

*Diös*

# Q1

INTERIM REPORT **JANUARY – MARCH 2014**



## OVERVIEW OF THE PERIOD

# JAN - MARCH 2014

- Rental income for the period was SEK 322 million (324)
- Property management income was SEK 93 million (71)
- Changes in the value of investment properties were SEK 2 million (-27)
- The carrying amount of investment properties was SEK 11,902 million (11,736)
- Earnings per share were SEK 0.62 (1.06)

	2014 3 months Jan-Mar	2013 3 months Jan-Mar	2013 12 months Jan-Dec
NET PROFIT FOR THE PERIOD, SEKm			
Rental income	322	324	1 292
Other revenue	6	7	15
Operating and central costs	-165	-182	-627
Restructuring costs	-	-3	-26
Net financial items	-70	-74	-300
Property management income	93	71	354
Value movement, real estate and derivatives	-31	20	44
Current tax	-2	-1	-15
Deferred tax	-16	-11	-62
Profit after tax	44	79	321
Surplus ratio, %	55,4	50,6	57,1
Equity ratio, %	27,0	26,4	26,8
Loan-to-value ratio, properties, %	64,4	66,4	64,8
Equity per share, SEK	43,88	42,35	43,29

### FOR FURTHER INFORMATION, PLEASE CONTACT

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## CEO'S REVIEW

KNUT ROST, CEO

# OFF TO A STABLE START

*In March I took over as CEO of Diös, and during the initial period I have, together with my colleagues, familiarised myself with the details of the business. I have visited our market areas and obtained a clear idea of Diös' strengths and weaknesses.*

We are developing our property management activities and building a profitable and more cost-effective business. Our focus should be on increasing our surplus ratio and the annual net increase in our rental income. Everything we do should be marked by professionalism, and these key figures are important long-term success factors.

Our results for the first quarter of 2014 show that we are on the right track.

Our property management income increased by SEK 22 million, our equity ratio has been strengthened and our loan-to-value ratio remains stable. Since year-end our occupancy rate has improved by 0.8 per cent compared with the same period the year before.

The winter in northern Sweden has been mild with little snowfall. This, coupled with progress on improving energy efficiency in many of our properties, resulted in a



4.8 per cent improvement in the surplus ratio, to 55.4 per cent in the first quarter of the year. We are continuing our efforts to create good, energy-efficient solutions for our properties. This is profitable for us and profitable for the world in which we operate.

It is good to see that the number of shareholders and share transaction volumes have increased.

Together with my colleagues, we are creating a "single Diös". We are aiming to become even more prominent and even stronger in those expanding towns and cities in which we operate. We will be there for our tenants when they need us and we will grow together with their businesses.

  
Knut Rost, CEO





## »»» REVENUE, EXPENSES AND INCOME, JANUARY - MARCH 2014

The property management income for the period, i.e. income excluding changes in value and tax, was SEK 93 million (71).

The operating surplus amounted to SEK 178 million (164), representing a surplus ratio of 55.4 per cent (50.6). The improved surplus ratio is primarily due to reduced property costs.

- The rental income for the reporting period was SEK 322 million (324), representing an 89.3 per cent (88.5) economic occupancy rate.
- Other property management income amounted to SEK 6.1 million (6.9) and consisted mainly of re-billing to tenants regarding work carried out in leased premises.
- Total property costs were SEK 150 million (167). The reduction in costs is attributable to a mild winter, which resulted in lower electricity and heating costs. The reduced property costs are also explained by lower costs for snow and ice clearance. SEK 2.2 million (2.2) of the property costs were for work in leased premises which is re-billed to tenants.

### CHANGES IN VALUE OF PROPERTIES AND DERIVATIVES

A valuation of all properties was conducted in the period. Diös' valuation model is based on an exterior valuation of 25 per cent of the 100 properties with the highest value every quarter on a rolling basis and an interior valuation of the remaining 75 per cent of the properties. Internal valuations are carried out quarterly on other properties and the quality is assessed by external valuers. The valuation shows an increase of 0.02 per cent (-0.23), which is equivalent to SEK 2.3 million (-27). On 31 March, the market value was SEK 11,902 million (11,736). The price development since the beginning of the year is attributable to stronger cash flows and sustained rates of return requirements.

No properties were sold during the period (7). The realised change in value relating to sold properties in the previous year was SEK 0 million before tax.

Diös uses interest-rate derivatives to obtain the desired interest-rate maturity profile. The derivative portfolio is valued at the present value of future cash flows. The market value of the derivatives is always zero upon maturity. If the agreed interest rate deviates from the market rate, a theoretical maximum or minimum value arises for the interest-rate derivative. The change in value is of a reporting nature and does not affect the cash flow.

During the period, unrealised changes in value arising on Diös' derivatives totalled SEK -33 million (47), which are fully recognised in the income statement. The change in the market values of the derivatives is attributable to a long-term forecast for lower interest rates.

### NET FINANCIAL ITEMS

Net financial items for the period were SEK -70 million (-74). The interest costs for the period, including costs for interest-rate derivatives, represent borrowings at an average annual interest rate of 3.5 per cent (3.7), including loan commitment costs.

### PROFIT BEFORE TAX

Profit before tax was SEK 62 million (92). This change in profit is mainly attributable to unrealised changes in the value of interest-rate derivatives.

### PROFIT AFTER TAX

Profit after tax was SEK 44 million (79). Current tax totalled SEK -1.5 million (-1.4). This is mainly attributable to tax in subsidiaries, which may not offset losses against Group profits. A new calculation of deferred tax has caused a deferred tax expense of SEK -16 million (-11).

## PROPERTY HOLDING ON 31 MARCH 2014

Diös owned 364 properties in 15 locations, from Borlänge in the south to Luleå in the north. The gross leasable area was 1,446,900 square metres, of which 39 per cent was office space, 19 per cent retail space, 22 per cent industrial and warehouse space, 12 per cent residential and 8 per cent other leasable space. Diös invested SEK 77 million in the construction, extension and conversion of premises in this period. In terms of value, the largest share of the portfolio is property in Gävle, Sundsvall and Östersund. The total market value of the properties was SEK 11,902 million.

