

Diös

Q2

INTERIM REPORT **JANUARY – JUNE 2014**



OVERVIEW OF THE PERIOD

JANUARY-JUNE 2014

- Rental income for the period was SEK 649 million (644)
- The property management income was SEK 207 million (173)
- Net leasing amounted to SEK 20 million (-1)
- Changes in the value of properties were SEK -33 million (-63)
- The change in value of financial instruments was SEK -57 million (96)
- Earnings per share were SEK 1.16 (2.24)

	2014 6 mths Jan-Jun	2013 6 mths Jan-Jun	2013 12 mths Jan-Dec
PROFIT FOR THE PERIOD, SEKm			
Rental income	649	644	1,292
Other revenue	10	13	15
Operating and central costs	-311	-320	-627
Restructuring costs	-	-16	-26
Net financial items	-141	-148	-300
Property management income	207	173	354
Changes in value of properties and derivatives	-90	33	44
Current tax	-5	-11	-15
Deferred tax	-27	-27	-62
Profit after tax	85	168	321
Surplus ratio, %	58.0	56.8	57.1
Occupancy rate, %	89.5	88.6	88.7
Equity ratio, %	26.0	25.8	26.8
Loan-to-value ratio, properties, %	63.9	66.3	64.8
Equity per share, SEK	42.1	41.2	43.3

FOR FURTHER INFORMATION, PLEASE CONTACT

Knut Rost, CEO, tel +46 (0)10-470 95 01, knut.rost@dios.se

Rolf Larsson, CFO, tel +46 (0)10-470 95 03, rolf.larsson@dios.se

KNUT ROST

STRONGER KEY FIGURES FOR DIÖS

Property management increased by SEK 34 million compared with the same period in the previous year. Our continued focus on concentrating our existing property portfolio, more efficient and active management with a stronger focus on letting vacant premises have had a positive impact. This corresponds to an improvement property management income of around 20 per cent.

Rental income for the period was SEK 649 million (644) and the operating surplus improved to SEK 376 million (365), resulting in an increase in the surplus ratio by 1.2 percentage points. Activity in the market has been high, and thanks to an increased focus on vacancies we achieved a net increase in rental income of around SEK 20 million (-1) in the first half.

Our financial key ratios have continued to move in the right direction, with a loan-to-value ratio of 63.9 per cent (66.3) and an equity ratio of 26.0 per cent (25.8).

The lower profit compared with the previous year is due primarily to a negative change in the value of our financial instruments due to falling market interest rates. The change of value is of an accounting character and thus does not affect our earnings or cash flow.

During the period Diös acquired a centrally located retail property in Mora, thus further strengthening our position in the city. As part of our effort to increase the focus of our property portfolio to central locations in our priority growth cities, we also sold an industrial property in Kvissleby outside Sundsvall during the period, along with two residential properties in Lit outside Östersund.

Unrealised changes in the value of properties totalled SEK -33 million. The change is largely attributable to a few properties, where development projects have been going on for some time for our existing activities and new tenants.



Approved and ongoing projects in the property portfolio have a combined value of SEK 771 million. The largest project is the new Centralpalatset building in Östersund.

In addition to the return of Lindex, the new building will enable two new companies to establish a presence in the city - Allstar and Espresso House.

An increased focus on boosting all sources of income has ensured a continued strong performance.

- The surplus ratio will increase through more efficient and active property management.
- Our energy efficiency projects continue to evolve in a positive direction.
- An increased focus on a high level of rental activity will result in an improved occupancy rate.
- A review of the capital structure and changed terms and conditions will reduce our risk exposure and lower our capital costs.

We look forward to the rest of 2014, when we expect economic conditions to improve as well as continued positive effects from our active property management activities, enabling us to meet our existing and potential tenants' demand for modern, energy-efficient premises.


Knut Rost, CEO



»» REVENUE, EXPENSES AND INCOME, JANUARY-JUNE 2014

The property management income for the period, i.e. income excluding changes in value and tax, was SEK 207 million (173).

The operating surplus amounted to SEK 376 million (365), representing a surplus ratio of 58.0 per cent (56.8). The improved surplus ratio is primarily due to reduced property costs.

- The rental income for the reporting period was SEK 649 million (644), representing an 89.5 per cent (88.6) economic occupancy rate.
- Other property management income totalled SEK 10 million (13) and consisted primarily of costs passed on to tenants relating to work in leased premises.
- Total property costs were SEK 283 million (291). The reduction in costs is attributable to a mild winter, which resulted in lower electricity and heating costs as well as lower costs for snow and ice clearing. SEK 3.7 million (4.1) 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 a -0.3 per cent (-0.5) decrease, which is equivalent to SEK -33 million (-65). The change in value since year-end is largely attributable a few properties. At 30 June the market value was SEK 11,970 million (11,681).

During the period, 3 (9) properties were sold with a realised gain of SEK 0.3 million (2.0) before tax. One centrally located retail property in Mora was acquired.

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 -57 million (96), which are fully recognised in the income statement.

The low interest rates resulted in a negative unrealised change in value in the income statement relating to the derivatives portfolio, but as market interest rates rise so will the value of the derivatives portfolio, resulting in positive changes in value in the income statement and thus also an increase in equity.

NET FINANCIAL ITEMS

Net financial items for the period were SEK -141 million (-148). The interest costs for the period, including costs for interest-rate derivatives, represent borrowings at an average annual interest rate of 3.6 per cent (3.8), including loan commitment costs.

PROFIT BEFORE TAX

Profit before tax was SEK 117 million (206). This change in profit is mainly attributable to lower unrealised movements in the value of properties and interest-rate derivatives.

PROFIT AFTER TAX

Profit after tax was SEK 85 million (167). Current tax totalled SEK -5 million (-11). 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 -27 million (-27).

»» SECOND QUARTER 2014

Second quarter profit after taxation was SEK 41 million (89).

The profit was negatively impacted by SEK -35 million (-36) relating to changes in the value of properties and was negatively impacted by SEK -24 million (48) relating to the market values of interest rate derivatives. The change in value of properties is attributable to changed cash flows. The change in the market values of the derivatives is attributable to a long-term forecast for lower interest rates.

