

*Diös*

# Q1

INTERIM REPORT **JANUARY – MARCH 2016**





## HIGHLIGHTS

# JANUARY-MARCH 2016

- Rental income for the period was SEK 331 million (325)
- Property management income was SEK 119 million (101)
- Unrealised changes in value on properties were SEK 10 million (-1)
- The profit after tax was SEK 143 million (75)
- Earnings per share were SEK 1.88 (1.00)

|  | 2016<br>3 mths<br>Jan-Mar | 2015<br>3 mths<br>Jan-Mar | 2015<br>12 mths<br>Jan-Dec |
|--|---------------------------|---------------------------|----------------------------|
| <b>NET PROFIT FOR THE PERIOD, SEKm</b>         |                           |                           |                            |
| Rental income                                  | 331                       | 325                       | 1,295                      |
| Other revenue                                  | 4                         | 3                         | 20                         |
| Operating and central costs                    | -164                      | -169                      | -597                       |
| Net financial items                            | -52                       | -58                       | -210                       |
| <b>Property management income</b>              | <b>119</b>                | <b>101</b>                | <b>508</b>                 |
| Changes in value of properties and derivatives | 20                        | -4                        | 337                        |
| Current tax                                    | -4                        | -3                        | -163                       |
| Deferred tax                                   | 8                         | -19                       | -140                       |
| <b>Profit after tax</b>                        | <b>143</b>                | <b>75</b>                 | <b>542</b>                 |
| Surplus ratio, %                               | 56.7                      | 53.6                      | 59.9                       |
| Occupancy rate, %                              | 89.0                      | 88.6                      | 88.3                       |
| Equity ratio, %                                | 29.0                      | 27.4                      | 27.4                       |
| Loan-to-value ratio, properties, %             | 61.4                      | 62.3                      | 60.7                       |
| Equity per share, SEK                          | 51.3                      | 46.0                      | 49.4                       |
| EPRA NAV per share, SEK                        | 64.4                      | 59.1                      | 63.0                       |

### FOR FURTHER INFORMATION, PLEASE CONTACT

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KNUT ROST, CEO

# VALUE-CREATING AND PROFITABLE

*Our property management income for the first quarter was up by 18 per cent compared to corresponding period last year and the property portfolio is developing according to our strategy.*

In May we will celebrate our tenth anniversary on the Stockholm Stock Exchange, and the continuation of our journey to success is shown by our strong key ratios. Despite a smaller number of properties, our rental income is up and occupancy has increased, to 89.0 per cent (88.6). The surplus ratio has also increased, to 56.7 per cent (53.6). This is due partly to increased income and partly to reduced costs as a result of more efficient value-creating property management. Our first quarter results are up significantly compared with the year-before period.

We want to be the most active and sought-after landlord in our market. That's why it is important to ensure that we have a presence in those locations where we are able to dedicate ourselves 100 per cent to this effort. Concentrating our portfolio to our priority growth locations is one part of this, and this explains why the number of properties in our portfolio decreased over the period. We have a strong financial position and this gives us the ability to act quickly when new business opportunities arise.

The Swedish property market is benefiting from strong economic growth and low interest rates. It is clear that property is still a hot investment, which means that opportunities to achieve profitable growth are becoming more limited. Transaction activity in our market remains high, with the sale of the Norrporten portfolio being a key focus of attention in recent months.


Project development in the form of new builds, conversions and extensions in our portfolio adds value. We have unused building rights for around 80,000 square metres, which we are assessing with regard to future opportunities. We have also continued to invest in our existing properties



through tenant adaptations and energy-optimising measures. Project investments in the first quarter totalled SEK 105 million (111). That will increase the value of our property portfolio, reduce our environmental impact and cut our operating costs. One exciting project is our ambition to develop Gustav III:s torg, a centrally located open space in Östersund.

The stock market continues to show a growing interest in Diös, as evidenced by the increase in the number of shareholders by 35 per cent, totalling 11,380. With an improved return on equity, a high dividend yield of 4.7 per cent, a diversified property portfolio and growth through increased cash flow, we are attracting new investors. Our goal of not lowering our dividend to our shareholders than in the preceding year is testimony to our confidence in the company's growth potential.

The outlook in our priority locations is good and the fact that 2016 has got off to a strong start with improved key ratios in several areas shows that we are on the right path. We will continue our efforts to achieve "Diös 2020" when we are hoping to have achieved an occupancy rate of 94 per cent and a surplus ratio of 65 per cent. Through efficient and value-creating property management, a focus on leasings and long-term relations as well as strategic acquisitions, we will move one step closer to achieving our goals every day. That makes me confident that the current positive trend will continue, resulting in improved profitability and growth.



Knut Rost, CEO





> Malin Runberg, Letting Agent, Östersund.



## »» REVENUE, EXPENSES AND RESULTS, JANUARY–MARCH 2016

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 119 million (101). On comparable holdings, property management income increased by 12 per cent compared to last year.