By market area	Dalarna	Gävleborg	Jämtland	Västernorrland	Västerbotten	Norrbotten	Diös-Group
Rental income	62,6	47,5	73,2	64,6	36,6	37,0	321,5
Other revenue	1,4	0,4	0,4	2,6	0,1	1,2	6,1
Repair and maintenance	-3,1	-2,1	-4,4	-3,4	-2,0	-1,2	-16,1
Tariff-based costs	-11,5	-8,6	-17,0	-13,0	-6,8	-4,4	-61,3
Property tax	-2,9	-2,4	-3,4	-3,3	-1,8	-2,4	-16,2
Other property costs	-6,4	-4,4	-9,7	-9,7	-5,1	-4,6	-39,9
Property management	-2,3	-1,9	-4,3	-3,4	-1,6	-2,5	-16,0
<b>Operating surplus</b>	<b>37,8</b>	<b>28,5</b>	<b>34,8</b>	<b>34,4</b>	<b>19,6</b>	<b>23,0</b>	<b>178,1</b>

### Undistributed items

Central administration	-	-	-	-	-	-	-15,2
Restructuring	-	-	-	-	-	-	-
Net finance income/expense	-	-	-	-	-	-	-70,0
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,9</b>

### Value movement

Property, realised	-	-	-	-	-	-	-
Property, unrealised	5,8	9,0	-20,9	10,2	-4,0	2,2	2,3
Interest-rate derivatives	-	-	-	-	-	-	-33,3
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,9</b>

Current tax	-	-	-	-	-	-	-1,5
Deferred tax	-	-	-	-	-	-	-16,4
Non-controlling interests	-	-	-	-	-	-	1,9
<b>Profit for period attributable to shareholders of the parent</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,9</b>

Leasable area, sq.m.	263 032	253 509	338 654	294 600	177 031	120 075	1 446 900
Construction, extension, conversion							
Investments, SEK million	13,3	13,2	27,1	10,2	1,9	11,0	76,7
Book value, SEK million	2 429,6	1 719,0	2 796,1	2 220,2	1 301,1	1 435,6	11 901,6
Rental value, SEK million	69,4	53,4	83,8	73,0	40,1	40,1	359,9
Economic occupancy rate, %	90,2	88,9	87,4	88,4	91,4	92,1	89,3
Surplus ratio, %	60,4	59,9	47,5	53,3	53,6	62,2	55,4

## PROPERTY HOLDING ON 31 MARCH 2013

Diös owned 371 properties in 15 locations, from Borlänge in the south to Luleå in the north. The gross leasable area was 1,484,120 square metres, of which 39 per cent was office space, 19 per cent retail space, 22 per cent industrial and warehouse space, 12 per cent residential and 8 per cent other leasable space. Diös invested SEK 29 million in the construction, extension and conversion of premises in this period. In terms of value, the largest share of the portfolio is property in Gävle, Sundsvall and Östersund. The total market value of the properties was SEK 11,736 million.

By market area	Dalarna	Gävleborg	Jämtland	Västernorrland	Västerbotten	Norrbotten	Diös-Group
Rental income	63,0	46,0	72,5	69,0	36,4	36,8	323,7
Other revenue	2,2	1,1	0,5	1,4	0,4	1,3	6,9
Repair and maintenance	-3,0	-1,0	-2,2	-5,7	-2,4	-0,7	-15,0
Tariff-based costs	-14,3	-9,5	-17,6	-17,4	-7,7	-5,3	-71,8
Property tax	-2,7	-2,3	-3,4	-3,1	-1,8	-1,6	-14,9
Other property costs	-7,8	-6,6	-9,2	-15,6	-6,1	-5,2	-50,5
Property management	-2,1	-1,7	-3,7	-3,4	-1,2	-2,6	-14,7
<b>Operating surplus</b>	<b>35,3</b>	<b>26,0</b>	<b>36,9</b>	<b>25,2</b>	<b>17,6</b>	<b>22,7</b>	<b>163,6</b>

### Undistributed items

Central administration	-	-	-	-	-	-	-15,3
Restructuring	-	-	-	-	-	-	-3,4
Net finance income/expense	-	-	-	-	-	-	-73,8
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,1</b>

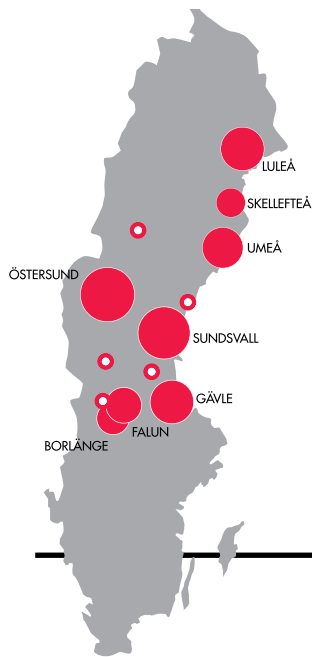
### Value movement

Property, realised	-	-	-	-	-	-	-
Property, unrealised	-7,9	-1,5	-22,0	4,1	-10,2	10,8	-26,7
Interest-rate derivatives	-	-	-	-	-	-	47,1
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,5</b>

Current tax	-	-	-	-	-	-	-1,4
Deferred tax	-	-	-	-	-	-	-11,2
Non-controlling interests	-	-	-	-	-	-	0,2
<b>Profit for period attributable to shareholders of the parent</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,0</b>

Leasable area, sq.m.	263 032	253 509	338 654	313 767	177 816	137 343	1 484 120
Construction, extension, conversion							
Investments, SEK million	3,1	4,8	7,8	4,3	1,6	7,0	28,6
Book value, SEK million	2 374,2	1 658,2	2 696,4	2 330,7	1 274,4	1 401,6	11 735,6
Rental value, SEK million	69,4	52,4	84,2	79,4	39,8	40,8	365,9
Economic occupancy rate, %	90,3	87,8	86,1	86,9	91,4	90,3	88,5
Surplus ratio, %	56,1	56,5	50,9	36,5	48,3	61,6	50,6





## MARKET AREAS

Diös is northern Sweden's largest private property company and a market leader in several of the localities in which it operates. The company's market, which stretches from Borlänge in the south to Luleå in the north, is divided into the market areas Dalarna, Gävleborg, Jämtland, Västernorrland, Västerbotten and Norrbotten.

The portfolio consists of a well balanced combination of residential, office, retail and industrial premises and covers a wide range of small and large premises, creating wide scope to offer flexible solutions. We have a decentralised property management organisation with a strong local base.

### DALARNA

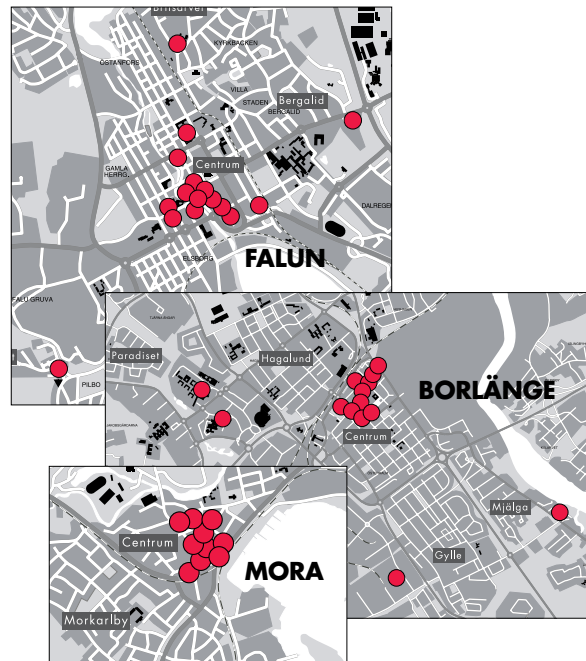
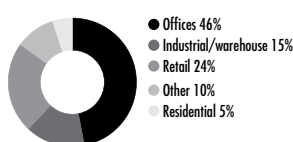
#### PROPERTY HOLDINGS