Negative deferred tax of SEK -11 million (-16) and current tax of SEK -3 million (-10) were recorded in the income statement.

The operating surplus totalled SEK 198 million (202) and net financial items SEK -71 million (-74). The cash flow was SEK -184 million (-1). SEK -114 million (-35) of this was invested in property, plant and equipment.

Net borrowing during the period was SEK -16 million (-43). The decrease in borrowing was due to repayments on loans in connection with the sale of properties.

PROPERTY HOLDING AT 30 JUNE 2014

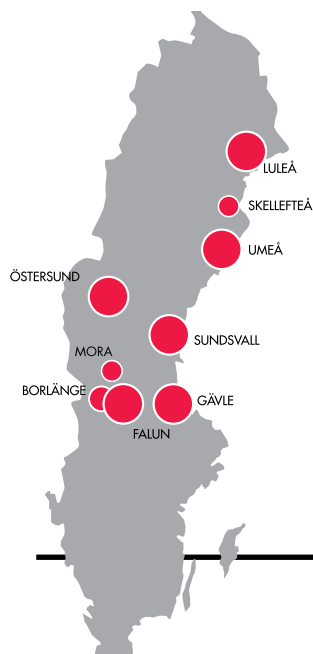
Diös owned 362 properties in 15 locations, from Borlänge in the south to Luleå in the north. The gross leasable area was 1 433,108 square metres, of which 39 per cent was office space, 19 per cent retail space, 21 per cent industrial and warehouse space, 12 per cent residential and 9 per cent other leasable space. Diös invested SEK 177 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 11,970 million.

By market area	Dalarna	Gävleborg	Jämtland	Västernorrland	Västerbotten	Norrbotten	Diös Group
Rental income	125.0	97.1	146.2	132.4	73.9	74.1	648.8
Other revenue	2.4	0.5	2.4	2.9	0.2	2.0	10.3
Repair and maintenance	-12.6	-5.4	-9.8	-8.6	-5.3	-3.6	-45.2
Tariff-based costs	-19.3	-13.0	-27.3	-21.2	-10.9	-7.5	-99.2
Property tax	-5.8	-4.8	-7.0	-6.5	-3.6	-4.4	-32.0
Other property costs	-13.4	-9.1	-17.7	-17.6	-8.3	-7.8	-73.9
Property administration	-5.0	-4.0	-8.1	-7.1	-3.2	-4.9	-32.3
Operating surplus	71.4	61.3	78.8	74.4	42.9	47.8	376.5
Undistributed items							
Central administration	-	-	-	-	-	-	-28.4
Restructuring	-	-	-	-	-	-	-
Net financial items	-	-	-	-	-	-	-141.2
Property management income	-	-	-	-	-	-	206.9
Value movement							
Property, realised	-	-	0.4	-0.1	-	-	0.3
Property, unrealised	-22.7	21.4	-39.6	14.9	-8.1	1.2	-32.9
Interest-rate derivatives	-	-	-	-	-	-	-57.0
Profit before tax	-	-	-	-	-	-	117.3
Current tax	-	-	-	-	-	-	-5.2
Deferred tax	-	-	-	-	-	-	-27.1
Minority interest	-	-	-	-	-	-	1.5
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	86.5
Rentable area, sq.m.	266,682	253,509	335,460	280,351	177,031	120,075	1,433,108
Construction, extension, conversion investments, SEK million	37.4	19.6	58.7	23.7	15.3	22.0	176.7
Carrying amount, SEK million	2,450.2	1,737.9	2,797.9	2,228.3	1,310.4	1,445.7	11,970.4
Rental value, SEK million	138.3	108.8	167.6	149.3	80.9	80.3	725.3
Economic occupancy rate, %	90.4	89.3	87.2	88.7	91.3	92.3	89.5
Surplus ratio, %	57.1	63.1	53.9	56.2	58.0	64.5	58.0

PROPERTY HOLDING AT 30 JUNE 2013

Diös owned 369 properties in 15 locations, from Borlänge in the south to Luleå in the north. The gross leasable area was 1 469,419 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 66 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 11 681 million.

By market area	Dalarna	Gävleborg	Jämtland	Västernorrland	Västerbotten	Norrbotten	Diös Group
Rental income	123.4	93.4	143.4	139.1	73.0	71.2	643.5
Other revenue	3.4	2.1	1.2	2.2	0.6	3.4	12.9
Repair and maintenance	-7.2	-3.2	-7.7	-10.4	-5.0	-2.2	-35.7
Tariff-based costs	-21.5	-15.4	-28.0	-27.6	-12.4	-8.6	-113.5
Property tax	-5.3	-4.5	-6.9	-6.1	-3.5	-3.2	-29.5
Other property costs	-14.3	-11.2	-16.6	-24.0	-9.2	-8.1	-83.5
Property administration	-4.3	-3.2	-7.2	-7.1	-2.5	-4.6	-28.9
Operating surplus	74.2	58.0	78.2	66.1	41.0	47.9	365.4
Undistributed items							
Central administration	-	-	-	-	-	-	-28.6
Restructuring	-	-	-	-	-	-	-15.9
Net financial items	-	-	-	-	-	-	-148.1
Property management income	-	-	-	-	-	-	172.8
Value movement							
Property, realised	-	-	0.6	-	-0.1	1.5	2.0
Property, unrealised	-21.7	-7.7	-18.2	-20.9	-15.3	19.1	-64.7
Interest-rate derivatives	-	-	-	-	-	-	95.5
Profit before tax	-	-	-	-	-	-	205.6
Current tax	-	-	-	-	-	-	-11.1
Deferred tax	-	-	-	-	-	-	-27.0
Minority interest	-	-	-	-	-	-	-
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	167.4
Rentable area, sq.m.	263,032	253,509	338,654	313,767	177,816	122,642	1,469,419
Construction, extension, conversion investments, SEK million	6.6	13.2	17.6	10.8	7.0	10.7	65.9
Carrying amount, SEK million	2,363.8	1,660.5	2,710.0	2,312.1	1,274.8	1,360.2	11,681.4
Rental value, SEK million	135.9	106.1	166.5	159.6	79.9	78.4	726.4
Economic occupancy rate, %	90.8	88.1	86.1	87.1	91.4	90.8	88.6
Surplus ratio, %	60.1	62.2	54.5	47.6	56.1	67.3	56.8



