

*Diös*

# Q3

INTERIM REPORT **JANUARY – SEPTEMBER 2015**



## OVERVIEW OF THE PERIOD

# JANUARY–SEPTEMBER 2015

- Rental income for the period was SEK 967 million (969)
- Property management income was SEK 383 million (323)
- Changes in value on properties were SEK 114 million (-16)
- The profit after tax was SEK 293 million (177)
- Earnings per share were SEK 3.92 (2.26)
- Tax effect of non-recurring items amounted to SEK -137 million

	2015 9 mths Jan-Sep	2014 9 mths Jan-Sep	2014 12 mths Jan-Dec
<b>PROFIT FOR THE PERIOD, SEKm</b>			
Rental income	967	969	1,291
Other revenue	14	14	21
Operating and central costs	-440	-448	-608
Net financial items	-158	-212	-283
<b>Property management income</b>	<b>383</b>	<b>323</b>	<b>421</b>
Changes in value of properties and derivatives	150	-94	-29
Current tax	-153	-10	-10
Deferred tax	-87	-42	-80
<b>Profit after tax</b>	<b>293</b>	<b>177</b>	<b>302</b>
Surplus ratio, %	60.1	59.6	59.0
Occupancy rate, %	88.3	89.2	89.2
Equity ratio, %	27.1	26.6	27.3
Loan-to-value ratio, properties, %	60.5	63.2	62.9
Equity per share, SEK	46.1	43.4	45.0

### FOR FURTHER INFORMATION, PLEASE CONTACT

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KNUT ROST, CEO

# THERE ARE MANY OPPORTUNITIES

*Diös Fastigheter reports one of its strongest property management results to date, with income from property management of SEK 383 million (323). With a continued focus on lettings and tenant relationships, we continue to build on the vision of becoming the most active and sought-after property owner in our market.*



Net leasing for the third quarter was high, at SEK 17 million (3), and the occupancy rate was 88.3 per cent (89.2). A surplus ratio of 60.1 per cent (59.6) shows that we are managing our properties efficiently and that our energy efficiency projects are yielding fruit.

The period was marked by:

- Higher net leasing due to a number of major contracts with occupancy scheduled for early 2016. The lease of premises to Men's Fashion in Luleå and to the Municipality of Östersund are two of these contracts.
- A continued focus on raising our occupancy rate through active property management and long-term customer relationships.
- A higher surplus ratio due to reduced property costs and lower energy consumption. The target of a 60 per cent surplus ratio for 2015 by year-end is within reach.

We are now further stepping up our efforts to find sustainable long-term solutions together with existing and potential tenants.

During the period we took decisions to invest in a record number of new projects – 47, of which the biggest is the redevelopment of the Kansliet 20 property in Falun. Activity in our energy efficiency projects remains high, with 26 ongoing projects at the end of the period.

The result of these projects is a gain for us, for our tenants and not least for the environment.

The effort to concentrate our portfolio of properties to our priority cities continues. During the period we made a number of minor sales, and we continuously sell properties which do not meet our portfolio criteria. The biggest event, which took place immediately after the end of the period, was a major acquisition in Skellefteå, one of our priority cities where we aim to double our portfolio. The deal, which comprises five centrally located properties, strengthens our opportunities to influence the development of the city and creates efficiencies in the management of our properties.

The quarterly period was marked by a turbulent stock market and lower equity prices. Lower interest rates fuelled by market concerns have, however, benefited listed property companies. Thanks to our high dividend yield of 5.3 per cent and our diversified property portfolio, we continue to attract investors, as evidenced by a 58 per cent increase in the number of shareholders compared with the same date in 2014.

We see many opportunities to further improve our key ratios. Against a background of demographic growth and a stable labour market, the outlook in our market is good. Our diversified portfolio of centrally located properties puts us in a strong position to meet our tenants' needs. When the right business opportunities arise we will have the financial strength to act.

  
Knut Rost, CEO

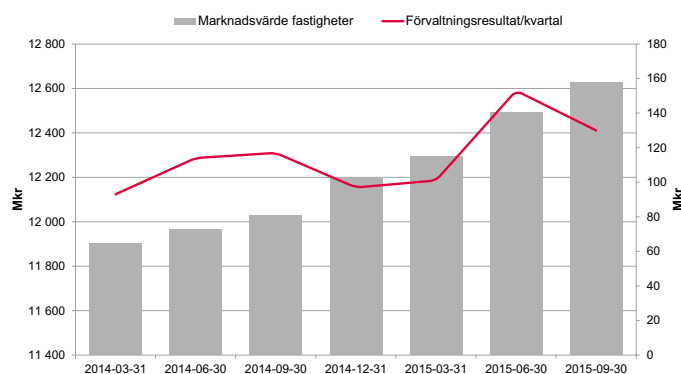


## REVENUE, EXPENSES AND RESULTS, JANUARY–SEPTEMBER 2015

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 383 million (323).

The operating surplus was SEK 581 million (578), representing a surplus ratio of 60.1 per cent (59.6). The improved surplus ratio is primarily due to reduced property costs.

- Rental income for the reporting period was SEK 967 million (969), representing an economic occupancy rate of 88.3 per cent (89.2).
- Other property management income totalled SEK 14 million (14) and consisted mainly of re-billing to tenants regarding work carried out in leased premises.
- Total property costs were SEK 400 million (405). The reduction in costs is chiefly attributable to lower tariff-based costs, reduced repair work and the effects of energy efficiencies. Of total property costs, SEK 5.5 million (4.9) refers to work in leased premises that is re-billed to tenants.



### CHANGES IN VALUE OF PROPERTIES AND DERIVATIVES

The property market is marked by a continued high activity, strong demand and continued limited supply, which is pushing prices higher. Prices are increasing mainly for centrally located office properties in growth cities. Diös Fastigheter has reflected this price increase in its valuation through a reduced required rate of return, equivalent to about 18 basis points at portfolio level. The average valuation yield at the end of the period was 6.75 per cent. Coupled with a number of individual adjustments at property level, this has resulted in a change in value of SEK 108 million (-26), or 0.9 per cent (-0.2). On 30 September, the market value was SEK 12,627 million (12,035).

During the period three properties (9) were sold and one property was partially sold, resulting in a realised change in value before tax of SEK 5.9 million (10).

The derivatives portfolio has been valued at the present value of future cash flows. If the contracted interest rate deviates from the market rate, a theoretical fair value gain or loss arises on the interest rate derivatives. 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 36 million (-78), which are fully recognised in the income statement. The change in the market values of derivatives is primarily attributable to the time effect. The time to maturity decreased

over the period, which, assuming that market interest rates remain largely unchanged, will push the market value towards 0. Diös' accrued negative market values from derivatives will thus have an ongoing positive revaluation effect until maturity.

### NET FINANCIAL ITEMS

The net financial expense for the period was SEK -158 million (-212), which was a decrease of 25 per cent compared with the previous year. The reduced net financial expense is mainly due to the refinancing of debt on better terms and a low base rate (STIBOR-90). The interest expense for the period, including expenses for interest-rate derivatives and loan commitments, represents borrowings at an average annual interest rate of 2.7 per cent (3.6). The average annual interest rate on interest-bearing liabilities based on the applicable terms and market interest rates at 30 September was 2.5 per cent (3.4).

### PROFIT BEFORE TAX

Profit before tax was SEK 533 million (229). The improved profit is mainly attributable to positive unrealised changes in value on properties and interest rate derivatives as well as an improvement in the net interest expense.

### PROFIT AFTER TAX

Profit after tax was SEK 293 million (177). Current tax was SEK -153 million (-10), of which SEK -137 million refers to tax provisions relating to an ongoing tax case, see page 16. The remaining SEK -16 million is mainly attributable to tax in subsidiaries, which are not permitted to not offset losses against Group profits. The calculation of deferred tax has given rise to a deferred tax expense of SEK -87 million (-42).

## THIRD QUARTER OF 2015

Property management income for the third quarter, i.e. income excluding changes in value and tax, was SEK 129 million (117). The operating surplus was SEK 201 million (201), representing a surplus ratio of 62.8 per cent (62.8).