Number of properties	43
Area, sq.m.	263 032
Property value, SEKm	2 430

DALARNA'S SHARE OF PROPERTY VALUE



DALARNA'S DISTRIBUTION BY TYPE OF PREMISES



#### DALARNA - LARGEST TENANTS

AT 31 MARCH 2014

TENANT	No.	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	4	40 626	16,3	2,2
Municipality of Falun	10	17 570	7,0	4,0
Swedish Police Authority	8	10 013	4,0	5,3
County Administrative Board of	18	7 042	2,8	3,2
Söderbaumska Skolan AB	1	5 967	2,4	2,2
<b>Total largest tenants</b>	<b>41</b>	<b>81 218</b>	<b>32,5</b>	<b>3,0</b>

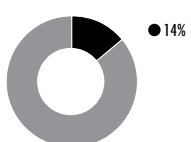
\*In relation to the total contract value for each market area.

### GÄVLEBORG

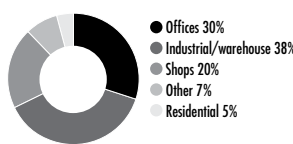
#### PROPERTY HOLDING

Number of properties	52
Area, sq.m.	253 509
Property value, SEKm	1 719

GÄVLEBORG'S SHARE OF PROPERTY VALUE



GÄVLEBORG'S DISTRIBUTION BY TYPE OF PREMISES



#### GÄVLEBORG - LARGEST TENANTS

AT 31 MARCH 2014

TENANT	No.	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Public Employment	9	7 432	3,9	3,0
Swedish Transport Administration	3	6 985	3,7	4,5
Engelska Skolan AB	2	5 562	3,0	9,5
Gävleborg County Council	5	3 777	2,0	2,1
Gävlefastigheter Gävle kommun AB	5	3 396	1,8	3,0
<b>Total largest tenants</b>	<b>24</b>	<b>27 152</b>	<b>14,4</b>	<b>4,6</b>

\*In relation to the total contract value for each market area.

### JÄMTLAND

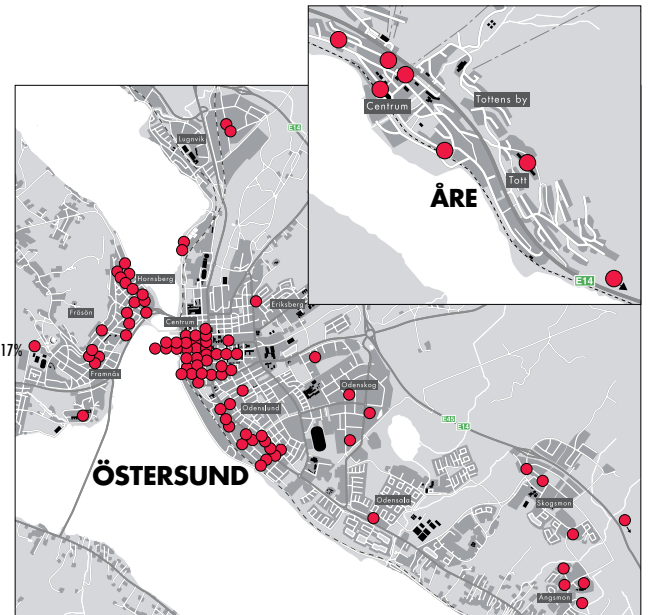
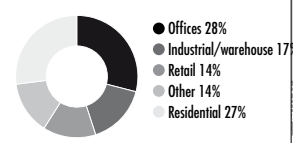
#### PROPERTY HOLDINGS

Number of properties	128
Area, sq.m.	338 654
Property value, SEKm	2 796

JÄMTLAND'S SHARE OF PROPERTY VALUE



JÄMTLAND'S DISTRIBUTION BY TYPE OF PREMISES



#### JÄMTLAND - LARGEST TENANTS

AT 31 MARCH 2014

TENANT	No.	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Östersund	91	23 277	8,0	5,0
Jämtland County Council	23	11 848	4,1	2,6
SkiStar AB	11	11 506	4,0	4,9
Swedish Public Employment	1	6 070	2,1	1,2
Swedbank AB	5	5 890	2,0	4,6
<b>Total largest tenants</b>	<b>131</b>	<b>58 591</b>	<b>20,2</b>	<b>4,1</b>

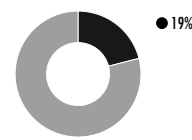
\*In relation to the total contract value for each market area.

### VÄSTERNORRLAND

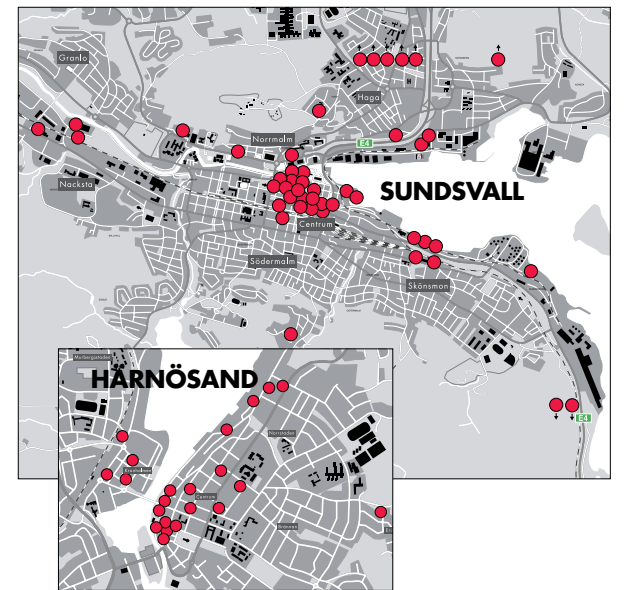
#### PROPERTY HOLDING

Number of properties	82
Area, sq.m.	294 600
Property value, SEKm	2 220

VÄSTERNORRLAND'S SHARE OF PROPERTY VALUE



VÄSTERNORRLAND'S DISTRIBUTION BY TYPE OF PREMISES



#### VÄSTERNORRLAND - LARGEST TENANTS

AT 31 MARCH 2014

TENANT	No.	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Norrlidens Kunskapscentrum AB	2	7 298	2,8	2,2
Municipality of Sundsvall	15	6 448	2,5	1,4
Com Hem AB	4	5 230	2,0	2,7
Swedish Transport Administration	1	5 064	2,0	0,8
Hennes & Mauritz Sverige AB	3	4 424	1,7	1,8
<b>Total largest tenants</b>	<b>25</b>	<b>28 464</b>	<b>11,0</b>	<b>1,8</b>

\*In relation to the total contract value for each market area.