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, Västernorrland, Jämtland, 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

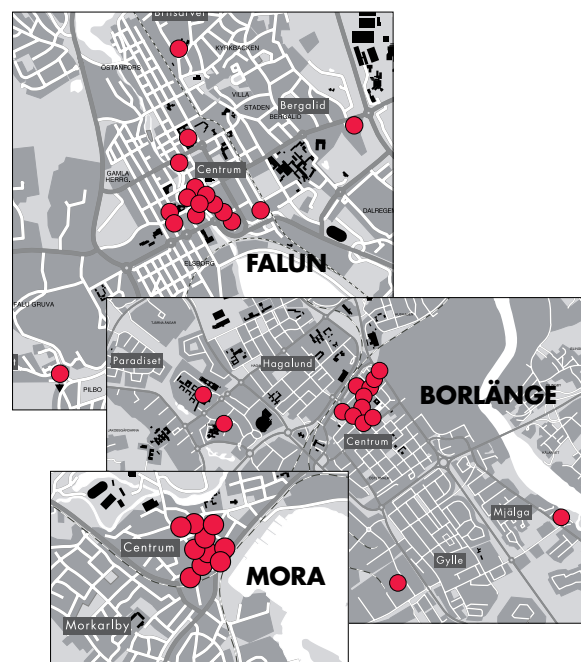
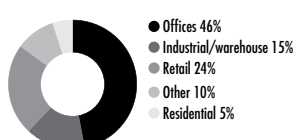
PROPERTY HOLDINGS

No. of properties	44
Area, sq.m.	266,682
Property value, SEKm	2,450

DALARNA'S SHARE OF PROPERTY VALUE



DALARNA'S DISTRIBUTION BY TYPE OF PREMISES



DALARNA - LARGEST TENANTS

AT 30 JUNE 2014

TENANT	No. contracts	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	4	40,626	16.3	1.9
Municipality of Falun	10	17,570	7.0	3.7
Swedish Police Authority	8	10,013	4.0	5.1
County Administrative Board of Dalarna	18	7,042	2.8	2.9
Söderbaumska Skolan AB	1	5,967	2.4	1.3
Total largest tenants	41	81,218	32.5	2.7

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

GÄVLEBORG

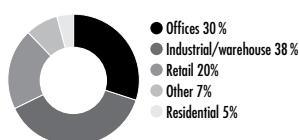
PROPERTY HOLDING

No. of properties	52
Area, sq.m.	253,509
Property value, SEKm	1,738

GÄVLEBORG'S SHARE OF PROPERTY VALUE



GÄVLEBORG'S DISTRIBUTION BY TYPE OF PREMISES



GÄVLEBORG - LARGEST TENANTS

AT 30 JUNE 2014

TENANT	No. contracts	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Public Employment Service	9	7,432	3.9	2.7
Swedish Transport Administration	3	6,985	3.7	4.2
Engelska Skolan AB	2	5,641	3.0	9.2
Gävleborg County Council	5	3,787	2.0	1.8
Gävlefastigheter Gävle kommun	5	3,396	1.8	2.8
Total largest tenants	24	27,241	14.4	4.3

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

VÄSTERNORRLAND

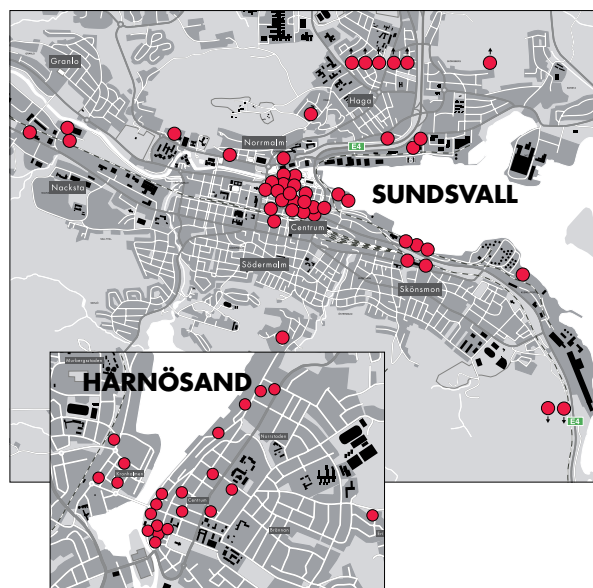
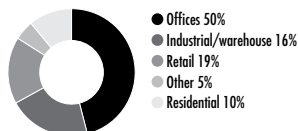
PROPERTY HOLDING

No. of properties	81
Area, sq.m.	280,351
Property value, SEKm	2,228

VÄSTERNORRLAND'S SHARE OF PROPERTY VALUE



VÄSTERNORRLAND'S DISTRIBUTION BY TYPE OF PREMISES



VÄSTERNORRLAND - LARGEST TENANTS

AT 30 JUNE 2014

TENANT	No. contracts	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Norrlidens Kunskapscentrum AB	2	7,298	2.8	2.0
Municipality of Sundsvall	15	6,448	2.5	1.2
Com Hem AB	4	5,230	2.0	2.5
Swedish Transport Administration	1	5,064	1.9	0.5
Åhléns	1	4,528	1.7	1.2
Total largest tenants	23	28,568	10.9	1.5

