

## INTERIM REPORT JANUARY – SEPTEMBER 2011



***Stora Frösunda Park is the district's green space for taking a break or meeting up***

*Catena shall own, effectively manage and actively develop real estate offer the potential to generate steadily growing cash flow and healthy value growth. Catena's overriding objective, based on its focused orientation, is to provide shareholders with a favorable, long-term total return.*



## INTERIM REPORT JANUARY – SEPTEMBER 2011

### Third quarter, continuing operations

- Rental revenue SEK 6.7 M (6.9)
- Operating profit SEK 50.7 M (53.1)
- Profit before tax SEK 48.0 M (47.5)
- Profit after tax SEK 35.7 M (34.3), corresponding to SEK 3.09 per share (2.96)
- Unrealized change in property value SEK 47.2 M (50.0)
- Investments in continuing operations SEK 0.8 M (0.3)
- Profit from discontinued operations after tax SEK -2.9 M (24.1) or SEK -0.25 per share (2.08)
- Profit after tax from continuing and discontinued operations SEK 32.8 M (58.4), corresponding to SEK 2.84 per share (5.05)

### Nine months, continuing operations

- Rental revenue SEK 20.5 M (20.6)
- Operating profit SEK 82.2 M (116.8)
- Profit before tax SEK 80.6 M (107.2)
- Profit after tax SEK 60.1 M (78.2), corresponding to SEK 5.20 per share (6.76)
- Unrealized change in property value SEK 77.5 M (110.0)
- Investments in continuing operations SEK 2.5 M (1.4)
- Profit from discontinued operations after tax SEK 63.4 M (175.3), or SEK 5.48 per share (15.16)
- Profit after tax from continuing and discontinued operations SEK 123.5 M (253.5) corresponding to SEK 10.68 per share (21.92)

### CEO Andreas Philipson comments

“We’re in uncertain economic conditions, with debt turmoil in Europe, while Swedish households have reduced their consumption. But for my part, I’m optimistic because our Stora Frösunda project is a long-term initiative. We’re in an ideal position with a flexible plan, which means that the share of housing and offices can be adjusted, depending on demand conditions. With stable cash flows, we’ve got the opportunity to gradually plan in building starts as we sign up new tenants.

In the third quarter, we’ve made good progress in our work on the zoning plan for our development project at Stora Frösunda in Haga Norra, Solna, Stockholm. During the development planning process, we resolved many issues, and our next phase is consultation by the City of Solna ahead of exhibiting our zoning plan. As a result, we should be able to present the final zoning plan proposal before year-end.

Continued progress in our zoning planning work, and the fact that we’re now starting to approach definitive approval of this plan, has contributed to the positive change in property value in the quarter.”

## **THE GROUP'S REVENUES, EXPENSES AND EARNINGS**

*Comparisons stated in brackets are for the corresponding period of the previous year.*

*Information is for continuing operations only.*

### **Third quarter**

In the third quarter, rental revenue amounted to SEK 6.7 M (6.9). Property expenses were SEK 1.8 M (2.0), while the operating surplus was SEK 4.9 M (4.9). Administration costs amounted to SEK -1.4 M (-1.8).

Change in property value amounted to SEK 47.2 M (50.0) in the quarter. The property value was appraised at a total of SEK 600 M, in which the value of development rights was estimated at SEK 220 M. This value includes investments of SEK 0.8 M. The appraisal was conducted by Forum Fastighetsekonomi, with a valuation date of September 30.

The positive change in property value is primarily due to continued progress in the zoning planning work. Once the zoning plan is approved, there is significant potential in the value of properties and development rights.

Unrealized value changes on interest swaps were negligible in the quarter.

Operating profit amounted to SEK 50.7 M (53.1) while net financial items were SEK -2.7 M (-5.6).

Current tax amounted to SEK 0.2 M (0) and deferred tax was SEK -12.5 M (-13.2).