- Rental income for the third quarter was SEK 320 million (321), representing an economic occupancy rate of 88.1 per cent (88.8).
- Total property costs were SEK 123 million (123).

Net financial items for the third quarter were SEK -52 million (-70).

The profit before tax was SEK 154 million (112), with changes in the value of properties having a positive impact of SEK 10 million (16) and changes in the value of interest rate derivatives adding SEK 15 million (-21). Earnings after tax were SEK -10 million (92), with deferred tax having a negative impact on earnings of SEK -23 million (-15) and current tax a negative impact of SEK -141 million (-5) due to tax provisions of SEK -137 million relating to an ongoing tax case, see page 16.

In the third quarter two properties (6) were sold, resulting in a net realised change in value of SEK 2.1 million (9.7).

## PROPERTY PORTFOLIO AT 30 SEPTEMBER 2015

Diös owned 351 properties in 15 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,422,224 square metres and the economic occupancy rate, based on concluded leases at 30 September, 89.1 per cent. Diös invested SEK 348 million in the construction, extension and conversion of premises over the 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 12,627 million.

Figures refer to SEK millions unless otherwise indicated.

By business area	Dalarna	Gävleborg	Väster-norrland	Jämtland	Väster-botten	Norr-botten	Diös Group
Rental income	196	143	185	221	109	114	967
Other revenue	2	3	5	1	0	3	14
Repair and maintenance	-13	-7	-13	-15	-7	-6	-61
Tariff-based costs	-27	-18	-27	-36	-15	-11	-133
Property tax	-9	-7	-10	-10	-5	-6	-48
Other property costs	-22	-17	-25	-25	-12	-13	-112
Property management	-8	-6	-10	-10	-5	-7	-46
<b>Operating surplus</b>	<b>119</b>	<b>91</b>	<b>106</b>	<b>126</b>	<b>66</b>	<b>74</b>	<b>581</b>
<b>Undistributed items</b>							
Central administration	-	-	-	-	-	-	-40
Net financial items	-	-	-	-	-	-	-158
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383</b>
<b>Changes in value</b>							
Property, realised	-	2	-	4	-	-	6
Property, unrealised	-34	43	-14	44	16	53	108
Interest rate derivatives	-	-	-	-	-	-	36
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>533</b>
Current tax	-	-	-	-	-	-	-153
Deferred tax	-	-	-	-	-	-	-87
Non-controlling interests	-	-	-	-	-	-	0
<b>Profit for period attributable to shareholders of the parent</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>293</b>
Leasable area, sq.m	266,682	250,733	279,187	330,054	175,493	120,075	1,422,224
Construction, extension, conversion investments, SEKm	75	27	55	90	46	55	348
Carrying amount, SEKm	2,538	1,815	2,277	3,004	1,388	1,604	12,627
Rental value, SEKm	219	162	217	251	122	124	1,095
Economic occupancy rate, %	89.4	88.1	85.5	87.7	89.2	92.2	88.3
Surplus ratio, %	60.9	63.7	57.1	57.0	60.3	64.9	60.1

## PROPERTY PORTFOLIO AT 30 SEPTEMBER 2014

Diös owned 356 properties in 15 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,424,072 square metres and the economic occupancy rate, based on concluded leases at 30 September, 89.5 per cent. Diös invested SEK 281 million in the construction, extension and conversion of premises over the 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 12,035 million.

Figures refer to SEK millions unless otherwise indicated.

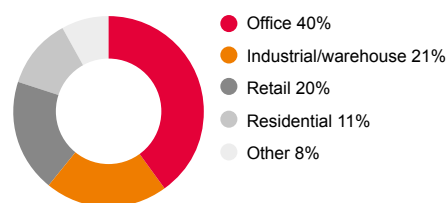
By business area	Dalarna	Gävleborg	Väster-norrland	Jämtland	Väster-botten	Norr-botten	Diös Group
Rental income	191	145	197	218	109	109	969
Other revenue	3	1	3	3	0	3	14
Repair and maintenance	-14	-8	-12	-16	-9	-5	-64
Tariff-based costs	-27	-19	-29	-37	-15	-11	-138
Property tax	-9	-7	-10	-10	-5	-7	-48
Other property costs	-22	-15	-23	-25	-12	-12	-108
Property management	-7	-6	-10	-12	-5	-7	-47
<b>Operating surplus</b>	<b>115</b>	<b>91</b>	<b>117</b>	<b>121</b>	<b>63</b>	<b>71</b>	<b>578</b>
<b>Undistributed items</b>							
Central administration	-	-	-	-	-	-	-43
Net financial items	-	-	-	-	-	-	-212
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>323</b>
<b>Changes in value</b>							
Property, realised	-	1	6	3	-	-	10
Property, unrealised	-31	18	-3	-17	-3	10	-26
Interest rate derivatives	-	-	-	-	-	-	-78
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>229</b>
Current tax	-	-	-	-	-	-	-10
Deferred tax	-	-	-	-	-	-	-42
Non-controlling interests	-	-	-	-	-	-	-8
<b>Profit for period attributable to shareholders of the parent</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169</b>
Leasable area, sq.m	266,682	252,053	279,187	329,044	177,031	120,075	1,424,072
Construction, extension, conversion investments, SEKm	70	26	35	91	26	33	281
Carrying amount, SEKm	2,474	1,731	2,209	2,829	1,327	1,464	12,035
Rental value, SEKm	211	162	223	250	121	119	1,086
Economic occupancy rate, %	90.3	89.2	88.5	87.4	90.2	91.7	89.2
Surplus ratio, %	60.1	62.8	59.2	55.5	58.0	65.0	59.6



## THE PROPERTY PORTFOLIO

The portfolio comprises a well balanced mix of residential, office, retail and industrial space with a range of small and large premises, creating wide scope to offer flexible solutions. At the end of the period the portfolio comprised 89 per cent (88) commercial properties and 11 per cent (12) residential properties based on floor area by type of premises.

## PROPERTY PORTFOLIO AT 30 SEP 2015



## INVESTMENTS

The majority of Diös' investments take the form of new builds, conversions and extensions to existing properties. Investments must lead to reduced vacancies and a higher occupancy rate. During the period SEK 348 million (281) was invested in 523 projects (441).

At the end of the period 47 major improvement projects were ongoing, with a remaining investment volume of SEK 210 million and a total investment volume of SEK 524 million. During the third quarter decisions were taken on 47 new project investments.

### FIVE LARGEST ONGOING PROJECTS INITIATED IN 2015

Municipality	Property	Type of project	Project area, sq.m	Planned investment, SEKm	Remaining investment, SEKm	Increase in rental value <sup>1</sup> , SEKm	Year of completion
Luleå	Humlan 6	Offices	6,040	39.0	27.8	3.5	2016
Östersund	Kommunalmannen 4	Offices	2,438	21.0	17.1	1.5	2016
Umeå	Rind 5	Residential	1,038	19.5	19.1	0.5	2016
Sundsvall	Norrbacka 1	School	7,145	14.4	13.8	1.2	2017
Sundsvall	Hälsan 7	Offices	2,362	14.1	11.2	2.5	2016
<b>Total</b>			<b>19,023</b>	<b>108.0</b>	<b>89.1</b>	<b>9.2</b>	
<b>Total other 167 projects</b>				<b>248.6</b>	<b>119.9</b>		
<b>TOTAL</b>				<b>356.6</b>	<b>209.0</b>		

<sup>1</sup> Where applicable, reduced operating costs.

## PROPERTY VALUE

### INTERNAL VALUATION

At each closing date all properties owned by Diös are measured at fair value. The aim is to determine the properties' individual values in a sale executed through an orderly transaction between market players. Any portfolio effects are thus not taken into account. The valuation model includes an annual external valuation of the 100 largest properties in terms of value, of which 25 per cent are valued each quarter. The external valuation is performed by Savills. Properties which have been subject to significant changes, such as the signing of new leases or termination of leases, or extensive conversion projects or new builds, are valued internally with the assistance of Savills. Savills' calculations have an uncertainty range of +/-7.5 per cent. For Diös this translates into a value range of SEK 11,680-13,574 million.