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

JÄMTLAND

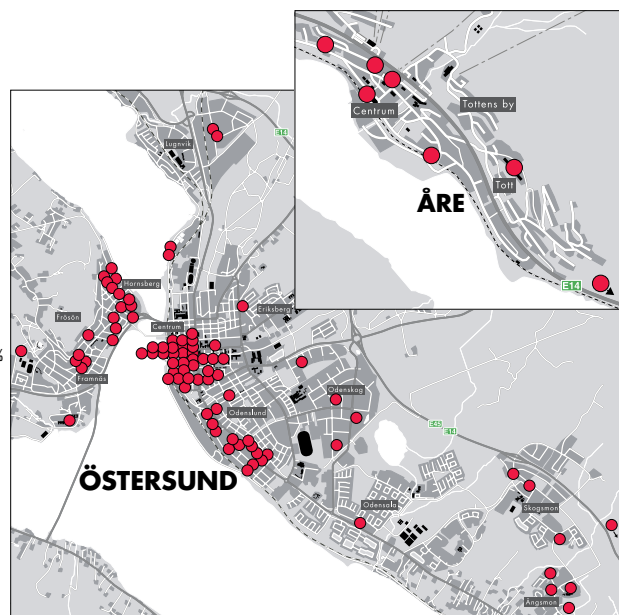
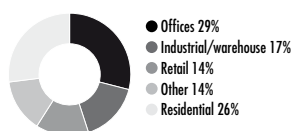
PROPERTY HOLDINGS

No. of properties	126
Area, sq.m.	335,460
Property value, SEKm	2,798

JÄMTLAND'S SHARE OF PROPERTY VALUE



JÄMTLAND'S DISTRIBUTION BY TYPE OF PREMISES



JÄMTLAND - LARGEST TENANTS

AT 30 JUNE 2014

TENANT	No. contracts	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Östersund	83	23,105	8.0	4.8
SkiStar AB	11	11,506	4.0	4.9
Jämtland County Council	22	11,360	3.9	2.5
Swedish Public Employment Service	1	6,070	2.1	1.0
Swedbank AB	5	5,890	2.0	4.3
Total largest tenants	122	57,931	20.0	3.9

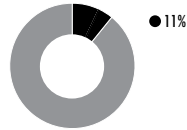
*In relation to the total contract value for each market area.

VÄSTERBOTTEN

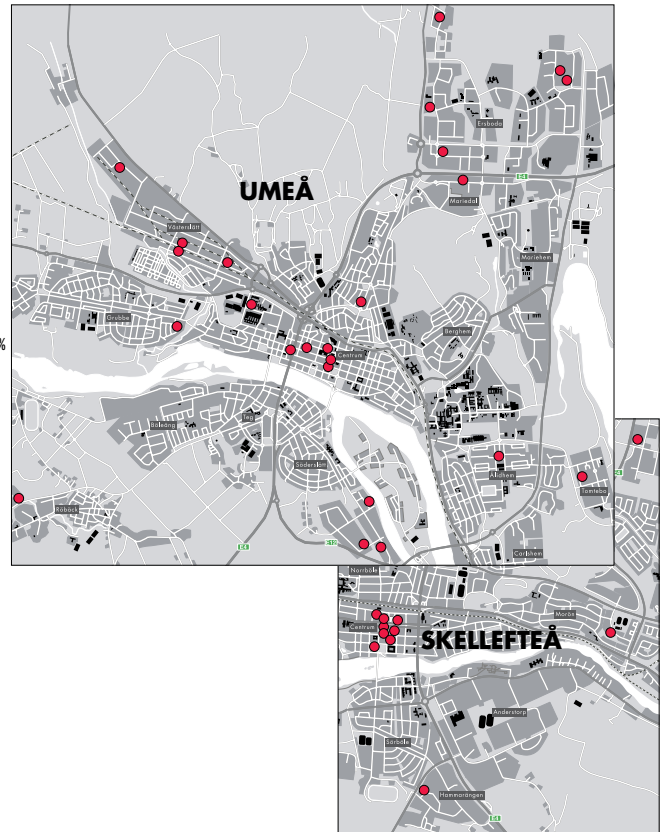
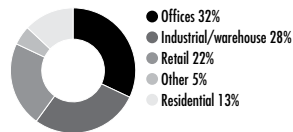
PROPERTY HOLDING

No. of properties	41
Area, sq.m.	177,031
Property value, SEKm	1,310

VÄSTERBOTTEN'S SHARE OF PROPERTY VALUE



VÄSTERBOTTEN'S DISTRIBUTION BY TYPE OF PREMISES



VÄSTERBOTTEN - LARGEST TENANTS

AT 30 JUNE 2014

TENANT	No. contracts	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Umeå	9	6,960	4.7	2.6
Posten Meddelande AB	4	3,931	2.7	0.9
Swedbank AB	1	3,697	2.5	1.2
Balticgruppen Centrumhandel AB	4	3,605	2.4	1.5
Åhléns	1	2,706	1.8	1.0
Total largest tenants	19	20,899	14.1	1.3

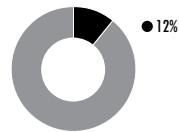
*In relation to the total contract value for each market area.

NORRBOTTEN

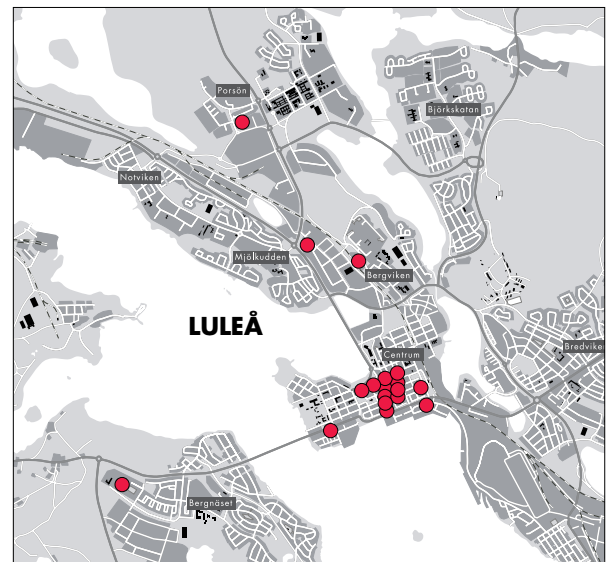
PROPERTY HOLDING

No. of properties	18
Area, sq.m.	120,075
Property value, SEKm	1,446

NORRBOTTEN'S SHARE OF PROPERTY VALUE



NORRBOTTEN'S DISTRIBUTION BY TYPE OF PREMISES



NORRBOTTEN - LARGEST TENANTS

AT 30 JUNE 2014

TENANT	No. contracts	Contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Customs IT Department	3	7,303	5.1	2.6
Swedbank AB	3	6,041	4.3	4.7
Municipality of Luleå	2	5,338	3.8	3.2
SWECO Sverige AB	6	5,313	3.7	2.2
KappAhl Sverige AB	2	4,658	3.3	4.6
Total largest tenants	16	28,653	20.2	3.4