### **Nine months**

In the period, rental revenue amounted to SEK 20.5 M (20.6). Property expenses were SEK 5.1 M (5.5) while the operating surplus was SEK 15.4 M (15.1). Administration costs amounted to -10.07 M (-8.3).

The change in property value for the period was SEK 77.5 M. This includes investments in properties of SEK 2.5 M (1.4). The positive change in property value in the period is primarily due to progress in zoning planning work.

To attain the interest structure stipulated by the group's finance policy, Catena uses interest swaps. These financial instruments also limit the impact of interest rate fluctuations on the group's cost of borrowing. The value of these interests swaps increases or decreases as the contracted interest rate varies from the corresponding market interest rate, and with time to maturity. Hedge accounting is not applied. The unrealized value change has no effect on the group's cash flow.

Operating profit amounted to SEK 82.2 M (116.8), while net financial items were SEK -1.6 M (-9.6).

Current tax amounted to -1.0 M (0) and deferred tax was SEK -19.5 M (-29.0).

### **Properties**

After the sale to Balder completed in early-2011, the group's property portfolio consists of two properties in Haga Norra, Solna, Stockholm.

These properties have leasable area of 40,723 sq. m. Total rental value as of September 30, 2011 amounted to SEK 28.7 M (28.7). The economic occupancy rate amounted to 96.9% (96.9).

### **Valuation and applied valuation method**

The total fair value of properties including the estimated increase in value for development rights amounts to SEK 600 M. The increase in value associated with development rights is estimated at SEK 220 M. Against the background of factors including zoning planning work not being complete, great prudence has been applied to quantifying these estimates. Once the zoning plan is adopted, there is significant potential in the value of the development rights.

A combination of a location price method and yield-based method has been used. When assessing value, a calculation technique has been

used to estimate the future cash flows of the valued property. These cash flows have been discounted to present value. The location price method has been applied to estimate the scale of the risk premium in the yield requirement used to estimate residual value in the cash flow computations and for judging the scale of the discount rate applied for the present value calculation of estimated future cash flows in the cash flow computation. The value appraisal was conducted by an authorized real estate appraiser at independent valuer Forum Fastighetsekonomi.

The value appraisal has been conducted partly by estimating the fair value of properties based on a hypothetical situation where their current usage represents the greatest and best benefit for the holder. Subsequently, an increase in value has been applied to properties based on the potential development rights that may be enabled through the ongoing detailed development planning work. The value of development rights has been estimated through comparisons with land allocation contracts and agreements on transferring development rights in the Stockholm suburbs. A deduction has then been made with respect to costs, waiting periods and uncertainty etc. associated with development rights.

## Financing

As of September 30, 2011, the Catena group had loan agreements amounting to SEK 306.4 M.

At the end of the period, interest-bearing liabilities were SEK 306.4 M (1,052). The average outstanding fixed credit period was 2.6 years (1.4) as of September 30, 2011.

The average fixed-interest period as of September 30, 2011 amounted to 0.3 years (0.3). Average interest was 4.08% (2.46).

The fixed-interest period has been achieved by extending loans with short fixed-interest periods using swap agreements.

Catena only has loans denominated in Swedish krona.

## Equity

Equity amounted to SEK 294 M (1,058) as of September 30, 2011 and the equity/assets ratio was 41.6% (44.6). Over the long term, the equity/assets ratio should be in the 25 – 35% range.

## Liquidity

As of September 30, 2011, cash and cash equivalents, which comprise cash and bank deposits, were SEK 92 M (371) of which blocked funds were SEK 20 M.

## PARENT COMPANY

The operations of the Parent Company, Catena AB, primarily consist of group-wide functions and management of the group's subsidiaries. The parent company's operating revenue consists exclusively of invoicing for internally rendered services.