### CHANGES IN THE PORTFOLIO

During the third quarter the Stadshuset 7 property in Lycksele was sold to Solamiz. The property was vacated on 19 August. The property sale in Åre to Skistar consisted of the Lund 1:17, Lien 2:69 and Lien 2:7 properties, of which Lund 1:17 was vacated on 9 September. Lien 2:69 and Lien 2:7 were vacated in the fourth quarter following the completion of adjustments to the properties. No acquisitions were made during the period. The previously communicated acquisition in Skellefteå will be accounted for as a change in the fourth quarter. Diös works continuously to concentrate its property portfolio to priority locations in our target locations.

New builds, conversions and extensions to existing properties accounted for the largest change in the value of the portfolio for the period. Diös makes adjustments to the portfolio on an ongoing basis to create improvements and efficiencies for its tenants with a view to strengthening long-term tenant relationships.

Unrealised changes in value were SEK 108 million (-26), which represents an increase of 0.9 per cent and is explained chiefly by a lower required rate of return.

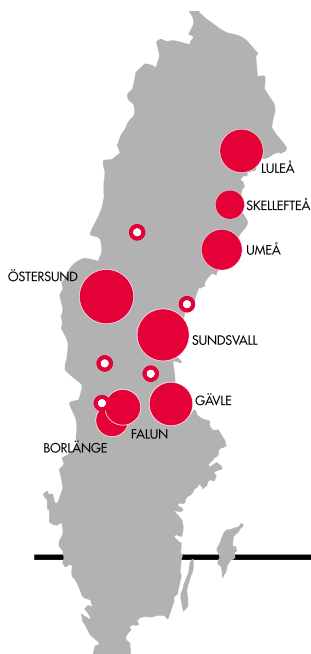
### VALUATION ASSUMPTIONS

Value date	30 Sep 2015
Analysis period	5 years
Yield for assessing residual value <sup>1</sup>	6.3–7.8%
Cost of capital for discounting to present value	8.86%
Long-term vacancy	6.0%
Inflation	2%

<sup>1</sup> From lower to upper quartiles.

CHANGE IN PROPERTY PORTFOLIO	Fair value, SEKm	Number
Property portfolio, 1 January 2015	12,200	354
+ Acquisitions	-	-
+ New builds, conversions and extensions	348	-
- Sales	-29	-3
+/- Unrealised changes in value	108	-
Property portfolio, 30 September 2015	12,627	351





## BUSINESS 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 business areas Dalarna, Gävleborg, Västernorrland, Jämtland, Västerbotten and Norrbotten.

### DALARNA

#### PROPERTY HOLDINGS

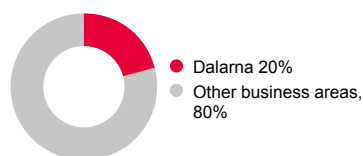
No. of properties	44
Area, '000 sq.m	267
Property value, SEKm	2,538
Operating surplus, SEKm	119
Surplus ratio, %	61

#### DALARNA - LARGEST TENANTS

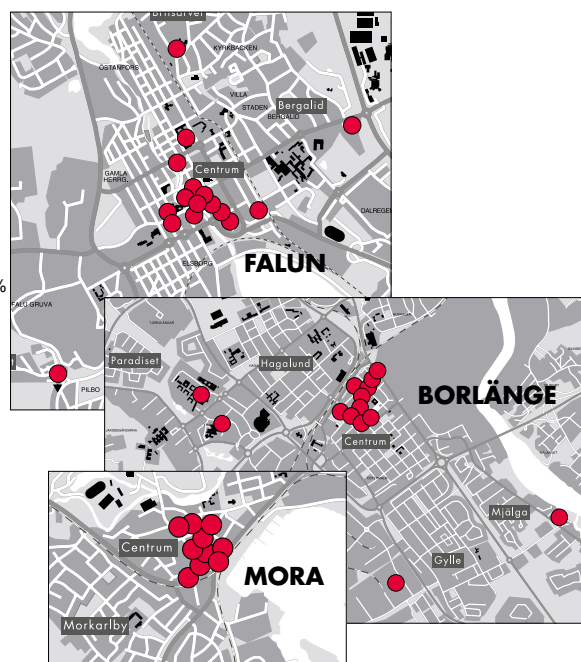
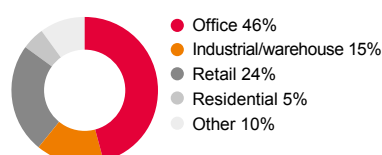
TENANT	No. contract contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	3	39,952	15.4	4.7
Municipality of Falun	6	17,569	6.8	2.6
Swedish Police Authority	8	10,013	3.9	3.8
Pysslingen Förskolor och Skolor AB	1	8,335	3.2	8.8
County Administrative Board of Dalarna	13	7,253	2.8	4.2
<b>Total, largest tenants</b>	<b>31</b>	<b>83,122</b>	<b>32.1</b>	<b>4.6</b>

\*In relation to the annual contract value for each business area.

#### SHARE OF TOTAL PROPERTY VALUE



#### FLOOR AREA BY TYPE OF PREMISES



### GÄVLEBORG

#### PROPERTY HOLDINGS

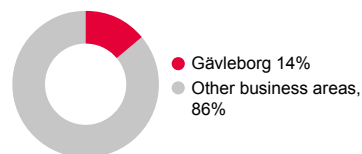
No. of properties	51
Area, '000 sq.m	251
Property value, SEKm	1,815
Operating surplus, SEKm	91
Surplus ratio, %	64

#### GÄVLEBORG - LARGEST TENANTS

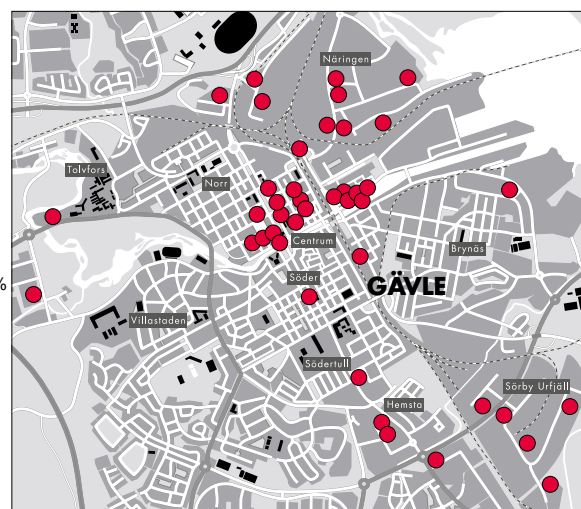
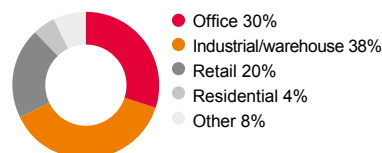
TENANT	No. contract contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Public Employment Service	8	7,417	4.0	2.4
Swedish Transport Administration	3	6,977	3.7	3.0
Internationella Engelska Skolan AB	2	5,653	3.0	8.0
Ahléns	3	2,909	1.6	1.0
Region Gävleborg	6	2,735	1.4	2.5
<b>Total, largest tenants</b>	<b>22</b>	<b>25,691</b>	<b>13.7</b>	<b>3.6</b>

\*In relation to the annual contract value for each business area.