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

»» LEASE MATURITIES ON 30 JUNE 2014

	Maturity year	Signed contracts no.	Rented area sq.m.	Contracted rental income SEKm	Percentage share
Leases for premises	2014	473	78,336	79	6
	2015	726	241,413	236	18
	2016	578	254,395	284	22
	2017	539	243,847	251	20
	2018+	253	201,965	252	20
Total leases for premises		2,569	1,019,956	1,102	86
Residential leases		2,135	157,789	147	11
Other leases		3,453	-	39	3
TOTAL		8,157	1,177,745	1,288	100

»» LARGEST TENANTS AT 30 JUNE 2014

Tenant	No. contracts	Contract value SEK '000	Share of total contract value, %	Average contract term, years
Swedish Transport Administration	14	53,746	4.2	2.2
Municipality of Östersund	83	23,105	1.8	4.8
Swedish Public Employment Service	28	21,000	1.6	2.1
Swedbank AB	11	19,723	1.5	3.6
Ahléns AB	9	19,583	1.5	2.2
Municipality of Falun	10	17,570	1.4	3.7
Hennes & Mauritz Sverige AB	10	14,745	1.1	2.6
KappAhl Sverige AB	6	14,738	1.1	4.1
Axfood Sverige AB	6	13,402	1.0	2.3
Swedish Police Authority	14	13,191	1.0	4.4
Total largest tenants	191	210,803	16.2	3.2

»» CHANGES IN THE PROPERTY PORTFOLIO JANUARY - JUNE 2014

IMPROVEMENT

- SEK 177 million has been invested in conversion and extension work on existing properties in the period. There are 34 major improvement projects currently in progress. SEK 245 million of the budgeted SEK 476 million has been accrued.

ACQUISITIONS

- On 4 June 2014 Diös acquired the Stranden 19:5 property in Mora through a share transfer. The property has a leasable area of 3,650 square metres. The underlying property value was SEK 25 million.

SALES

- On 1 April the Rävsvund 1:338 property in Sundsvall was sold. The property covers an area of 14,249 square metres. The sale price was SEK 7 million.
- On 7 May 2014 the Söre 5:26 och 5:74 i Lit, Östersund were sold. The properties have a combined floor space of 3,194 square metres. The sale price was SEK 14 million.

FINANCIAL POSITION AT 30 JUNE 2014

EQUITY AND EQUITY RATIO

Shareholders' equity amounted to SEK 3,148 million (3,082) and the equity ratio was 26.0 per cent (25.8). The target is an equity ratio of 25 per cent in the short term and 30 per cent over the longer term.

CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents (excluding unused bank overdraft facilities) were SEK -70 million (99) at the end of the period.

INTEREST EXPENSE JANUARY - JUNE 2014

	Amount, SEKm	Cost, SEKm	Weighted average interest rate, %
Interest-bearing liability	7,655	106	2.8
Undrawn credit facilities ¹	274	1	0.0
Financial instruments	4,200	31	0.8
TOTAL		137	3.6

¹ The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.02 percentage points.

In the period, Diös' average interest-bearing liabilities amounted to SEK 7,655 million (7,766). Actual interest costs, including costs related to undrawn credit facilities and the performance of financial instruments, amounted to SEK 137 million (146), which represents an average

annual interest rate of 3.6 per cent (3.7). During the period, unrealised changes in value arising on derivatives held totalled SEK -57 million (96), which are fully recognised in the income statement.

INTEREST RATES AND DEBT MATURITY STRUCTURE AT 30 JUNE 2014

Maturity year	Interest maturity		Loan maturity	
	Loan amount, SEKm	Average annual interest rate, % ¹	Credit agreements, SEKm	Drawn, SEKm
2014	7,646	2.8	-	-
2015	-	-	4,430	4,149
2016	-	-	3,497	3,497
Drawn credit facilities	7,646	2.8	7,927	7,646
Undrawn credit facilities ²	281	0.0		
Financial instruments	4,200	0.8		
TOTAL		3.6		

¹ Average annual interest rate refers to the average interest rate based on interest-rate terms and current liability on 30 June 2014.

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

Average maturity 1.6 years

Average fixed-rate term 1.7 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.

DERIVATIVES

Counterparty	Nominal value, SEKm	Remaining maturity, years	Interest rate level, %	Market value, SEKm
Handelsbanken	2,000	2.2	2.3	-63
Handelsbanken	600	4.0	3.7	-60
Swedbank	1,600	2.6	1.9	-41
TOTAL	4,200	2.6	2.4	-164

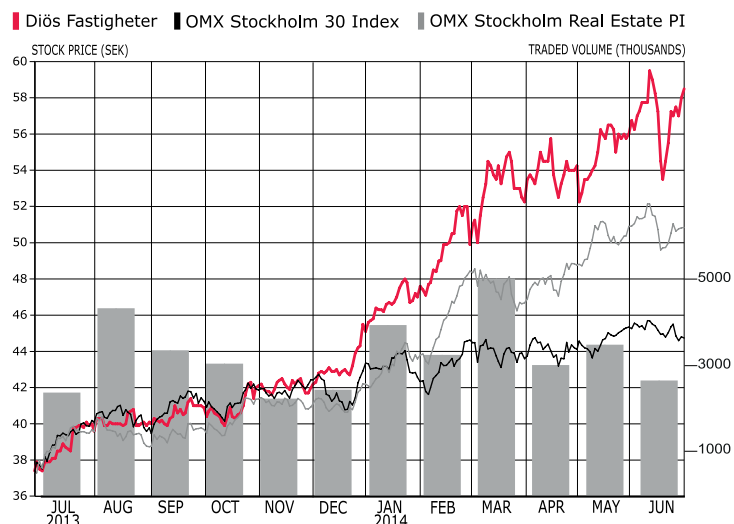
It is Diös' view that the interest rate market is stable and the company has thus not entered into any new derivative contracts in the period.