## Interest and loan maturity structure as of September 30, 2011

Maturity, yr.	Interest maturities			Credit agreements	Loan maturities	
	Loan amount	Ave. interest	Share		Utilized	Share
	M	%	%	M	M	%
Variable	176.4	3.45	57.6	-	-	-
2012	130.0	4.67	42.4	-	-	-
2014	-	-	-	306.4	306.4	100.0
<b>Total</b>	<b>306.4</b>	<b>3.97</b>	<b>100.0</b>	<b>306.4</b>	<b>306.4</b>	<b>100.0</b>

## ORGANIZATION

Catena AB, corporate identity number 556294-1715, is the parent company of the Catena group. The Swedish property is held by a wholly owned Swedish subsidiary.

There were 2 (10) employees.

## THE CATENA SHARE

The Catena share is listed on Nasdaq OMX Stockholm—Nordic List Small Cap.

The closing price on September 30, 2011 was SEK 73 per share, corresponding to market capitalization of some SEK 844 M.

As of September 30, 2011 there were 11,564,500 shares, held by some 17,000 shareholders.

Shareholders as of September 30, 2011	No. of shares	Votes (%)
Endicott Sweden AB (CLS Holdings plc)	3,389,000	29.3
PEAB AB	2,310,000	20.0
Erik Selin group	1,185,396	10.2
Skanrenting AB	1,159,246	10.0
Livförsäkrings AB Skandia (publ)	279,400	2.4
Banque Carnegie Luxembourg SA	256,916	2.2
CBNY-DFA-INT SML CAP V	109,825	1.0
Mellon US Tax Exempt Account	59,300	0.5
Swedbank Robur Realinvest	45,000	0.4
JPN Chase NA	36,650	0.3
<b>Total, 10 largest</b>	<b>8,830,733</b>	<b>76.3</b>
Other	2,733,767	23.7
<b>Total</b>	<b>11,564,500</b>	<b>100.0</b>

## ACCOUNTING POLICIES

Catena applies IFRS as endorsed by the EU and their IFRIC interpretation statements. This Interim Report was prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the group and in accordance with the Swedish Annual Accounts Act for the parent company. IFRS 5, which addresses discontinued operations, has been applied. Otherwise, these accounting policies and computation methods

comply with those applied in the most recent Annual Report.

## RISKS AND UNCERTAINTY FACTORS

Catena is subject to a number of risks that can affect the company's operations, results of operations and the value of properties. These risks include risks in lease contracts, changes in operating and maintenance costs, interest and funding risks and taxes. Properties are recognized in the Balance Sheet at fair value. Value changes are recognized in the Income Statement. This implies that the effects on Catena's Balance Sheet and Income Statement become more volatile and affect items including the group's results of operations, equity/assets ratio and loan to value ratio.

### Value changes

In this quarterly financial statement, the valuation of the group's investment property has been conducted by ordering an external property appraisal.

The value of the group's interest swaps are estimated externally. The value of these instruments varies between the contracted interest rate and market interest rate.

Over and above what is stated in this Interim Report, no material changes have occurred compared to the statement in the Annual Report.

For more information on risk and uncertainty factors, please refer to page 37 and page 50 of Catena's Annual Report for 2010.

### Parent company

The parent company is exposed to the aforementioned risks through intragroup loans and financial derivatives.

## CALENDAR

Year-end Report 2011                      24 February 2012  
Annual General Meeting                      April 2012

Stockholm, October 26, 2011

Andreas Philipson, CEO

*This Interim Report has been subject to a limited review by the company's auditor.*