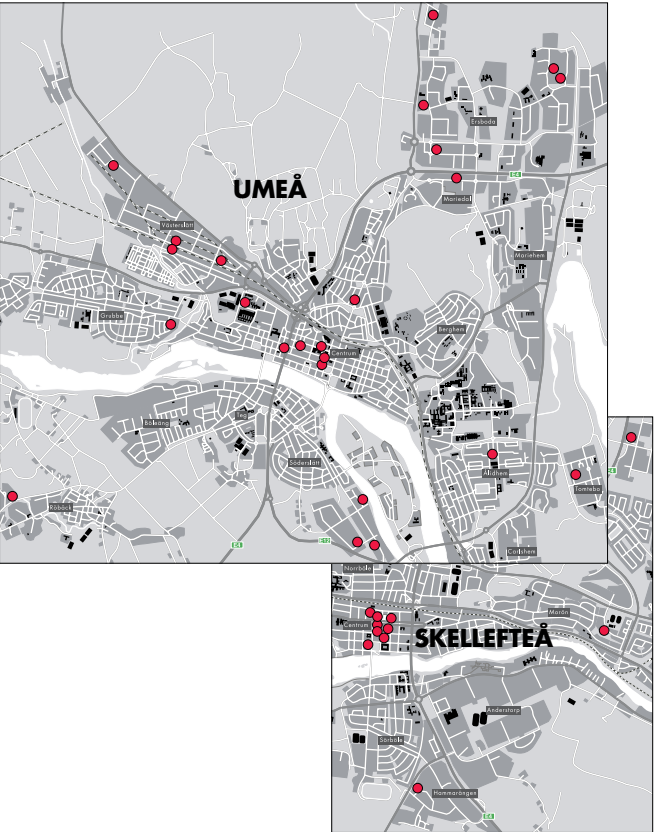
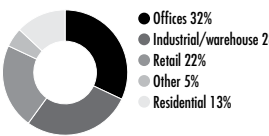
VÄSTERBOTTEN

PROPERTY HOLDING	
Number of properties	41
Area, sq.m.	177 031
Property value, SEKm	1 301

VÄSTERBOTTEN'S SHARE OF PROPERTY VALUE



VÄSTERBOTTEN'S DISTRIBUTION BY TYPE OF PREMISES



VÄSTERBOTTEN - LARGEST TENANTS  
AT 31 MARCH 2014

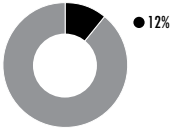
TENANT	No.	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Public Employment Service	2	8 119	5,6	0,4
Municipality of Umeå	10	6 967	4,8	2,9
Posten Meddelande AB	4	3 944	2,7	1,1
Swedbank AB	1	3 697	2,5	1,5
Balticgruppen Centrumhandel AB	1	3 567	2,4	1,8
<b>Total largest tenants</b>	<b>18</b>	<b>26 294</b>	<b>18,0</b>	<b>1,5</b>

\*In relation to the total contract value for each market area.

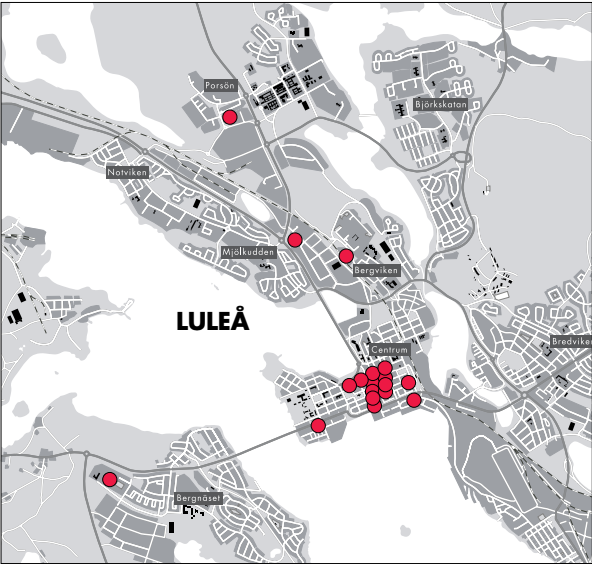
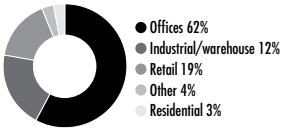
NORRBOTTEN

PROPERTY HOLDING	
Number of properties	18
Area, sq.m.	120 075
Property value, SEKm	1 436

NORRBOTTEN'S SHARE OF PROPERTY VALUE



NORRBOTTEN'S DISTRIBUTION BY TYPE OF PREMISES



NORRBOTTEN - LARGEST TENANTS  
AT 31 MARCH 2014

TENANT	No. contracts	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Customs IT Department	3	7 365	5,2	2,9
Swedbank AB	2	6 031	4,2	4,0
Municipality of Luleå	2	5 338	3,7	3,5
SWECO Sverige AB	6	5 313	3,7	1,3
KappAhl Sverige AB	2	4 658	3,3	4,8
<b>Total largest tenants</b>	<b>15</b>	<b>28 705</b>	<b>20,1</b>	<b>3,2</b>

\*In relation to the total contract value for each market area.

	Maturity year	Signed contracts no.	Rented area sq.m.	Contracted rental income SEKm	Holding in %
Leases for premises	2014	536	88 265	81	6
	2015	762	255 366	252	20
	2016	560	253 812	281	22
	2017	546	247 501	255	20
	2018+	194	187 016	223	17
<b>Total leases for premises</b>		<b>2 598</b>	<b>1 031 960</b>	<b>1 092</b>	<b>85</b>
Residential leases		2 286	161 114	151	12
Other leases		3 627	-	39	3
<b>TOTAL</b>		<b>8 511</b>	<b>1 193 074</b>	<b>1 282</b>	<b>100</b>

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 LARGEST TENANTS AT 31 MARCH 2014

Tenant	No. contracts	Contract value, SEK '000	Total contract value, %	Average contract term, years
Swedish Transport Administration	17	54 068	4,2	2,4
Swedish Public Employment Service	29	28 517	2,2	1,8
Municipality of Östersund	91	23 277	1,8	5,0
Swedbank AB	10	19 714	1,5	3,9
Municipality of Falun	10	17 570	1,4	4,0
Åhléns AB	8	16 543	1,3	2,4
Hennes & Mauritz Sverige AB	10	14 745	1,1	2,8
KappAhl Sverige AB	6	14 738	1,1	4,1
Axfood Sverige AB	6	13 402	1,0	2,9
Swedish Police Authority	14	13 259	1,0	4,6
<b>Total largest tenants</b>	<b>201</b>	<b>215 833</b>	<b>16,6</b>	<b>3,2</b>

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 CHANGES IN THE PROPERTY PORTFOLIO JANUARY - MARCH 2014

IMPROVEMENT

- SEK 77 million has been invested in conversion and extension work on existing properties in the period. There are 23 major improvement projects currently in progress. SEK 186 million of the budgeted SEK 403 million has been accrued.