INTEREST-BEARING LIABILITIES AND AVERAGE INTEREST RATE AT 30 JUNE 2014

The Group's interest-bearing liabilities totalled SEK 7,646 million (7,745) 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 2.9 months (2.8). The average fixed-rate term was 1.7 years (2.2) when the impact of the derivative portfolio is included. The average loan maturity was 1.6 years (2.4). Of the Group's total interest-bearing liabilities, SEK 4,200 million (4,200) is hedged through derivatives. The average remaining term is 2.6 years (3.5). The average annual interest rate, includ-

ing 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 30 June 2014, Diös' average interest rate would have risen by 0.4 percentage points (0.5). The market value of the derivative portfolio on 30 June 2014 was SEK -164 million (-80) and the weighted average annual interest rate was 2.4 per cent (2.4). With the derivative portfolio totalling SEK 4,200 million, 54.9 per cent (54.2) of the Group's total outstanding borrowings has been hedged.

SHARE PRICE PERFORMANCE



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 30 June 2014 was 74,729,134 (74,729,134). The closing price of SEK 58.5 (37.4) gave the company a stock market value of SEK 4,372 million (2,795).

The graph shows share prices for the past 12 months for both Diös and the indexes. Over the past 12 months Diös has gained 56.4 per cent (17.6), compared with 19.6 per cent for the OMX Stockholm 30 Index (17.9) and 35.9 per cent for the OMX Stockholm Real Estate PI (17.9). In the past 12 months, Diös' total return (return including reinvested dividends) was 63.3 per cent (27.6). Diös has thus achieved a return above that of comparable indexes in the period.

LARGEST SHAREHOLDERS OF DIÖS FASTIGHETER AB AT 31 MAY 2014

SHAREHOLDER	No. 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	6,709,077	9.0
Pensionskassan SHB Försäkringsförening	4,498,239	6.0
Försäkringsaktiebolaget, Avanza Pension	2,185,796	2.9
SEB Investment Management	2,002,258	2.7
Länsförsäkringar Jämtland	2,000,002	2.7
Staffan Rasjö	1,650,096	2.2
Ralf Ekblad	1,600,000	2.1
Total, largest shareholders	48,594,135	65.0
Other shareholders	26,134,999	35.0
TOTAL	74,729,134	100.0

HOLDINGS AT 31 MAY 2014

SHARE-HOLDING	No. of share-holders	No. of shares	Holding (%)	Votes (%)	Market value (SEKm)
1 - 500	2,995	664,546	0.9	0.9	37
501 - 1,000	1,166	998,390	1.3	1.3	56
1,001 - 5,000	1,390	3,300,024	4.4	4.4	186
5,001 - 10,000	195	1,483,781	2.0	2.0	83
10,001 - 15,000	50	636,753	0.9	0.9	36
15,001 - 20,000	41	761,214	1.0	1.0	43
20,001 -	160	66,884,426	89.5	89.5	3,762
TOTAL	5,997	74,729,134	100.0	100.0	4,204

At 31 May Diös Fastigheter AB had 5,997 shareholders (4,249). A majority of the shares, 89.7 per cent (92.9), 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 65.0 per cent (66.8) of the shares and votes.

SHARE CAPITAL HISTORY

DATE	Event	Increase in number of shares	Increase in share capital, SEK	Total number of shares	Total share capital	Par value
1 Jan 2005	At the start of the period	-	-	10,000	100,000	10.00
21 Jun 2005	Split	990,000	-	1,000,000	100,000	0.10
21 Jun 2005	New issue	1,489,903	148,990	2,489,903	248,990	0.10
14 Sep 2005	Non-cash issue	1,503,760	150,376	3,993,663	399,366	0.10
2 Jan 2006	Bonus issue	-	39,537,264	3,993,663	39,936,630	10.00
2 Jan 2006	Split	15,974,652	-	19,968,315	39,936,630	2.00
18 May 2006	New issue	8,333,400	16,666,800	28,301,715	56,603,430	2.00
11 Jul 2006	Non-cash issue	5,000,000	10,000,000	33,301,715	66,603,430	2.00
19 Apr 2007	Non-cash issue	666,250	1,332,500	33,967,965	67,935,930	2.00
29 Oct 2010	Non-cash issue	99,729	199,458	34,067,694	68,135,388	2.00
14 Dec 2010	New issue	3,285,466	6,570,932	37,353,160	74,705,720	2.00
17 Dec 2010	New issue	11,407	22,814	37,364,567	74,728,534	2.00
5 Dec 2011	New issue	22,854,136	45,708,272	60,218,703	120,436,806	2.00
14 Dec 2011	New issue	14,510,431	29,020,862	74,729,134	149,457,668	2.00

EMPLOYEES AND ORGANISATION

The number of employees on 30 June 2014 was 152 (136), of whom 54 were women (49).

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, 101 (92) of them, work in the market areas, 53 (50) 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 63 million (50) and post-tax profit was SEK 8 million (-15). Net sales refer chiefly to services sold to the Group's subsidiaries. The company's cash and cash equivalents were SEK 33 million (0) on 30 June 2014. External interest-bearing liabilities, excluding overdraft facilities, amounted to SEK 1,474 million (1,488). The amount of drawn overdraft facilities stands at SEK 0 million (-5). The average annual interest rate based on the situation at 30 June 2014 amounted to 2.6 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 sole 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 682 million (620) at 30 June 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 3,365 million at 30 June 2014. At a tax rate of 22.0 per cent, deferred tax liability relating to temporary differences was SEK 740 million.