#### SHARE OF TOTAL PROPERTY VALUE



#### FLOOR AREA BY TYPE OF PREMISES

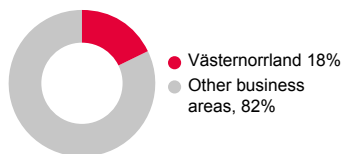


# VÄSTERNORRLAND

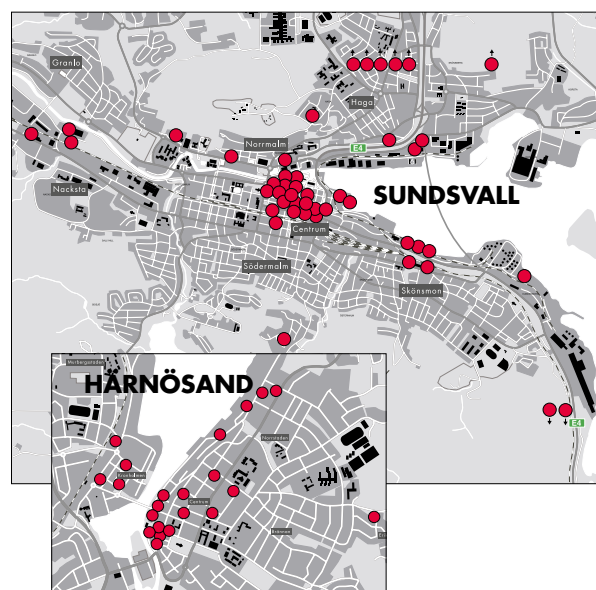
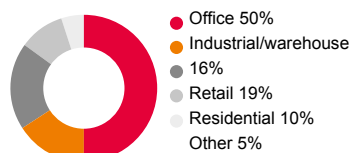
## PROPERTY HOLDINGS

No. of properties	78
Area, '000 sq.m	279
Property value, SEKm	2,277
Operating surplus, SEKm	106
Surplus ratio, %	57

## SHARE OF TOTAL PROPERTY VALUE



## FLOOR AREA BY TYPE OF PREMISES



## VÄSTERNORRLAND LARGEST TENANTS

TENANT	No. contract contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Norrlidens Kunskapscentrum AB	1	7,014	2.8	0.3
Municipality of Sundsvall	16	6,005	2.4	2.6
Länsförsäkringar Västernorrland	17	5,705	2.3	4.4
Com Hem AB	4	5,225	2.1	1.3
Ähléns AB	1	4,478	1.9	3.0
<b>Total, largest tenants</b>	<b>39</b>	<b>28,427</b>	<b>11.5</b>	<b>2.2</b>

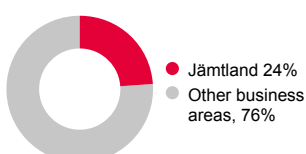
\*In relation to the annual contract value for each business area.

# JÄMTLAND

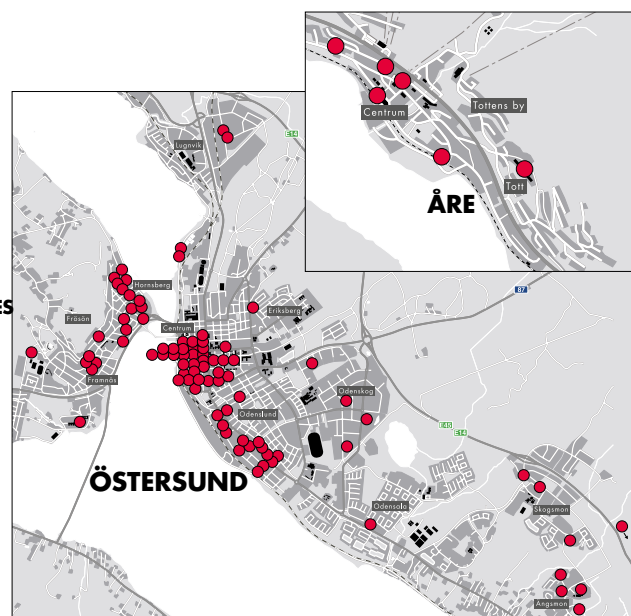
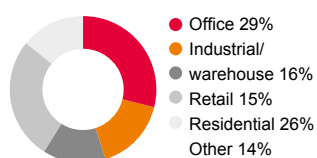
## PROPERTY HOLDINGS

No. of properties	120
Area, '000 sq.m	330
Property value, SEKm	3,004
Operating surplus, SEKm	126
Surplus ratio, %	57

## SHARE OF TOTAL PROPERTY VALUE



## FLOOR AREA BY TYPE OF PREMISES



## JÄMTLAND - LARGEST TENANTS

TENANT	No. contract contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Östersund	105	27,847	9.6	4.2
Region Jämtland Härjedalen	18	11,382	3.9	2.3
Swedbank AB	7	7,421	2.6	1.9
Public Employment Service	3	5,862	2.0	3.1
Ica Fastigheter Sverige AB	3	5,292	1.9	1.3
<b>Total, largest tenants</b>	<b>136</b>	<b>57,804</b>	<b>20.0</b>	<b>3.2</b>

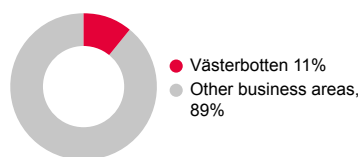
\*In relation to the annual contract value for each business area.

## VÄSTERBOTTEN

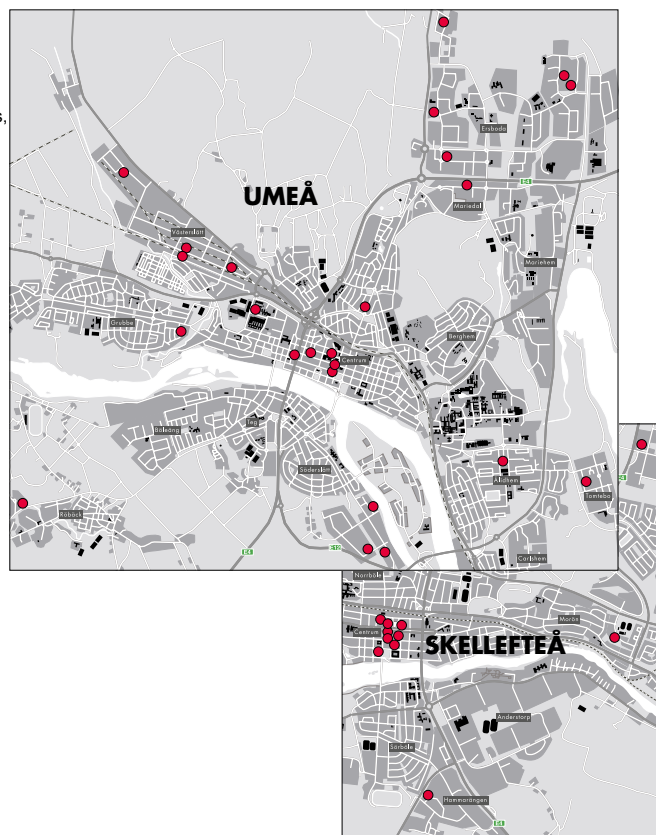
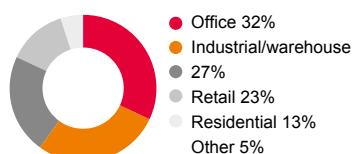
### PROPERTY HOLDINGS

No. of properties	40
Area, '000 sq.m	175
Property value, SEKm	1,388
Operating surplus, SEKm	66
Surplus ratio, %	60

### SHARE OF TOTAL PROPERTY VALUE



### FLOOR AREA BY TYPE OF PREMISES



### VÄSTERBOTTEN - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Umeå	9	6,952	4.7	1.4
Swedbank AB	1	3,694	2.6	2.3
Balticgruppen Centrumhandel AB	4	3,469	2.4	0.3
PostNord Sverige AB	2	3,266	2.3	3.5
Åhléns AB	1	2,703	1.9	2.8
<b>Total, largest tenants</b>	<b>17</b>	<b>20,084</b>	<b>13.9</b>	<b>1.9</b>

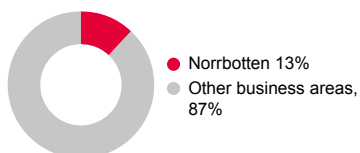
\*In relation to the annual contract value for each business area.