## »»» FINANCIAL POSITION AS OF 31 MARCH 2014

### EQUITY AND EQUITY RATIO

Shareholders' equity amounted to SEK 3,279 million (3,165) and the equity ratio was 27.0 per cent (26.4). The target is an equity ratio of 25 per cent in the short term and 30 per cent over the longer term.

## »»» INTEREST COST JANUARY - MARCH 2014

	Amount	Cost	Weighted average interest rate
Interest-bearing liability	7 663	52	2,7%
Undrawn credit facilities <sup>1</sup>	267	0	0,0%
Cost of financial instruments		15	0,8%
<b>TOTAL</b>		<b>68</b>	<b>3,5%</b>

<sup>1</sup> The cost for undrawn credit facilities is SEK 0.4 million, which represents an impact on the average annual interest rate of 0.02 percentage points.

In the period, Diös' average interest-bearing liabilities amounted to SEK 7,663 million (7,840). Actual interest costs, including costs related to undrawn credit facilities and the performance of financial instruments, amounted to SEK 68 million (73), which represents an average annual

### CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents (excluding unused bank overdraft facilities) were SEK 114 million (100) at the end of the period.

interest rate of 3.5 per cent (3.7). During the period, unrealised changes in value arising on derivatives held totalled SEK -33 million (47), which are fully recognised in the income statement.

## »»» INTEREST RATES AND LOAN MATURITY ON 31 MARCH 2014

Maturity year	Interest maturity		Loan maturity	
	Loan amount	Average annual interest	Credit agreements	Drawn
	SEKm	%	SEKm	SEKm
2014	7 662	2,8	-	-
2015	-	-	4 432	4 165
2016	-	-	3 497	3 497
<b>Drawn credit facilities</b>	<b>7 662</b>	<b>2,8</b>	<b>7 929</b>	<b>7 662</b>
Undrawn credit facilities <sup>2</sup>	267	0,0		
Financial instruments	4 200	0,8		
<b>TOTAL</b>		<b>3,6</b>		

<sup>1</sup> Average annual interest rate refers to the average interest rate based on interest-rate terms and current liability on 31 March 2014.

<sup>2</sup> The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.02 percentage points.

Average maturity	1.9 years
Average fixed-rate term	1.8 years

The average fixed-rate term is below the target defined in Diös' financial policy. The company is currently reviewing its fixed-rate terms and loan maturities.

### DERIVATIVE CONTRACTS

Counterparty	Nominal value, SEKm	Remaining maturity,	Interest rate level, %	Market value, SEKm
Handelsbanken	2 000	2,5	2,3	-58
Handelsbanken	600	4,1	3,7	-52
Swedbank	1 600	2,8	1,9	-30
<b>TOTAL</b>	<b>4 200</b>	<b>2,8</b>	<b>2,4</b>	<b>-141</b>

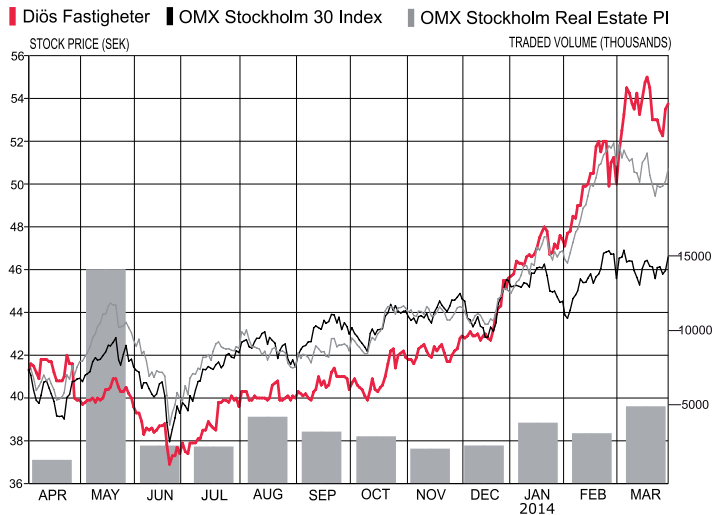
It is Diös' view that the interest rate market is stable and the company has thus not entered into any new derivative contracts in the period.

### INTEREST-BEARING LIABILITIES AND AVERAGE INTEREST RATE ON 03/31/2014

The Group's interest-bearing liabilities totalled SEK 7,662 million (7,788) with an average annual interest rate of 2.8 per cent (3.1), including loan commitments. The loans had an average fixed-rate term of 2.8 months (2.8). The average fixed-rate term was 1.8 years (2.3) when the impact of the derivative portfolio is included. The average loan maturity was 1.9 years (2.7). Of the Group's total interest-bearing liabilities, SEK 4,200 million (4,200) is hedged through derivatives. The average remaining term is 2.8 years (3.8). The average annual interest

rate, including costs related to derivatives, amounted to 3.6 per cent (3.8), including loan commitments. Diös' financial instruments restrict any impact from increased interest rates on the company's average borrowing rate. If interest rates had been increased by 1 percentage point on 31 March 2014, Diös' average interest rate would have risen by 0.4 percentage points (0.5). The market value of the derivative portfolio on 31 March 2014 was SEK -141 million (-128) and the weighted average annual interest rate was 2.4 per cent (2.4). With the derivative portfolio totalling SEK 4,200 million, 54.8 per cent (53.9) of the Group's total outstanding borrowings has been hedged.

## »»» DIÖS SHARES



## »»» LARGEST SHAREHOLDERS OF DIÖS FASTIGHETER AB AT 31 MARCH 2014

SHAREHOLDER	Number of shares	Holding and votes, %
AB Persson Invest	11 499 691	15,4
Brinova Inter AB	8 930 754	12,0
Bengtssons Tidnings Aktiebolag	7 518 222	10,1
Länsförsäkringar Fondförvaltning AB	6 841 770	9,2
Pensionskassan SHB Försäkringsförening	4 498 239	6,0
SEB Investment Management	2 274 333	3,0
Försäkringsaktiebolaget, Avanza Pension	2 137 122	2,9
Länsförsäkringar Jämtland	2 000 002	2,7
Staffan Rasjö	1 650 096	2,2
Ralf Ekblad	1 600 000	2,1
<b>Total, largest shareholders</b>	<b>48 950 229</b>	<b>65,5</b>
Other shareholders	25 778 905	34,5
<b>TOTAL</b>	<b>74 729 134</b>	<b>100,0</b>