Diös' tax losses carried forward at 30 June 2014 are estimated at SEK 364 million. At a tax rate of 22.0 per cent, deferred tax asset relating to tax losses carried forward was SEK 80 million, which in Diös' financial statements has been offset against deferred tax liability. Other deferred tax liabilities at 30 June were SEK 22 million.

The change since 31 December 2013 is attributable to a SEK 13 million deferred tax asset decrease and a SEK 14 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.

CURRENT TAX CASE

On 19 June Diös decided to appeal the ruling of the administrative court in the tax case concerning a claim for deduction of capital losses relating to the tax year 2006. The claim is based on a tax loss which arose in connection with an external acquisition of properties in 2005. The loss was an effect of transactions undertaken in connection with the acquisition with the aim of incorporating the properties in the Diös Group.

The conclusion in the analysis which Diös initiated based on the ruling of the administrative court is that the court has overlooked a number of important aspects and that the ruling is therefore incorrect, which means that Diös has good prospects of winning the process. The company's view is that the acquisitions concerned, which were made in 2005, were handled in accordance with the applicable tax rules and that they are not comparable to the large number of cases which the Tax Agency has won in the administrative court of appeal. This view is shared by the company's tax advisor, who has studied the acquisitions and the Tax Agency's reasoning.

The total increase in the tax assessment under the ruling of the administrative court is SEK 421 million.

Diös has applied for and been granted a reprieve on payment from the Tax Agency, and no provisions have been made in the company's balance sheet. If Diös were to lose the case in the court of final instance, the company would incur an additional tax and interest charge of around SEK 135 million. For the time being the total amount of tax and interest is regarded as a contingent liability.

See also the press releases from 20 and 21 May and 19 June 2014.

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 2 July the Swedish Riksbank decided to lower its repo rate by 0.50 percentage points to 0.25 per cent and lower the repo rate path in order to address the low inflationary pressure. The Riksbank's assessment that the repo rate will remain at 0.25 per cent until the end 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 (KI) the pace of GDP growth in the OECD slowed in the first quarter of 2014. Survey-based economic indicators show that this slowdown was temporary both in Sweden and in most other OECD countries. Less austere fiscal policies coupled with loose monetary policies are contributing to a gradual economic recovery in the OECD region. Unemployment in Sweden is estimated at 8.1 per cent in 2014, with a GDP growth rate of 2.2 per cent.

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 preparing the interim report are consistent with the accounting policies applied in preparing the consolidated financial statements and Annual Report for 2013, Note 1. 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 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 32 million. In the view of management the amendment is consistent with IFRIC 21 and provides more reliable and relevant information compared with the previously applied principle. IFRIC 21 Levies was adopted by the EU in June 2014 and is applied retroactively as of the financial year 2014, in accordance with the transition rules in IFRIC 21.

¹ Annual Report 2013, available at 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 PERIOD

On 2 July the Borgmästaren 4 property in Östersund was sold to a newly formed tenant-owner's association through a company sale at an underlying property value of SEK 20 million. Impact on earnings will be reported in the third quarter of 2014.

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

Östersund, 7 July 2014

Bob Persson
Chairman

Maud Olofsson
Board member

Ragnhild Backman
Board member

Svante Paulsson
Board member

Anders Bengtsson
Board member

Knut Rost
Chief Executive Officer

Tomas Mellberg
Board member
Employee representative

»»» **CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEK MILLION**

	2014 3 mths April-June	2013 3 mths April-June	2014 6 mths Jan-Jun	2013 6 mths Jan-Jun	2013 12 mths Jan-Dec
INCOME STATEMENT					
Rental income and other property management income	331	326	659	656	1,307
Property costs	-133	-124	-283	-291	-569
Operating surplus	198	202	376	365	738
Central administration	-13	-13	-28	-29	-58
Restructuring costs ¹	-	-13	-	-16	-26
Net financial items	-71	-74	-141	-148	-300
Property management income	114	102	207	173	354
Change in value of properties	-35	-36	-33	-63	-24
Change in value of interest-rate derivatives	-24	48	-57	96	68
Profit before tax	55	114	117	206	398
Current tax	-3	-10	-5	-11	-15
Deferred tax	-11	-16	-27	-27	-62
Profit after tax	41	89	85	167	321
Profit attributable to shareholders of the parent	40	89	86	167	323
Profit attributable to non-controlling interests	1	-	-1	-	-2
Total	41	89	85	167	321
STATEMENT OF COMPREHENSIVE INCOME					
Profit after tax	41	89	85	167	321
Comprehensive income for the period	41	89	85	167	321
Comprehensive income attributable to shareholders of the parent	40	89	86	167	323
Comprehensive income attributable to non-controlling interests	1	-	-1	-	-2
Total	41	89	85	167	321
Profit per share after tax, SEK	0.54	1.18	1.16	2.24	4.32
Number of shares at end of period (thousands)	74,729	74,729	74,729	74,729	74,729
Average number of shares (thousands)	74,729	74,729	74,729	74,729	74,729

¹ Integration and reorganisation costs arising from the acquisition of Norrvidden.

Restructuring includes costs for reorganisation and the relocation of head office operations to Östersund.

CONDENSED CONSOLIDATED BALANCE SHEET, SEK M

	2014 30 June	2013 30 June	2013 31 Dec
ASSETS			
Non-current assets			
Investment properties	11,970	11,681	11,823
Other property, plant and equipment	8	10	7
Intangible assets	4	1	4
Financial assets	9	7	9
Total non-current assets	11,991	11,700	11,843
Current assets			
Current receivables	107	169	91
Cash and cash equivalents	-	99	121
Total current assets	107	269	212
TOTAL ASSETS	12,098	11,968	12,055
EQUITY AND LIABILITIES			
Equity	3,148	3,082	3,235
Deferred tax liability	682	620	655
Non-current liabilities	7,648	7,747	7,666
Overdraft facilities	70	-	-
Current liabilities	550	519	499
TOTAL LIABILITIES AND EQUITY	12,098	11,968	12,055
Content liabilities	135	-	-