## NORRBOTTEN

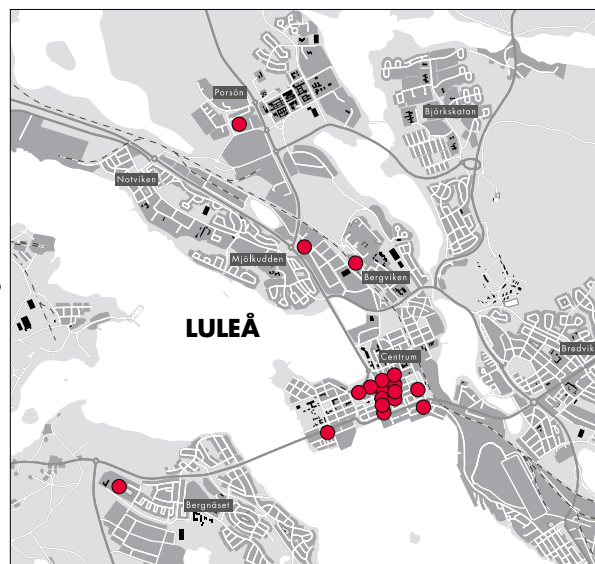
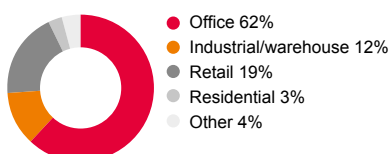
### PROPERTY HOLDINGS

No. of properties	18
Area, '000 sq.m	120
Property value, SEKm	1,604
Operating surplus, SEKm	74
Surplus ratio, %	65

### SHARE OF TOTAL PROPERTY VALUE



### FLOOR AREA BY TYPE OF PREMISES



### NORRBOTTEN - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Luleå	7	10,889	7.2	2.1
Swedish Customs IT Department	3	7,297	4.8	1.4
Swedbank AB	3	6,168	4.2	3.4
Folksam ömsesidig sakförsäkring	18	5,947	3.9	5.9
SWECO Sverige AB	6	5,333	3.5	3.4
<b>Total, largest tenants</b>	<b>37</b>	<b>35,634</b>	<b>23.6</b>	<b>3.0</b>

\*In relation to the annual contract value for each business area.



## »» LEASE MATURITIES AT 30 SEPTEMBER 2015

	Maturity year	Signed contracts no.	Rented area sq.m	Contracted rental income SEKm	Share, %
Leases for premises	2015	170	50,765	46	4
	2016	775	177,802	198	15
	2017	646	215,154	231	18
	2018	551	226,079	244	19
	2019+	397	337,232	379	29
<b>Total leases for premises</b>		<b>2,539</b>	<b>1,007,032</b>	<b>1,098</b>	<b>85</b>
Residential leases		2,139	155,425	150	12
Other leases		3,476	-	40	3
<b>TOTAL</b>		<b>8,154</b>	<b>1,162,457</b>	<b>1,288</b>	<b>100</b>

### NET LEASING

Net leasing was SEK 17 million (3) in the third quarter and SEK 31 million (23) for the period as a whole. The largest lets during the period referred to Men's Fashion in Tjädern 17, the Municipality of Östersund in Kommunalmannen 4, the Swedish Agency for Economic

and Regional Growth in Kräftan 6 and Sweco in Humlan 6. The positive effect of the net leasing is, all else equal, concentrated to the beginning of 2016. The average contract term commercial premises at 30 September is 3.1 years (3.2).

## »» LARGEST TENANTS AT 30 SEPTEMBER 2015

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %	Average contract term, years
Swedish Transport Administration	12	48,001	3.7	4.5
Municipality of Östersund	105	27,847	2.2	4.2
Swedbank AB	13	21,376	1.7	2.4
Public Employment Service	28	20,500	1.6	2.5
Municipality of Falun	6	17,569	1.4	2.6
Ahléns	7	15,941	1.2	2.1
KappAhl	6	14,915	1.2	3.8
Hennes & Mauritz	11	14,740	1.2	3.2
Swedish Police Authority	15	13,334	1.0	3.6
Internationella Engelska Skolan	3	12,200	1.0	13.8
<b>Total, largest tenants</b>	<b>206</b>	<b>206,423</b>	<b>16.2</b>	<b>4.0</b>





## FINANCIAL POSITION AT 30 SEPTEMBER 2015

### EQUITY AND LONG-TERM NET ASSET VALUE

Equity was SEK 3,445 million (3,240) and equity per share SEK 46.1 (43.4). In this report we introduce a measure of long-term net asset value, EPRA NAV, which is defined on page 23. EPRA is a European trade association for listed property companies and investors that has developed a number of industry-standardised key ratios that are designed to assist comparability. One of these key ratios is EPRA NAV, which is designed to give a true and fair long-term value of the company's net assets. EPRA NAV was SEK 4,438 million (4,149) at the end of the quarter.

The equity/assets ratio at the end of the third quarter was 27.1 per cent (26.6), which is above the company's short-term target of 25 per cent but below the long-term target of 30 per cent. The loan-to-value ratio dropped to 60.5 per cent (63.2), edging closer to the long-term target of ratio of 60 per cent or less.

### CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents were SEK 0 million (7) at the end of the period and drawn overdraft facilities were SEK 138 million (0).

## INTEREST EXPENSE JANUARY–SEPTEMBER 2015

	Amount, SEKm	Cost, SEKm	Weighted average interest rate, %
Interest-bearing liability	7,655	78	1.4
Undrawn credit facility <sup>1</sup>	547	1	0.0
Cost of financial instruments	4,200	75	1.3
<b>TOTAL</b>		<b>153</b>	<b>2.7</b>

<sup>1</sup> The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.03 percentage points.

In the period, Diös' average interest-bearing liabilities amounted to SEK 7,655 million (7,635). The actual interest expense, including expenses related to undrawn credit facilities and the performance of financial instruments, amounted to SEK 153 million (205), which represents an average annual interest rate of 2.7 per cent (3.6). During the period,

unrealised changes in value arising on derivatives held totalled SEK 36 million (-78), which are fully recognised in the income statement. In the second quarter a SEK 500 million bond was issued through Nya SFF (for a description of the company, see page 16) offering a fixed annual interest rate of 0.44 and maturing in March 2017.

## INTEREST RATES AND LOAN MATURITY AT 30 SEPTEMBER 2015

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate <sup>1</sup> , %	Credit agreements, SEKm	Drawn <sup>2</sup> , SEKm
2015	844	1.0	909	844
2016	3,200	1.0	1,495	1,495
2017	3,595	1.1	4,396	3,595
2018	-	-	1,705	1,705
<b>Drawn credit facilities</b>	<b>7,640</b>	<b>1.0</b>	<b>8,505</b>	<b>7,640</b>
Undrawn credit facilities	866	0.1		
Financial instruments	4,200	1.5		
<b>TOTAL</b>		<b>2.5</b>		

<sup>1</sup> Average annual interest rate refers to the average interest rate based on interest rate terms and the outstanding debt at 30 September 2015, with STIBOR-90 as reference rate.

<sup>2</sup> Of which SEK 500 million is financed through bonds.

Average maturity 1.7 years

Average fixed-rate term 1.0 years

### DERIVATIVE CONTRACTS

Counterparty	Nominal value, SEKm	Remaining maturity, years	Interest rate level, %	Market value, SEKm
Handelsbanken	2,000	1.0	2.3	-51
Handelsbanken	600	2.8	3.7	-65
Swedbank	1,600	1.3	1.9	-47
<b>TOTAL</b>	<b>4,200</b>	<b>1.4</b>	<b>2.4</b>	<b>-163</b>

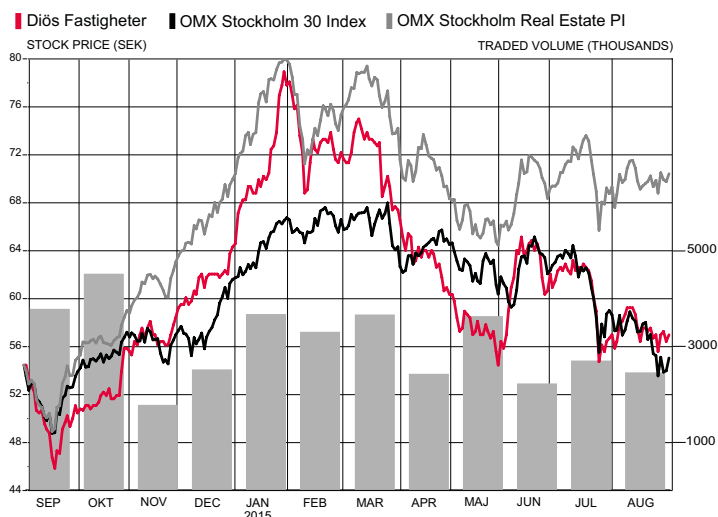
No new derivative contracts were entered into during the period, as Diös deems the interest rate market to be stable.