## »»» SHARE CAPITAL HISTORY

DATE	Event	Increase in number of shares	Increase in share capital, SEK	Total number of shares	Total share capital	Par value
	At the start of the period	-	-	10 000	100 000	10,00
2005-01-01		-	-	10 000	100 000	10,00
2005-06-21	Split	990 000	-	1 000 000	100 000	0,10
2005-06-21	New issue	1 489 903	148 990	2 489 903	248 990	0,10
2005-09-14	Non-cash issue	1 503 760	150 376	3 993 663	399 366	0,10
2006-01-02	Bonus issue	-	39 537 264	3 993 663	39 936 630	10,00
2006-01-02	Split	15 974 652	-	19 968 315	39 936 630	2,00
2006-05-18	New issue	8 333 400	16 666 800	28 301 715	56 603 430	2,00
2006-07-11	Non-cash issue	5 000 000	10 000 000	33 301 715	66 603 430	2,00
2007-04-19	Non-cash issue	666 250	1 332 500	33 967 965	67 935 930	2,00
2010-10-29	Non-cash issue	99 729	199 458	34 067 694	68 135 388	2,00
2010-12-14	New issue	3 285 466	6 570 332	37 353 160	74 705 720	2,00
2010-12-17	New issue	11 407	22 814	37 364 567	74 728 534	2,00
2011-12-05	New issue	22 854 136	45 708 272	60 218 703	120 436 806	2,00
2011-12-14	New issue	14 510 431	29 020 862	74 729 134	149 457 668	2,00

Diös Fastigheter AB is a publicly traded company listed on the NASDAQ OMX Nordic Exchange Stockholm, Mid Cap list. The ticker symbol is DIOS and the ISIN code SE0001634262.

The number of shares in Diös on 31 March 2014 was 74,729,134 (74,729,134). The closing price of SEK 53.75 (40.40) gave the company a stock market value of SEK 4,017 million (3,019).

The diagram shows share prices for the past 12 months for both Diös and the indexes. Over the past 12 months Diös has gained 30.1 per cent (24.7), compared with 12.8 per cent for the OMX Stockholm 30 Index (10.6) and 22.8 per cent for the OMX Stockholm Real Estate PI (17.1). In the past 12 months, Diös' total return (return including reinvested dividends) was 36.9 per cent (30.6). Diös has thus achieved a return above that of comparable indexes in the period.

## »»» HOLDINGS AT 31 MARCH 2014

	Number of	Number of shares	Holding (%)	Votes (%)	Market value, SEKm
1 - 500	3 136	710 790	1,0	1,0	38
501 - 1 000	1 253	1 087 198	1,5	1,5	58
1 001 - 5 000	1 469	3 461 997	4,6	4,6	186
5 001 - 10 000	222	1 721 659	2,3	2,3	93
10 001 - 15 000	54	694 329	0,9	0,9	37
15 001 - 20 000	39	727 986	1,0	1,0	39
20 001 -	164	66 325 175	88,8	88,8	3 565
<b>TOTAL</b>	<b>6 337</b>	<b>74 729 134</b>	<b>100,0</b>	<b>100,0</b>	<b>4 017</b>

At 31 March Diös Fastigheter AB had 6,337 shareholders (3,632). A majority of the shares, 91.3 per cent (95.9), are Swedish-owned. The largest single owner of Diös was AB Persson Invest with a stake of 15.4 per cent (15.4). The ten largest shareholders accounted for 65.5 per cent (76.0) of the shares and votes.



## »»» EMPLOYEES AND ORGANISATION

The number of employees on 31 March 2014 was 141 (136), of whom 48 were women (48).

Diös Fastigheter is geographically divided into the six market areas of Gävleborg, Dalarna, Västernorrland, Jämtland, Västerbotten and Norrbotten. Its head office and corporate functions are located in Östersund. Most of the employees, 96 (96) of them, work in the market areas, 50 (49) of them with the physical aspects of property management.

## »»» PARENT COMPANY

The activities of the parent company consist of Group-wide functions as well as ownership and operation of the Group's subsidiaries. Sales totalled SEK 30 million (25) and post-tax profit was SEK 4.2 million (-2.4). Net sales refer chiefly to services sold to the Group's subsidiaries. The company's cash and cash equivalents were SEK 8.0 million (0) on 31 March 2014. External interest-bearing liabilities, excluding overdraft facilities, amounted to SEK 1,481 million (1,490). The amount of drawn overdraft facilities stands at SEK 0 million (-29). The average annual interest rate based on the situation at 31 March 2014 amounted to 2.7 per cent (3.0). The parent company prepares its financial reports in compliance with the regulations of RFR 2 "Accounting for Legal Entities".

## »»» DEFERRED TAXES

In April 2005, Diös' original owners acquired a Group consisting of dormant limited companies. The aim of the acquisition was to create a basis for the formation of the new property company. The only assets of the acquired companies at the time of acquisition were approximately SEK 40 million in cash and, according to the 2005 income tax returns, approximately SEK 1,026 million in unused tax losses carried forward.

The reported deferred tax liability was SEK 671 million (605) on 31 March 2014. The value of the deferred tax liability will be assessed at the end of each accounting period and, if necessary, re-valuation will be carried out.

Diös' reported temporary differences, i.e. the properties' fair values less tax residual values, amounted to SEK 3,353 million on 31 March 2014. At a tax rate of 22.0 per cent, deferred tax liability relating to temporary differences was SEK 737 million.

Diös' tax losses carried forward on 31 March 2014 are estimated at SEK 400 million. At a tax rate of 22.0 per cent, deferred tax asset relating to tax losses carried forward was SEK 88 million, which in Diös' financial statements has been offset against deferred tax liability. Other deferred tax liabilities at 31 March 2014 were SEK 22 million.

The change since 31 December 2013 is attributable to a SEK 5 million deferred tax asset decrease and a SEK 11 million increase in deferred tax on temporary differences.

The reporting of taxes complies with the reporting standards but it should be noted that the amount of tax paid over the period generally differs from that reported. Tax regulations are also complex and difficult to interpret. The application of the regulations may also change over time.

## »»» SIGNIFICANT RISKS AND UNCERTAINTIES

Significant risks and uncertainties are described in the 2013 Annual Report on pages 40-43. Apart from the following, there have not been any substantial changes to Diös' risks and uncertainties.

At its monetary policy meeting on 8 April, the central bank of Sweden

(Riksbanken) resolved to keep the repo rate at the current level of 0.75 per cent and to lower the repo rate path in order to suppress the low inflationary pressure. The assessment of the central bank of Sweden (Riksbanken) is that the repo rate will remain at 0.75 per cent until the second quarter of 2015. This contributes to a continuation of low funding costs for companies and households in Sweden.

According to the latest economic forecast from the National Institute of Economic Research, Sweden had the fastest pace of GDP growth in the EU. The outlook for the export sector also looks brighter amid rising GDP growth in the US and the eurozone. The low resource consumption in the global economy is keeping inflation down and the central banks are pursuing a policy of extremely low key interest rates to spur economic growth. Unemployment in Sweden is expected to be 7.9 per cent in 2014 and then is projected to fall to 6.2 per cent in 2018 on the back of 2.8 per cent average annual GDP growth over the period 2014-2017.