## Consolidated Income Statement, condensed

SEK m	2011 Jul-Sep	2010 Jul-Sep	2011 Jan-Sep	2010 Jan-Sep
<b>Continuing operations</b>				
Rental revenue	6.7	6.9	20.5	20.6
Operating expenses	-0.1	-	-0.3	-0.2
Repair and maintenance expenses	-0.1	-0.3	-0.3	-0.7
Property tax	-0.7	-0.7	-2	-2
Property administration	-0.9	-1	-2.5	-2.6
<b>Operating surplus</b>	<b>4.9</b>	<b>4.9</b>	<b>15.4</b>	<b>15.1</b>
Other operating income	-	-0.3	-	-
Other operating expenses	-	0.3	-	-
Central administration	-1.4	-1.8	-10.7	-8.3
Properties, unrealized value changes	47.2	50	77.5	110
<b>Operating profit</b>	<b>50.7</b>	<b>53.1</b>	<b>82.2</b>	<b>116.8</b>
Net financial items	-2.7	-5.6	-1.6	-9.6
<b>Profit before tax</b>	<b>48</b>	<b>47.5</b>	<b>80.6</b>	<b>107.2</b>
Current tax	0.2	-	-1	-
Deferred tax	-12.5	-13.2	-19.5	-29
<b>Profit after tax for the period from continuing operations</b>	<b>35.7</b>	<b>34.3</b>	<b>60.1</b>	<b>78.2</b>
<b>Discontinued operations</b>				
<b>Profit after tax in discontinued operations</b>				
Revenues	-	31.6	-	108.6
Expenses	0.7	16.7	-0.4	-17.2
<b>Profit before tax</b>	<b>0.7</b>	<b>48.3</b>	<b>-0.4</b>	<b>91.4</b>
Taxes	-0.3	-17.1	-	-34.9
<b>Profit after tax</b>	<b>0.4</b>	<b>31.2</b>	<b>-0.4</b>	<b>56.5</b>
<b>Profit/loss from restatement at fair value</b>				
Properties, unrealized value changes	-	3.8	-	11.8
Taxes attributable to above value changes	-	-1	-	-3.1
<b>Profit/loss from restatement after tax</b>	<b>-</b>	<b>2.8</b>	<b>-</b>	<b>8.7</b>
<b>Capital gain/loss on divestment of discontinued operations</b>				
Properties, realized value changes	-3.3	-19.3	-1.2	56.1
Taxes attributable to above value changes	-	9.4	65	54
<b>Capital gain/loss from divestment after tax</b>	<b>-3.3</b>	<b>-9.9</b>	<b>63.8</b>	<b>110.1</b>
<b>Total gain from discontinued operations after tax</b>	<b>-2.9</b>	<b>24.1</b>	<b>63.4</b>	<b>175.3</b>
<b>Profit after tax for the period</b>	<b>32.8</b>	<b>58.4</b>	<b>123.5</b>	<b>253.5</b>
Earnings per share*	2.84	5.05	10.68	21.92
Earnings per share from continuing operations*	3.09	2.96	5.2	6.76

\* There is no dilution effect and there are no potential shares.

## Consolidated Statement of Comprehensive Income

SEK m	2011 Jul-Sep	2010 Jul-Sep	2011 Jan-Sep	2010 Jan-Sep
Profit after tax for the period	32.8	58.4	123.5	253.5
<i>Other comprehensive income for the period</i>				
Change in revaluation reserve	-	-1.7	-	-7.1
Revaluation reserve transferred to net profit	-		6	-4.9
<i>Total other comprehensive income</i>	-	-1.7	6	-12
<b>Total comprehensive income for the period</b>	<b>32.8</b>	<b>56.7</b>	<b>129.5</b>	<b>241.5</b>

## Consolidated Balance Sheet, condensed

SEK m	2011 30-sep	2010 30-sep	2010 31-dec
<b>Assets</b>			
Investment properties	600	1,993	520
Property, plant and equipment	-	2	1
Current receivables	14	4	2
Cash and cash equivalents/investments in securities, etc	92	371	57
Assets held for sale	-	0	1,593
<b>Total assets</b>	<b>706</b>	<b>2,37</b>	<b>2,173</b>
<b>Equity and liabilities</b>			
Equity	294	1,058	847
Provisions	71	168	54
Interest-bearing liabilities	306	1,052	987
Non-interest-bearing liabilities	35	92	56
Liabilities attributable to assets held for sale	-	-	229
<b>Total equity and liabilities</b>	<b>706</b>	<b>2,37</b>	<b>2,173</b>

## Changes in consolidated equity, condensed

SEK m	2011 Jan-Sep	2010 Jan-Sep	2010 Jan-Dec
Opening equity	847	883	883
Dividend	-683	-66	-367
Comprehensive income for the period	130	241	331
<b>Closing equity</b>	<b>294</b>	<b>1 058</b>	<b>847</b>