### INTEREST-BEARING LIABILITIES AND AVERAGE INTEREST RATE ON 30 SEP 2015

The Group's interest-bearing liabilities totalled SEK 7,640 million (7,607) with an average annual interest rate of 1.1 per cent (2.3), including loan commitments. The loans had an average fixed-rate term of 3.4 months (1.7). The average interest rate commitment period was 1.0 years (1.4) when the impact of the derivative portfolio is included. The average maturity was 1.7 years (1.4). Of the Group's total interest-bearing liabilities, SEK 4,200 million (4,200) is hedged through derivatives. The average remaining term is 1.4 years (2.3). The average annual interest rate, including costs related to derivatives, amounted to 2.5 per cent

(3.4), 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 as of 30 September 2015, Diös' average interest rate would have risen by 0.4 percentage points (0.4). The market value of the derivatives portfolio at 30 June 2015 was SEK -163 million (-186) and the weighted average annual interest rate was 2.4 per cent (2.4). With a derivatives portfolio of SEK 4,200 million and fixed-rate bonds of SEK 500 million, 61.5 per cent (55.2) of the Group's total outstanding loans are covered by interest rate hedges.

## SHARE PRICE PERFORMANCE



### SHARE PERFORMANCE

The share price at the end of the period was SEK 55.5 per share (53.3), which equates to a market capitalisation of SEK 4,147 million (3,979) and a return of 4.2 per cent (31.8) for the past 12 months. If the approved dividend of SEK 2.85 per share is included the total return on the shares for the past 12 months is 9.7 per cent (37.6). The share of foreign-owned shares was 17.5 per cent (13.1) while the total number of shares during the period remained unchanged at 74,729,134 (74,729,134).

The graph shows share prices for the past 12 months for both Diös and the indexes. The return for OMX Stockholm was 1 per cent (11.4) and for OMX Stockholm Real Estate PI 26.7 per cent (24.1). The total return on Diös shares over the past 12 months is 9.7 per cent (37.6).

## NET ASSET VALUE

AT 30 SEP 2015	SEKm	Per share
Equity	3,445	
Equity held by minority	-24	
Reversal		
Fair value of financial instruments	163	
Deferred tax on temporary differences	854	
<b>EPRA NAV</b>	<b>4,438</b>	<b>59.4</b>

### RETURN AND LONG-TERM NET ASSET VALUE (EPRA NAV)

Diös' target is to generate a return on equity in excess of the risk-free rate plus 6 per cent. The required rate of return for the past 12 months was 6.2 per cent (7.3). The annualised return over the period was 11.5 per cent (6.9).

Equity at the end of the third quarter was SEK 3,446 million (3,240) and the long-term net asset value was SEK 4,438 million (4,149). On a per share basis the long-term net asset value was SEK 59.4 (55.5), which means that the share price at 30 September represented 93 per cent (96) of long-term NAV.

## LARGEST SHAREHOLDERS

OF DIÖS FASTIGHETER AB AT 30 SEPTEMBER 2015

SHAREHOLDER	No. of shares	Capital and votes, %
AB Persson Invest	11,499,691	15.4
Backahill Inter AB (formerly Brinova Inter)	7,830,754	10.5
Bengtssons Tidnings Aktiebolag	7,518,222	10.1
Länsförsäkringar Fondförvaltning AB	5,983,574	8.0
Pensionskassan SHB Försäkringsförening	4,498,239	6.0
Försäkringsaktiebolaget, Avanza Pension	2,383,873	3.2
SEB Investment Management	2,198,361	2.9
Fourth AP Fund	1,630,337	2.2
Handelsbankens Fonder AB RE JPMEL	1,477,179	2.0
Staffan Rasjö	1,263,846	1.7
<b>Total, largest shareholders</b>	<b>46,284,076</b>	<b>61.9</b>
Other shareholders	28,445,058	38.1
<b>TOTAL</b>	<b>74,729,134</b>	<b>100.0</b>

At 30 September Diös Fastigheter AB had 9,368 shareholders (5,934). The largest single shareholder of Diös was AB Persson Invest with a stake of 15.4 per cent (15.4). The ten largest shareholders accounted for 61.9 per cent (65.3) of the shares and votes.

The 2014 AGM authorised the company to buy back 10 per cent of all outstanding shares of the company. No repurchases were made during the period.

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

No new changes of ownership were flagged during the period. The ten largest shareholders of Diös Fastigheter AB according to Euroclear Sweden AB are shown above.

## EARNINGS PER SHARE ACC. TO EPRA EPS

AT 30 Sep 2015	SEKm	Per share
Property management income	383	
Tax attributable to property management income	-30	
Minority's share of earnings	0	
<b>EPRA EPS</b>	<b>353</b>	<b>4.72</b>

### EARNINGS

Earnings per share for the period were SEK 3.92 (2.26) while long-term earnings per share, expressed as EPRA EPS, were SEK 4.72 (3.88).

EPRA EPS, which is defined on page 23, is introduced in this report and is one of the industry-standardised key ratios developed by trade association EPRA. Designed to show a company's long-term earnings capacity, the indicator is calculated as property management income less 22 per cent corporation tax attributable to property management income less minority's share of earnings.



## »» EMPLOYEES AND ORGANISATION

The number of employees at 30 September 2015 was 147 (153), of whom 58 were women (55). Diös Fastigheter is geographically divided into the six business areas of Gävleborg, Dalarna, Västernorrland, Jämtland, Västerbotten and Norrbotten. The company's head office and central Group functions are located in Östersund. Most of the employees, 101 (107) of them, work in the business areas, 48 (54) of them with the physical aspects of property management.

## »» PARENT COMPANY

The activities of the parent company consist of central Group functions as well as the ownership and operation of the Group's subsidiaries. Sales totalled SEK 95 million (92) and post-tax profit was SEK 10 million (14). Net sales refer chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents were SEK 1 million (15) at 30 September 2015 and drawn overdraft facilities were SEK 32 million (0). The change in parent company cash and cash equivalents and intercompany balances is attributable to a change in the Group's liquidity account structure. External interest-bearing liabilities, excluding overdraft facilities, amounted to SEK 2,660 million (1,463). The average annual interest rate based on the situation at 30 September 2015 was 1.0 per cent (2.2). The parent company prepares its financial reports in compliance with 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 822 million (697) at 30 September 2015. 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 3,882 million (3,408) at 30 September 2015. At a tax rate of 22.0 per cent, the deferred tax liability on temporary differences was SEK 854 million (750).

Diös' tax losses carried forward on 30 September 2015 are estimated at SEK 258 million (338). At a tax rate of 22.0 per cent, deferred tax asset relating to tax losses carried forward was SEK 57 million (74), which in Diös' financial statements has been offset against deferred tax liability. Other deferred tax liabilities were SEK 25 million (22) at 30 September 2015.

The change since 31 December 2014 is attributable to a decrease in deferred tax assets of SEK 17 million and an increase in deferred tax on temporary differences of SEK 70 million.

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

## »» TAX CASE

On 28 September it was announced that the Administrative Court of Appeal has accepted the reasoning of the Swedish Tax Agency with regard to Diös Fastigheter's claim for deduction of a capital loss of SEK 421 million attributable to the tax year 2006. In the third quarter Diös made a provision of SEK 137 million for this tax case. The provision recognised in the accounts for the third quarter has been restated from previous communications and includes tax and interest for the deferral period.

*The case has also been communicated in press releases on 7 October and 28 September 2015, 20 and 21 May and 19 June 2014.*

## »» SIGNIFICANT RISKS AND UNCERTAINTIES

Diös Fastigheters' principal risks and uncertainties are described in the 2014 annual report on pages 40–42. Apart from the following, there have not been any substantial changes to Diös' risks and uncertainties.

At its monetary policy meeting on 2 September the Riksbank decided to keep the repo rate unchanged at -0.35 per cent. The Swedish economy is strengthening and there is a clear upward trend in inflation. There is still considerable uncertainty about the outlook for the global economy. A volatile financial market in China and sharp decline in the oil price illustrate the persistent high level of uncertainty.