Thanks to Sweden's strong public finances, healthy Swedish banks and a growing domestic GDP, the prospects for growth in our markets are considered to be good. As our real estate operations continue to generate strong cash flows, we are seeing a stabilisation of the yield levels in the market valuation of our properties and our property values. These combined factors should strengthen the real estate class of assets.

## »»» RELATED-PARTY TRANSACTIONS

There were no significant related-party transactions in the period.

## »»» ACCOUNTING POLICIES

Diös complies with the EU-approved IFRS standards and interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounts Act. The report for the parent company has been prepared in accordance with RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting policies applied in the interim report are consistent with the accounting policies applied in preparing the consolidated financial statements and Annual Report for 2013, Note 1<sup>1</sup>, with the exceptions indicated in the following. New and amended standards which entered into force in 2014 have not had any impact on the interim report.

As of the financial year 2014 the Group has voluntarily changed its principle for accounting of property tax. The new policy has been applied retroactively, which means that figures for the comparative period have been restated. As of 2014 the obligation to pay property is recognised as a liability as of the first day of the financial year along with a corresponding asset, consisting of a prepaid property tax cost, which is allocated on a straight-line basis over the financial year. Previously property tax was recognised as a cost and liability, respectively, and allocated on a straight-line basis over the financial year. The amended policy has not affected the consolidated profit but the consolidated balance sheet has been affected through the recognition of a short-term asset and liability of SEK 47 million. The reason for the change is that Group management believes the new policy will provide more reliable and relevant information compared with the previously applied policy. It is also management's view that the new policy is consistent with IFRIC 21 Levies, which means that impact is expected to result from the adoption by the EU of IFRIC 21, which would then become applicable.

<sup>1</sup> Annual Report 2013 is available at [www.dios.se](http://www.dios.se)





>>> DIVIDEND POLICY

At least 50 per cent of the company’s profit after tax, excluding unrealised changes in value and deferred tax, should be distributed to the shareholders in the form of dividends.

>>> EVENTS AFTER THE REPORTING DATE

DIÖS SELLS INDUSTRIAL PROPERTY IN SUNDSVALL

With effect from 1 April 2014 Diös Fastigheter AB (publ) has transferred the Rävsvund 1:338 industrial property to Sundsvalls Kommuns Industrifastighetsutveckling AB, SKIFU. The property is located in Kvissleby in Sundsvall and has a leasable area of 14,200 sq.m. The owner took possession of the property, which was sold for a consideration of SEK 7 million, on 1 April.

FIRE IN GÅRDVAREN 1 IN ÖSTERSUND

On 14 April the Gårdvaren 1 property in Östersund was damaged by fire. The property had full insurance cover, and the company’s preliminary assessment is that the fire will have no significant impact on earnings.

The Board of Directors and the CEO declare that the interim report gives a true and fair view of the company's and the Group's operations, financial position and income, and describes the principal risks and uncertainties faced by the company and the Group's companies. This interim report has not been subject to review by the company's auditor.

Financial reports can be viewed in full on Diös' website [www.dios.se](http://www.dios.se)

Östersund, 29 April 2014

Bob Persson  
*Chair*

Maud Olofsson  
*Board member*

Ragnhild Backman  
*Board member*

Svante Paulsson  
*Board member*

Anders Bengtsson  
*Board member*

Knut Rost  
*CEO*

Thomas Mellberg  
*Board member*  
*Employee representative*

>>> CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEK MILLION

	2014 3 months Jan-March	2013 3 months Jan-March	2013 12 months Jan-Dec
INCOME STATEMENT			
Rental income and other property management income	328	331	1 307
Property costs	-150	-167	-569
Operating surplus	178	164	738
Central administration	-15	-15	-58
Restructuring costs <sup>1</sup>	-	-3	-26
Net financial items	-70	-74	-300
Property management income	93	71	354
Change in value of properties	2	-27	-24
Change in value of interest-rate derivatives	-33	47	68
Profit before tax	62	92	398
Current tax	-2	-1	-15
Deferred tax	-16	-11	-62
Profit after tax	44	79	321
Profit attributable to shareholders of the parent	46	79	323
Profit attributable to non-controlling interests	-2	-	-2
Total	44	79	321
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax	44	79	321
Comprehensive income for the period	44	79	321
Comprehensive income attributable to shareholders of the parent	46	79	323
Comprehensive income attributable to non-controlling interests	-2	-	-2
Total	44	79	321
Profit per share after tax, SEK	0,62	1,06	4,32
Number of shares at end of period ('000)	74 729	74 729	74 729
Average number of shares ('000)	74 729	74 729	74 729

<sup>1</sup> Integration and reorganisation costs arising from the acquisition of Norrvidden. Restructuring includes costs for reorganisation and the relocation of head office operations to Östersund. These costs will not carry through to 2014.

## »»» CONDENSED CONSOLIDATED BALANCE SHEET, SEKM

ASSETS	2014 31 Mar	2013 31 Mar	2013 31 Dec
<b>Non-current assets</b>			
Investment properties	11 902	11 736	11 823
Other property, plant and equipment	7	12	7
Intangible assets	4	1	4
Financial assets	9	11	9
<b>Total non-current assets</b>	<b>11 922</b>	<b>11 759</b>	<b>11 843</b>
<b>Current assets</b>			
Current receivables	120	145	91
Cash and cash equivalents	114	100	121
<b>Total current assets</b>	<b>234</b>	<b>245</b>	<b>212</b>
<b>TOTAL ASSETS</b>	<b>12 156</b>	<b>12 004</b>	<b>12 055</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	3 279	3 165	3 235
Deferred tax liability	671	605	655
Non-current liabilities	7 664	7 790	7 666
Current liabilities	542	445	499
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>12 156</b>	<b>12 004</b>	<b>12 055</b>

## »»» CONDENSED STATEMENT OF CHANGES IN EQUITY, SEKM

	Equity	Attributable to shareholders of the parent	Attributable to minority interests
Equity at 31 Dec 2012	3 086	3 065	21
<i>Profit for the period after tax</i>	79	79	-
<b>Comprehensive income for the period</b>	<b>79</b>	<b>79</b>	<b>-</b>
Equity at 31 Mar 2013	3 165	3 144	21
<i>Profit for the period after tax</i>	242	244	-2
<b>Comprehensive income for the period</b>	<b>242</b>	<b>244</b>	<b>-2</b>
Cash dividend	-172	-172	-
Equity at 31 Dec 2013	3 235	3 216	19
<i>Profit for the period after tax</i>	44	46	-2
<b>Comprehensive income for the period</b>	<b>44</b>	<b>46</b>	<b>-2</b>
Equity at 31 Mar 2014	3 279	3 262	17