CONDENSED STATEMENT OF CHANGES IN EQUITY, SEK M

	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>	167	167	-
Comprehensive income for the period	167	167	-
Cash dividend	-172	-172	-
Equity at 30 Jun 2013	3,082	3,061	21
<i>Profit for the period after tax</i>	153	155	-2
Comprehensive income for the period	153	155	-2
Equity at 31 Dec 2013	3,235	3,216	19
<i>Profit for the period after tax</i>			
Comprehensive income for the period	85	86	-1
Cash dividend	-172	-172	-
Equity at 30 Jun 2014	3,148	3,130	18

CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEKM

	2014 3 mths April-June	2013 3 mths April-June	2014 6 mths Jan-Jun	2013 6 mths Jan-Jun	2013 12 mths Jan-Dec
OPERATING ACTIVITIES					
Property management income	114	102	207	173	354
Adjustments for non-cash items	9	8	-15	-14	3
Tax paid	-3	-10	-5	-11	-15
Operating cash flows before change in working capital	120	100	187	148	342
Changes in working capital					
Decrease (+)/increase (-) in receivables	12	-26	-17	-5	72
Decrease (-)/increase (+) in current liabilities	-35	114	-27	-7	-80
Total changes in working capital	-23	88	-44	-12	-8
Cash flow from operating activities	97	188	143	136	334
INVESTING ACTIVITIES					
Investment in financial assets	-	5	-	5	2
Proceeds from sale of property, plant and equipment	21	56	21	207	309
Acquisition of intangible assets	-	-	-	-1	-4
Purchases of property, plant and equipment	-114	-35	-165	-47	-239
Cash flow from investing activities	-93	26	-144	164	68
FINANCING ACTIVITIES					
Dividends paid	-172	-172	-172	-172	-172
Change in non-current liabilities	-16	-43	-18	-148	-229
Cash flow from financing activities	-188	-215	-190	-320	-401
Cash flow for the period	-184	-1	-191	-21	1
Cash and cash equivalents at beginning of period	114	100	121	120	120
Cash and cash equivalents at end of period	-70	99	-70	99	121

KEY RATIOS

	2014 3 mths April-June	2013 3 mths April-June	2014 6 mths Jan-Jun	2013 6 mths Jan-Jun	2013 12 mths Jan-Dec
Return on equity, %	1.3	2.8	2.7	5.4	10.2
Equity ratio, %	26.6	25.8	26.0	25.8	26.8
Loan-to-value ratio, properties, %	63.9	66.3	63.9	66.3	64.8
Interest coverage ratio, times	2.6	2.4	2.5	2.1	2.2
Equity per share, SEK	42.1	41.2	42.1	41.2	43.3
Cash flow per share, SEK	1.5	1.2	2.7	2.2	4.6
Number of properties at end of period	362	369	362	369	364
Leasable area at end of period, sq.m.	1,433,108	1,469,419	1,433,108	1,469,419	1,446,900
Market value of properties, SEKm	11,970	11,681	11,970	11,681	11,823
Rental value, SEKm	365	360	725	726	1,457
Economic occupancy rate, %	89.6	88.7	89.5	88.6	88.7
Direct return, %	1.7	1.7	3.1	3.1	6.2
Surplus ratio	60.6	63.1	58.0	56.8	57.1

CONDENSED PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEK M

	2014 6 mths Jan-Jun	2013 6 mths Jan-Jun	2013 12 mths Jan-Dec
INCOME STATEMENT			
Net sales	63	50	105
Gross profit	63	50	105
Central administration	-82	-73	-148
Restructuring costs	-	-16	-26
Operating profit	-19	-39	-69
Financial income	86	77	230
Financial expense	-59	-53	-109
Profit after financial items	8	-15	52
Current tax	-	-	-
Profit after tax	8	-15	52
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax	8	-15	52
Comprehensive income for the year	8	-15	52

CONDENSED PARENT COMPANY BALANCE SHEET, SEK M

	2014 30 Jun	2013 30 Jun	2013 31 Dec
ASSETS			
Projects in progress	5	2	5
Machinery and equipment	2	1	1
Investments in Group companies	171	171	171
Non-current receivables from Group companies	3,416	3,324	3,341
Total non-current assets	3,594	3,498	3,518
Current receivables from Group companies	153	109	187
Other current receivables	7	13	10
Cash and cash equivalents	33	-	10
Total current assets	193	122	207
TOTAL ASSETS	3,787	3,620	3,725
EQUITY AND LIABILITIES			
Equity	1,270	1,367	1,434
Non-current liabilities to credit institutions	1,467	1,481	1,476
Non-current liabilities to Group companies	928	652	710
Current liabilities to credit institutions	7	7	7
Current liabilities to Group companies	85	69	58
Overdraft facilities	-	5	-
Trade payables	-	4	7
Other current liabilities	30	34	33
Total current liabilities	122	119	105
TOTAL LIABILITIES AND EQUITY	3,787	3,620	3,725

»»» 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.

DIRECT RETURN

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 – JUNE 2014

Property	Market area	Municipality	Category	Area, sq.m.
SALES				
Quarter 2				
Rävsund 1:338	Västernorrland	Sundsvall	Industrial/warehouse	14,249
Söre 5:26 & 5:74	Jämtland	Östersund	Residential	3,194
Total property sales Jan-Jun				17,443
ACQUISITIONS				
Quarter 2				
Stranden 19:5	Dalarna	Mora	Retail	3,650
Total property acquisitions Jan-Jun				3,650

»»» FINANCIAL CALENDAR

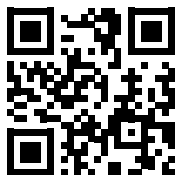
Q3 Interim report January-September 2014

24 October 2014

Q4 Financial statement January-December 2014

19 February 2015





READ MORE AT DIOS.SE



DIÖS FASTIGHETER AB (PUBL)

RINGVÄGEN 4, BOX 188, SE-831 22 ÖSTERSUND, TEL: +46 (0)770 - 33 22 00

ORGANISATION NUMBER: 556501-1771. REGISTERED OFFICE IN ÖSTERSUND. WWW.DIOS.SE