## Consolidated Cash Flow statement, condensed

	2011	2010	2010
SEK m	Jan-Sep	Jan-Sep	Jan-Dec
Profit before tax	81	60	128
Adjustment for non-cash items	-79	-64	-142
Tax paid	-2	-	-5
Change in working capital	-68	22	-31
<b>Cash flow from operating activities</b>	<b>-68</b>	<b>18</b>	<b>-50</b>
Change in investment properties/property, plant and equipment	1 526	-1	-
<b>Cash flow from investing activities</b>	<b>1 526</b>	<b>-1</b>	<b>-</b>
Paid dividend	-683	-67	-367
Change in interest-bearing liabilities	-740	-	-5
<b>Cash flow from financing activities</b>	<b>-1 423</b>	<b>-67</b>	<b>-372</b>
<b>Cash flow from continuing operations for the period</b>	<b>35</b>	<b>-50</b>	<b>-422</b>
<b>Cash flow from discontinued operations</b>			
Cash flow from operating activities	-	15	126
Cash flow from investing activities	-	594	550
Cash flow from financing activities	-	-303	-300
<b>Net cash flow from discontinued operations</b>	<b>-</b>	<b>306</b>	<b>376</b>
<b>Total cash flow for the period</b>	<b>35</b>	<b>256</b>	<b>-46</b>
Cash and cash equivalents at beginning of period	57	103	103
<b>Cash and cash equivalents at end of period</b>	<b>92</b>	<b>359</b>	<b>57</b>



## Key ratios, group

	2011	2010
	Jan-Sep	Jan-Sep
<b>Financial (incl. discontinued operations)</b>		
Return on equity, %	28.9	34.8
Return on total capital, %	8.6	15.5
Equity/assets ratio, %	41.6	44.6
Interest coverage ratio, multiple	1.0	5.0
Loan to value ratio, properties, %	51.0	52.8
Debt/equity ratio, multiple	1.0	1.0
<b>Share-related</b>		
Earnings per share for the period, continuing operations, SEK	5.20	6.76
Profit before tax per share for the period, continuing operations, SEK	6.97	9.27
Operating profit per share for the period, continuing operations, SEK	7.11	9.51
Equity per share, SEK	25.42	94.49
Dividend per share, SEK	59.00	5.75
Number of shares at the end of the period, thousands	11,565	11,565
Average number of shares, thousands	11,565	11,565
<i>There is no dilution effect because there are no potential shares</i>		
<b>Property-related, continuing operations</b>		
Book value of properties, SEK m	600	500
Property yield, %	3.4	4.0
Leasable area, sq. m.	40,723	40,689
Rental revenue, SEK per sq. m.	671	675
Operating surplus, SEK per sq. m.	504	495
Economic occupancy rate, %	96.9	96.9
Operating surplus margin, %	75.1	73.3

## Parent Company Income Statement, condensed

SEK m	2011 Jul-Sep	2010 Jul-Sep	2011 Jan-Sep	2010 Jan-Sep
Rental revenue	-	0.9	-	2.5
Operating expenses	-	-0.8	-	-2.3
<b>Operating surplus</b>	-	<b>0.1</b>	-	<b>0.2</b>
Other operating income	1	5.1	3.1	15.4
Other operating expenses	-	-	-0.4	-0.1
Central administration	-1.9	-3.7	-14.1	-13.3
<b>Operating profit</b>	<b>-0.9</b>	<b>1.5</b>	<b>-11.4</b>	<b>2.2</b>
Profit/loss from sale of subsidiary	-3.2	-0.2	-13.5	238.1
Net financial items	4.6	-4	5.6	11.6
<b>Profit/loss after financial items</b>	<b>0.5</b>	<b>-2.7</b>	<b>-19.3</b>	<b>251.9</b>
<b>Profit before tax</b>	<b>0.5</b>	<b>-2.7</b>	<b>-19.3</b>	<b>251.9</b>
Taxes	-0.9	0.2	2	-1.3
<b>Net profit/loss for the period</b>	<b>-0.4</b>	<b>-2.5</b>	<b>-17.3</b>	<b>250.6</b>