## »»» CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEKM

	2014 3 months Jan-Mar	2013 3 months Jan-Mar	2013 12 months Jan-Dec
<b>OPERATING ACTIVITIES</b>			
Property management income	93	71	354
Adjustments for non-cash items	-24	-22	3
Tax paid	-2	-1	-15
<b>Operating cash flows before changes in working capital</b>	<b>67</b>	<b>48</b>	<b>342</b>
<b>Changes in working capital</b>			
Decrease (+)/increase (-) in receivables	-29	21	72
Decrease (-)/increase (+) in current liabilities	8	-121	-80
<b>Total change in working capital</b>	<b>-21</b>	<b>-100</b>	<b>-8</b>
<b>Operating cash flow</b>	<b>46</b>	<b>-52</b>	<b>334</b>
<b>INVESTING ACTIVITIES</b>			
Investment in financial assets	-	-	2
Proceeds from sale of property, plant and equipment	-	151	309
Acquisition of intangible assets	-	-1	-4
Purchases of property, plant and equipment	-51	-13	-239
<b>Investing cash flow</b>	<b>-51</b>	<b>138</b>	<b>68</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	-	-	-172
Change in non-current liabilities	-2	-105	-229
<b>Financing cash flow</b>	<b>-2</b>	<b>-105</b>	<b>-401</b>
<b>Cash flows for the period</b>	<b>-7</b>	<b>-20</b>	<b>1</b>
Cash and cash equivalents at beginning of period	121	120	120
Cash and cash equivalents at end of period	114	100	121



## KEY RATIOS

	2014 3 months Jan-Mar	2013 3 months Jan-Mar	2013 12 months Jan-Dec
Return on equity, %	1,4	2,5	10,2
Equity ratio, %	27,0	26,4	26,8
Loan-to-value ratio, properties, %	64,4	66,4	64,8
Interest coverage ratio, times	2,3	1,9	2,2
Equity per share, SEK	43,9	42,4	43,3
Cash flow per share, SEK	1,2	0,9	4,6
Number of properties at end of period	364	371	364
Leasable area at end of period, sq.m.	1 446 900	1 484 120	1 446 900
Market value of properties, SEKm	11 902	11 736	11 823
Rental value, SEKm	360	366	1 457
Economic occupancy rate, %	89,3	88,5	88,7
Yield, %	1,5	1,4	6,2
Surplus ratio, %	55,4	50,6	57,1

## CONDENSED PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEKm

	2014 3 months Jan-Mar	2013 3 months Jan-Mar	2013 12 months Jan-Dec
<b>INCOME STATEMENT</b>			
Net sales	30	25	105
<b>Gross profit or loss</b>	<b>30</b>	<b>25</b>	<b>105</b>
Central administration	-40	-38	-148
Restructuring costs	-	-2	-26
<b>Operating profit</b>	<b>-10</b>	<b>-16</b>	<b>-69</b>
Financial income	43	38	230
Financial costs	-29	-25	-109
<b>Profit after financial items</b>	<b>4</b>	<b>-2</b>	<b>52</b>
Current tax	-	-	-
<b>Profit after tax</b>	<b>4</b>	<b>-2</b>	<b>52</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Profit after tax	4	-2	52
<b>Comprehensive income for the year</b>	<b>4</b>	<b>-2</b>	<b>52</b>

## CONDENSED PARENT COMPANY BALANCE SHEET, SEKm

	2014 31 Mar	2013 31 Mar	2013 31 Dec
<b>ASSETS</b>			
Projects in progress	5	3	5
Machinery and equipment	1	1	1
Investments in Group companies	171	171	171
Non-current receivables from Group companies	3 396	3 315	3 341
<b>Total non-current assets</b>	<b>3 573</b>	<b>3 490</b>	<b>3 518</b>
Current receivables from Group companies	140	98	187
Other current receivables	9	15	10
Cash and cash equivalents	8	-	10
<b>Total current assets</b>	<b>157</b>	<b>113</b>	<b>207</b>
<b>TOTAL ASSETS</b>	<b>3 730</b>	<b>3 603</b>	<b>3 725</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1 438</b>	<b>1 552</b>	<b>1 434</b>
<b>Non-current liabilities to credit institutions</b>	<b>1 474</b>	<b>1 483</b>	<b>1 476</b>
<b>Non-current liabilities to Group companies</b>	<b>673</b>	<b>444</b>	<b>710</b>
Current liabilities to credit institutions	7	7	7
Current liabilities to Group companies	103	47	58
Overdraft facilities	-	29	-
Trade payables	2	9	7
Other current liabilities	33	32	33
<b>Total current liabilities</b>	<b>145</b>	<b>124</b>	<b>105</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3 730</b>	<b>3 603</b>	<b>3 725</b>

»»» DEFINITIONS

**RETURN ON EQUITY**  
Profit for the period in relation to average equity. Average equity is calculated as the sum of the opening and closing balance divided by two.

**EQUITY RATIO**  
Equity divided by total assets at the end of the period.

**LOAN-TO-VALUE RATIO, PROPERTIES**  
Interest-bearing and other liabilities relating to properties divided by the carrying amount at the end of the period.

**INTEREST COVERAGE RATIO**  
Profit after financial items, excluding unrealised changes in value plus financial expenses, in relation to financial expenses during the period.

**EARNINGS PER SHARE**  
Profit for the period after tax, attributable to shareholders, divided by the average number of shares.

**EQUITY PER SHARE**  
Equity at the end of the period divided by the number of shares outstanding at the end of the period.

**CASH FLOW PER SHARE**  
Profit before tax, adjusted for unrealised changes in value plus depreciation less current tax, divided by the average number of shares.

**AVERAGE NUMBER OF SHARES**  
Number of shares outstanding at the beginning of the period, adjusted

by the number of shares issued or withdrawn during the period weighted by the number of days that the shares were outstanding, in relation to the total number of days in the period.

**NUMBER OF SHARES AT END OF PERIOD**  
Actual number of shares outstanding at the end of the period.

**RENTAL VALUE**  
Rent at the end of the period plus addition for estimated market rent for unoccupied floor space.

**ECONOMIC OCCUPANCY RATE**  
The rental income for the period divided by the rental value at the end of the period.

**RENTAL INCOME**  
Rents invoiced for the period minus rent losses and rent discounts.

**YIELD**  
Operating surplus for the period divided by the properties' market value at the end of the period.

**SURPLUS RATIO**  
Operating surplus for the period divided by the rental income for the period.

**PROFIT FROM IMPROVEMENTS**  
Sale price minus capital invested.

»»» LIST OF PROPERTY TRANSACTIONS JANUARY – MARCH 2014

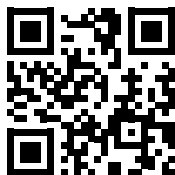
No properties were sold or acquired during the period.

»»» CALENDAR 2014

Q2 Interim report January-June 2014	7th July 2014
Q3 Interim report January-September 2014	24th October 2014







READ MORE AT DIOS.SE



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