According to the August 2015 edition of Swedish Economy, a publication of the National Institute of Economic Research (NIER), the Swedish economy has continued to recover and Sweden is expected to post solid growth figures over the next few years. Export growth and increased household consumption are the main drivers of growth. The repo rate is expected to be cut further to -0.45 per cent in December and then remain at this level until late 2016, when interest rates will start to be raised.

Thanks to Sweden's strong public finances, healthy banks and growing GDP, the prospects for growth in our markets are deemed to be good. As our property 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 property as an asset class.

## »» RELATED-PARTY TRANSACTIONS

There were no significant related party transactions in the period. Those related party transactions which did occur are deemed to have been concluded on market terms.

## »» ACCOUNTING PRINCIPLES

Diös complies with EU-adopted IFRS standards and the 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 principles applied in the interim report are consistent with the accounting principles applied in preparing the consolidated financial statements and Annual Report for 2014, Note 1, with the exceptions indicated in the following. New and amended standards which entered into force in 2015 have not had any impact on the interim report.

### IFRS 11 JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is classified as either a joint venture or a joint operation. Diös has assessed its joint arrangements and determined that its interest in Nya Svensk Fastighetsfinansiering AB constitutes a joint operation. The interest was acquired in the fourth quarter of 2014 and the company had no operations in the prior financial year. The interest was recognised at cost at 31 December 2014. Accounting for the interest in accordance with the principles for joint operations has, however, had no material impact on the consolidated financial statements.

In respect of its interest in the joint operation Diös has recognised its assets and liabilities (including its share of all joint assets and liabilities) as well as its revenue and expenses (including its share of all joint revenue and expenses).

The Group's other joint arrangements constitute joint ventures and are accounted for in accordance with the equity method. Under the equity method, interests in joint ventures are recognised at cost in the balance sheet after adjusting for the Group's share of the profit or loss of joint ventures after the acquisition date. Dividends received reduce the carrying amount of the interest.

<sup>1</sup> Annual Report 2014 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 PERIOD

On 5 October Diös Fastigheter concluded agreements for the acquisition of five properties in central Skellefteå. The sellers are the Municipality of Skellefteå, Fastighets AB Polaris and Skellefteå Kraft. The leaseable area is around 51,000 sq.m and the underlying property value SEK 653 million.

On 22 October Diös Fastigheter decided not to request the right to appeal to the Supreme Administrative Court, as described on page 16.

The Board of Directors and Chief Executive Officer declare that the interim report gives a true and fair view of the company's and Group's operations, financial position and income, and describes the principal risks and uncertainties faced by the company and the companies in the Group.

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

Östersund, 23 October 2015

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*

## »»» AUDITOR'S REVIEW REPORT

To the Board of Directors of Diös Fastigheter AB (publ), company registration no. 556501-1771

### INTRODUCTION

We have conducted a review of the interim report of Diös Fastigheter AB (publ) for the period 1 January 2015 to 30 September 2015. Responsibility for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express a conclusion on this interim report based on our review.

### THE FOCUS AND SCOPE OF THE REVIEW

We have conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review involves making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review has a different focus and a much smaller scale compared to the focus and scope of an audit in accordance with ISA and generally accepted auditing standards. The procedures taken when conducting a review mean that it is not possible for us to claim with certainty that we are aware of all material facts that could have been identified if an audit had been performed. The conclusion expressed on the basis of a review does not have the level of certainty as a conclusion expressed on the basis of an audit.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, drawn up for the group in accordance with IAS 34 and the Annual Accounts Act, and for the parent company in accordance with the Annual Accounts Act.

Östersund, 23 October 2015  
Deloitte AB

Svante Forsberg  
Authorised public accountant



## **CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEK M**

	2015 3 mths July-Sep	2014 3 mths July-Sep	2015 9 mths Jan-Sep	2014 9 mths Jan-Sep	2014 12 mths Jan-Dec
<b>INCOME STATEMENT</b>					
Rental income and other property management income	324	324	981	983	1,312
Property costs	-123	-123	-400	-405	-550
<b>Operating surplus</b>	<b>201</b>	<b>201</b>	<b>581</b>	<b>578</b>	<b>762</b>
Central administration	-20	-14	-40 <sup>1</sup>	-43	-58
Net financial items	-52	-70	-158	-212	-283
<b>Property management income</b>	<b>129</b>	<b>117</b>	<b>383</b>	<b>323</b>	<b>421</b>
Change in value of properties	10	16	114	-16	62
Change in value of interest rate derivatives	15	-21	36	-78	-91
<b>Profit before tax</b>	<b>154</b>	<b>112</b>	<b>533</b>	<b>229</b>	<b>392</b>
Current tax	-141 <sup>2</sup>	-5	-153 <sup>2</sup>	-10	-10
Deferred tax	-23	-15	-87	-42	-80
<b>Profit after tax</b>	<b>-10</b>	<b>92</b>	<b>293</b>	<b>177</b>	<b>302</b>
Profit attributable to shareholders of the parent	-14	82	293	169	297
Profit attributable to non-controlling interests	4	10	-	8	5
<b>Total</b>	<b>-10</b>	<b>92</b>	<b>293</b>	<b>177</b>	<b>302</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Profit after tax	-10	92	293	177	302
Comprehensive income for the period	-10	92	293	177	302
Comprehensive income attributable to shareholders of the parent	-14	82	293	169	297
Comprehensive income attributable to non-controlling interests	4	10	-	8	5
<b>Total</b>	<b>-10</b>	<b>92</b>	<b>293</b>	<b>177</b>	<b>302</b>
Profit per share after tax, SEK	-0.19	1.10	3.92	2.26	3.97
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
Number of treasury shares at end of period, thousands	0	0	0	0	0
Average number of treasury shares, thousands	0	0	0	0	0

<sup>1</sup> The central administration item includes reversals of previous provisions for staff-related costs that were made in connection with the acquisition of Norrvidden.

<sup>2</sup> Current tax includes a provision of SEK 137 million relating to a tax case, of which SEK 117 million refers to tax and SEK 20 million to interest.



## »»» CONDENSED CONSOLIDATED BALANCE SHEET, SEK M

ASSETS	2015 30 Sep	2014 30 Sep	2014 31 Dec
<b>Non-current assets</b>			
Investment properties	12,627	12,035	12,200
Other property, plant and equipment	5	7	7
Intangible assets	3	4	4
Financial assets	9	9	7
<b>Total non-current assets</b>	<b>12,644</b>	<b>12,055</b>	<b>12,218</b>
<b>Current assets</b>			
Current receivables	77	103	43
Cash and cash equivalents	-	7	79
<b>Total current assets</b>	<b>77</b>	<b>110</b>	<b>122</b>
<b>TOTAL ASSETS</b>	<b>12,721</b>	<b>12,165</b>	<b>12,340</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	3,445	3,240	3,365
Deferred tax liability	822	697	735
Non-current liabilities	7,642	7,609	7,673
Overdraft facilities	138	-	-
Current liabilities	674	619	567
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>12,721</b>	<b>12,165</b>	<b>12,340</b>
Contingent liabilities	-	135	135

## »»» CONDENSED STATEMENT OF CHANGES IN EQUITY, SEK M

	Equity	Attributable to shareholders of the parent	Attributable to minority interests
Equity, 31 Dec 2013	3,235	3,216	19
<i>Profit for the period after tax</i>	177	169	8
<b>Comprehensive income for the period</b>	<b>177</b>	<b>169</b>	<b>8</b>
Cash dividend	-172	-172	-
<b>Equity at 30 Sep 2014</b>	<b>3,240</b>	<b>3,213</b>	<b>27</b>
<i>Profit for the period after tax</i>	125	128	-3
<b>Comprehensive income for the period</b>	<b>125</b>	<b>128</b>	<b>-3</b>
<b>Equity at 31 Dec 2014</b>	<b>3,365</b>	<b>3,341</b>	<b>24</b>
<i>Profit for the period after tax</i>	293	293	0
<b>Comprehensive income for the period</b>	<b>293</b>	<b>293</b>	<b>0</b>
Cash dividend	-213	-213	-
<b>Equity at 30 Sep 2015</b>	<b>3,445</b>	<b>3,421</b>	<b>24</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEK M