## Parent Company Balance Sheet, condensed

SEK m	2011 30-sep	2010 30-sep
<b>Assets</b>		
Properties	-	2
Financial assets	473	2,096
Current assets	10	3
Cash and cash equivalents/investments in securities, etc.	92	370
<b>Total assets</b>	<b>575</b>	<b>2,471</b>
<b>Equity and liabilities</b>		
Equity		
<i>Restricted equity</i>		
Share capital	51	51
Statutory reserve	10	10
<i>Non-restricted equity</i>		
Fair value reserve	-	2
Accumulated profit or loss	128	465
Net profit/loss for the period	-17	251
<b>Total equity</b>	<b>172</b>	<b>779</b>
Provisions	8	14
Non-current liabilities	-	987
Current liabilities	395	691
<b>Total equity and liabilities</b>	<b>575</b>	<b>2,471</b>
<b>Pledged assets</b>	<b>30 Sep-11</b>	<b>30 Sep-10</b>
Blocked account	20	-
<b>Contingent liabilities</b>		
Guarantee commitment, FPG/PRI	0.2	0.1

# **Auditor's report on review of interim report**

To the Board of Directors of Catena AB (publ.)

Corporate ID no. 556294-1715

## **Introduction**

We have reviewed the condensed interim financial information (interim report) of Catena AB (publ) as at September 30, 2011 and the nine-month period ending on that date. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## **Scope of review**

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Jan Malm  
Authorized Public Accountant

KPMG AB

Gothenburg, Sweden, 26 October 2011

## Definitions

### **Book value of properties**

Book value of buildings, land, construction in progress and fixtures and fittings.

### **Cash flow from operating activities per share**

Management income for the period divided by the number of shares outstanding at year-end.

### **Debt/equity ratio**

Interest-bearing liabilities divided by equity.

### **Equity/assets ratio**

Reported equity as a percentage of total assets.

### **Economic occupancy rate**

Rental revenue as a percentage of rental value.

### **Equity per share**

Equity at the end of the period in relation to the number of shares at the end of the period.

### **Interest coverage ratio**

Profit before tax plus financial expenses and plus/minus unrealized value changes divided by financial expenses.

### **Leasable area**

Total area available for letting.

### **Loan to value ratio, properties**

Interest-bearing liabilities in relation to the book value of properties.

### **Management income per share after standard rate tax**

Management income for the period less 28% tax, divided by the average number of shares.

### **Operating surplus margin**

Operating surplus as a percentage of rental revenue.

### **Operating surplus per sq. m.**

Annualized operating surplus divided by leasable area.

### **Property expenses**

Operating expenses, repair and maintenance expenses, site leasehold charges/ground rents, property tax and property administration.

### **Property yield**

Annualized operating surplus as a percentage of the book value of properties at the end of the period.

### **Rental revenue**

Rents charged including supplements such as compensation for property tax etc.

### **Rental revenue per sq. m.**

Annualized rental revenue divided by leasable area.

### **Rental value**

Actual rental revenue and potential rental revenue for vacant premises estimated by Catena.

### **Return on equity**

Profit after tax for the period as a percentage of average equity.

### **Return on total capital**

Profit before tax for the period plus interest expenses as a percentage of average total assets.

*Catena his publishing the information in this interim report in accordance with the Swedish Securities Markets Act (2007:528).*

### **CATENA AB (publ)**

Corp. ID no: 556294-1715

Västmannagatan 10

111 24 Stockholm

Sweden

Tel: +46 (0)8 410 99930

[www.catenaproperties.se](http://www.catenaproperties.se)

The figures stated in this Interim Report have been rounded, while computations have been performed without rounding. This implies that the totals in certain tables may not appear accurate.

N.B. This is a translation from Swedish. The Swedish version shall always take precedence.