Financial Metrics

Solidity, %	Equity capital divided by total assets
Interest Coverage Ratio	Operating profit, adjusted for unrealised value changes and depreciation, divided by amortization plus financial costs
Leverage Ratio	Interest-bearing liabilities divided by equity capital

# Comments on the Financial Statements

## Operations

Real Holding owns, manages and develops residential and commercial properties in Sweden, primarily outside the the three main metro areas of Stockholm, Gothenburg and Malmö. As per 2016-06-30 the Company's property portfolio consists of in total 11 properties.

## Income Statement

### Rental Income

Rental income in Q2 2016 increased to 5,0 MSEK, compared to 0,1 MSEK in Q2 2015. The increase primarily relates to the facts that the Company's operations commenced in their current form in December 2015 and that the Company has continued to grow its property portfolio through the first half of 2016. Prior to December 2015 the Company in principle had not any operations.

### Costs

Operating costs adjusted for unrealises value changes amounted to 6,0 MSEK in Q2 2016, compared to 8,2 MSEK in Q2 2015. Property costs increased from 0 to 1,9 MSEK, as a result of the Company having increased its property portfolio throughout the year. On the other hand other external costs fell from 7,1 MSEK to 3,3 MSEK, as a result of lower one-time cost items.

### Net Financial Income

The company's net financial income was -5,0 MSEK in Q2 2016, compared to -7,3 MSEK in Q1 2015 and -20,3 MSEK in fiscal year 2015.

### Unrealised Value Changes

A revaluation of the properties in Karlskrona generated an unrealised value gain of 11,7 MSEK, as a result of the Company moving one step closer to the new regulation plan, with the completion of detailed land and environment surveys as well as assessment and examination of several construction alternatives. Simultaneously the Company has invested ca 3 MSEK in the properties, entailing that unrealised value increase amount to around 8,9 MSEK.

### Net Income

Earnings per share amounted to 0,33 SEK in Q2

2016, compared to -0,06 SEK in Q2 2015, just as earnings per average number of shares in the period amounted to 0,33 SEK. Net income amounted to 3,9 MSEK in Q2 2016, compared to -0,2 MSEK in Q2 2015. The result can primarily be attributed to unrealised value gains on the Company's property in Karlskrona. In the comparabbe numbers for the second quarter as well as the first half of 2015, there is an unrealised value change of 13 MSEK in the income and balance sheet statements. This post relates to an unrealised value gain on a property the Company had entered an agreement to acquire, but where the parties in November 2015 mutually agreed to withdraw from the agreement without consequences. The unrealised value gain was thus cleared from the balance sheet in the last quarter of 2015. However, as the comparison figures refers to actual circumstances for the respective reporting periods the post has been included in the comparison figures.

## Balance Sheet

### Fixed Assets

Total assets at the end of Q2 2016 amounted to 308,3 MSEK, compared to 477,9 MSEK in Q2 2015 and 358,7 MSEK at year-end 2015. Buildings and land increased to 246,6 MSEK as per June 30 2016, from 5,0 MSEK as per June 30 2015. The increase is attributable to the acquisitions made over the past seven months. The balance sheet as per 2015-06-30 includes the terminated acquisition referred to in the paragraph "Net Income" above.

### Equity Capital

Equity capital for shareholders in the Parent Company, including the quarter's net income and unrealized value changes on properties, amounted to 88,4 MSEK at the end of Q2 2016, compared to 5,8 MSEK at the end of Q2 2015. The increase is primarily attributable to share issues the Company has completed in December 2015 and the first quarter of 2016. In the second quarter report payable dividends has been added as a separate post in the balance sheet, concerning dividends that are due to PREF1 shareholders are due, but which have not yet been distributed.

## Liabilities

The Company has both short term and long term liabilities. Total liabilities at the end of Q2 2016 amounted to 219,9 MSEK, compared to 472,1 MSEK in Q2 2015 and 298,9 MSEK at year-end 2015.

## Ongoing and Planned Investments

After the end of the quarter the Company has acquired 100 percent of a real estate company at an agreed upon transaction value of 180 MSEK, as well as 89,75 percent of a real estate management services firm at an agreed upon valuation of 0,7 MSEK. The latter has been taken over after the end of the second quarter and the former is expected to be taken possession of by September 30 at the latest. During the quarter Real Holding acquired the remaining 49 percent of shares in Real Samhällsfastigheter AB previously owned by another party. Thereby the Group no longer has any minority interests to take into consideration. However, given that the acquisition of Sydfastgruppen did not include 100 percent of the shares minority interests will again be an actuality in the third quarter.

## Key Developments in the Quarter

In addition to developments described above, the following developments of note have taken place in Q2 2016:

- Listing of the Company's Class B common shares and PREF1 preference shares on the Nordic Growth Market Nordic MTF exchange.
- Acquisition and takeover of two properties in Karlskrona, the Company's first first newbuild development with building permits for at least 47 000 sqm and around 500 new apartments.
- As a result of the completion of detailed land and environmental studies risk related to land quality has been significantly reduced. Consequently, the property value has increased from 36,3 million Swedish kronor to 48 million Swedish kronor.
- Acquisition and takeover of newbuild project in Skövde, building permits for 4 500 sqm of residential spaces - corresponding to 50-60 new apartments.
- Successful Rights Issue of 7,5 MSEK Series B common shares.

## Environment and Sustainability

Real Holding has high ambitions regarding the quality of residential and commercial properties. In close cooperation with the Group's stakeholders Real Holding is focused on real estate development which meets the criteria for a long term sustainable society. Real Holding complies with laws, rules and industry best practices, minimizes the reliance on fossil fuels for heating, phases out unnatural materials, and promotes far-reaching energy efficiency.

## Transactions with Related Parties

Bengt Linden (Board Member) has lent the Company 37,9 MSEK as per June 30 in a short term loan to be redeemed in connection with further bank or bond financing in the Group.

## Accounting Principles

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standard Board (IASB) as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted within the EU. In addition to IFRS the Company's accounting applies the Swedish Council for Financial Reporting's (RFR) Recommendation RFR 1; Complementing reporting principles for group companies, as well as RFR 2: Reporting for legal entities. The Group reporting has been prepared in accordance with the cost method, with exception for financial assets which are reported at fair market value. Preparing the financial statements in accordance with IFRS requires that management makes a set of estimates, assumptions and judgments.

## Audit

This quarterly report has not been subjected to audit by the Company's auditors.

## Next Quarterly Report

The Company's next quarterly report is estimated to be announced on 2016-11-09.

# Addresses

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