	2015 3 mths July-Sep	2014 3 mths July-Sep	2015 9 mths Jan-Sep	2014 9 mths Jan-Sep	2014 12 mths Jan-Dec
<b>OPERATING ACTIVITIES</b>					
Property management income	129	117	383	323	421
Adjustments for non-cash items	10	9	-3	-6	-
Tax paid	-4	-5	-16	-10	-10
<b>Operating cash flows before change in working capital</b>	<b>135</b>	<b>121</b>	<b>364</b>	<b>307</b>	<b>411</b>
<b>Changes in working capital</b>					
Decrease (+)/increase (-) in receivables	60	5	-34	-12	48
Decrease (-)/increase (+) in current liabilities	-33	46	-28	20	-37
<b>Total change in working capital</b>	<b>27</b>	<b>51</b>	<b>-62</b>	<b>8</b>	<b>11</b>
<b>Operating cash flow</b>	<b>162</b>	<b>172</b>	<b>302</b>	<b>315</b>	<b>422</b>
<b>INVESTING ACTIVITIES</b>					
Investment in financial assets	-	-	-2	-	-
Proceeds from sale of property, plant and equipment	19	56	41	77	101
Acquisition of intangible assets	-	-	-	-	-1
Purchases of property, plant and equipment	-123	-112	-314	-277	-399
<b>Investing cash flow</b>	<b>-104</b>	<b>-56</b>	<b>-275</b>	<b>-200</b>	<b>-299</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	-	-	-213	-172	-172
Change in non-current liabilities	-10	-39	-31	-57	7
Change in overdraft facility	-48	-70 <sup>1</sup>	138	-	-
<b>Financing cash flow</b>	<b>-58</b>	<b>-109</b>	<b>-106</b>	<b>-229</b>	<b>-165</b>
<b>Cash flow for the period</b>	<b>0</b>	<b>7</b>	<b>-79</b>	<b>-114</b>	<b>-42</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>0</b>	<b>0<sup>1</sup></b>	<b>79</b>	<b>121</b>	<b>121</b>
<b>Cash and cash equivalents at end of period</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>79</b>

<sup>1</sup> Cash and cash equivalents at the end of the period have been reclassified to change in overdraft facility.



## KEY RATIOS

	2015 3 months July-Sep	2014 3 months July-Sep	2015 9 months Jan-Sep	2014 9 months Jan-Sep	2014 12 months Jan-Dec
Return on equity, %	-0.4	2.6	8.6	5.2	9.0
Equity ratio, %	27.1	26.6	27.1	26.6	27.3
Loan-to-value ratio, properties, %	60.5	63.2	60.5	63.2	62.9
Interest coverage ratio, times	3.5	2.7	3.4	2.5	2.5
Debt/equity ratio, times	2.2	2.3	2.2	2.3	2.3
Equity per share, SEK	46.1	43.4	46.1	43.4	45.0
Earnings per share, SEK	-0.2	1.1	3.9	2.3	4.0
Cash flow per share, SEK	-0.1	1.5	3.1	4.2	5.5
Number of outstanding shares, thousands	74,729	74,729	74,729	74,729	74,729
EPRA NAV	4,438	4,149	4,438	4,149	4,323
EPRA NAV per share	59.4	55.5	59.4	55.5	57.8
EPRA EPS	1.5	1.3	4.7	3.9	5.3
Number of properties at end of period	351	356	351	356	354
Leasable area at end of period, sq.m	1,422,224	1,424,072	1,422,224	1,424,072	1,422,519
Market value of properties, SEKm	12,627	12,035	12,627	12,035	12,200
Rental value, SEKm	363	361	1,095	1,086	1,448
Economic occupancy rate, %	88.1	88.8	88.3	89.2	89.2
Yield, %	1.6	1.7	4.6	4.8	6.2
Surplus ratio, %	62.8	62.8	60.1	59.6	59.0

EPRA, European Public Real Estate Association, is a trade association for listed property companies and investors in Europe whose activities include defining common standards for financial reporting. The key ratios EPRA EPS (earnings per share) and EPRA NAV (net asset value) are part of this.



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

	2015 9 months Jan-Sep	2014 9 months Jan-Sep	2014 12 months Jan-Dec
<b>INCOME STATEMENT</b>			
Net sales	95	92	118
<b>Gross profit</b>	<b>95</b>	<b>92</b>	<b>118</b>
Central administration	-129	-117	-159
<b>Operating profit</b>	<b>-34</b>	<b>-25</b>	<b>-41</b>
Financial income	185	129	147
Financial expense	-141	-90	-115
<b>Profit after financial items</b>	<b>10</b>	<b>14</b>	<b>-9</b>
Current tax	-	-	-
<b>Profit after tax</b>	<b>10</b>	<b>14</b>	<b>-9</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Profit after tax	10	14	-9
<b>Comprehensive income for the year</b>	<b>10</b>	<b>14</b>	<b>-9</b>

## **CONDENSED PARENT COMPANY BALANCE SHEET, SEK M**

	2015 30 Sep	2014 30 Sep	2014 31 Dec
<b>ASSETS</b>			
Projects in progress	-	1	1
Intangible assets	3	4	4
Machinery and equipment	2	3	2
Interests in Group companies	171	171	171
Non-current receivables from Group companies	7,822	3,401	7,390
<b>Total non-current assets</b>	<b>7,998</b>	<b>3,580</b>	<b>7,568</b>
Current receivables from Group companies	167	216	186
Other current receivables	15	7	13
Cash and cash equivalents	1	15	145
<b>Total current assets</b>	<b>183</b>	<b>238</b>	<b>344</b>
<b>TOTAL ASSETS</b>	<b>8,181</b>	<b>3,818</b>	<b>7,912</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,050</b>	<b>1,276</b>	<b>1,253</b>
<b>Non-current liabilities to credit institutions</b>	<b>2,653</b>	<b>1,456</b>	<b>3,311</b>
<b>Non-current liabilities to Group companies</b>	<b>2,989</b>	<b>964</b>	<b>2,947</b>
Current liabilities to credit institutions	7	7	7
Current liabilities to Group companies	1,413	86	365
Overdraft facilities	32	-	-
Trade payables	3	2	1
Other current liabilities	34	27	28
<b>Total current liabilities</b>	<b>1,489</b>	<b>122</b>	<b>401</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,181</b>	<b>3,818</b>	<b>7,912</b>

## »»» DEFINITIONS

### NUMBER OF SHARES AT END OF PERIOD

Actual number of shares outstanding at the end of the period.

### 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.

### LOAN-TO-VALUE RATIO, PROPERTIES

Interest-bearing and other liabilities relating to properties divided by the carrying amount at the end of the period.

### YIELD

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

### EQUITY PER SHARE

Equity at the end of the period divided by the number of shares outstanding at the end of the period.

### ECONOMIC OCCUPANCY RATE

The rental income for the period divided by the rental value at the end of the period.

### EPRA EPS

Property management income less nominal tax attributable to property management income, divided by average number of shares. Taxable property management income refers to property management income less, inter alia, tax-deductible depreciation and amortisation and conversion projects.

### EPRA NAV/LONG-TERM NET ASSET VALUE PER SHARE

Equity at the end of the period after reversal of interest rate derivatives and deferred tax attributable to temporary differences in properties and minority's share of equity, divided by the number of outstanding shares at the end of the period.

### PROFIT FROM IMPROVEMENTS

Sale price minus capital invested.

### 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.

### RENTAL INCOME

Rents invoiced for the period minus rent losses and rent discounts.

### RENTAL VALUE

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

### 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.

### NET LEASING

Net annual rent, excluding discounts and supplements, for newly signed, terminated and renegotiated contracts. No account is taken of the length of contracts.

### EARNINGS PER SHARE

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

### INTEREST COVERAGE RATIO

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

### EQUITY RATIO

Equity divided by total assets at the end of the period.

### SURPLUS RATIO

Operating surplus for the period divided by the rental income for the period.

## »»» FINANCIAL CALENDAR

Q4 Financial statement January–December 2015

18 February 2016



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