The operating surplus was SEK 187 million (174), representing a surplus ratio of 56.7 per cent (53.6). The improved surplus ratio is due to increased income as well as lower property costs.

- Rental income for the reporting period was SEK 331 million (325), representing an economic occupancy rate of 89.0 per cent (88.6). For comparable properties rental income increased by 2,2 per cent year on year.
- Other property management income totalled SEK 4 million (3) and consisted mainly of re-billing to tenants regarding work carried out in leased premises.
- Total property costs were SEK 148 million (154). The reduction in costs is chiefly attributable to lower tariff-based costs and reduced repair costs. Of total property costs, SEK 1.7 million (1.7) 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. The upward trend is also reflected in the internal valuation in the form of a lower required rate of return, which, at the portfolio level, corresponds to 0.04 per cent for the period. The average valuation yield at the end of the period was 6.60 per cent. Coupled with a number of individual adjustments at property level, this has resulted in a positive change in value of SEK 10 million (-1), or 0.1 per cent (-0.01). At 31 March the market value was SEK 13,001 million (12,295).

During the period 41 (one partial sale) properties were sold with a realised change in value of SEK -8.9 million (2.6) before tax. In the same period three properties were acquired.

The derivatives portfolio has been valued at fair value. 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 on derivatives totalled SEK 19 million (-6), which have been fully recognised in profit or loss. 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. The accrued negative market values from derivatives will thus have an ongoing positive revaluation effect until maturity.

### NET FINANCIAL ITEMS

Net financial items for the year were SEK -52 million (-58), which represents an improvement of 10 per cent compared with the previous year. The reduced net financial cost 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 2.5 per cent (3.0). The average annual interest rate on interest-bearing liabilities based on the applicable terms and market interest rates at 31 March was 2.6 per cent (2.5).

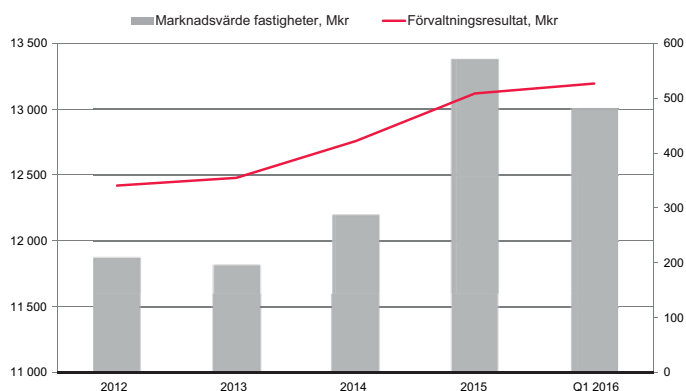
### PROFIT BEFORE TAX

Profit before tax was SEK 139 million (97). The improved profit is mainly attributable to positive unrealised changes in value on properties and interest rate derivatives, an increased operating surplus and lower net interest expense.

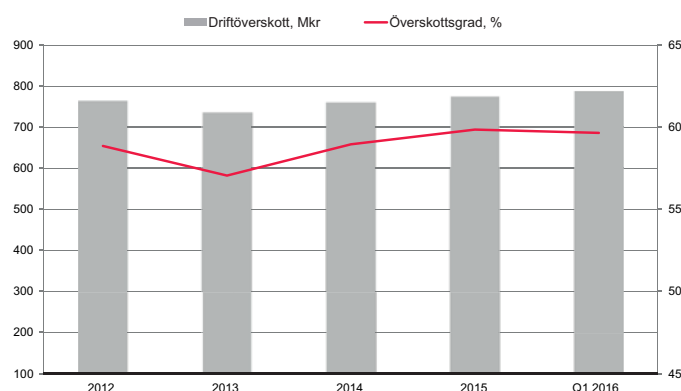
### PROFIT AFTER TAX

Profit after tax was SEK 143 million (75). Current tax totalled SEK -4 million (-3). This is mainly attributable to tax in subsidiaries, which are not permitted to offset losses against Group contributions. The calculation of deferred tax has given rise to a deferred tax item of SEK 8 million (-19). The positive tax effect on deferred tax is attributable to disposals of properties.

### »» MARKET VALUE AND PROPERTY MANAGEMENT INCOME<sup>1</sup>



### »» OPERATING SURPLUS AND SURPLUS RATIO<sup>1</sup>



<sup>1</sup>The figures for property management income, operating surplus and surplus ratio in Q1 2016 are on a rolling 12-month basis.



## »»» PROPERTY PORTFOLIO AT 31 MARCH 2016

Diös owned 313 properties in 10 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,352,362 square metres and the economic occupancy rate, based on concluded leases at 31 March, 89.5 per cent. Diös invested SEK 105 million in new builds, conversions and extensions over the period. In terms of value, the largest share of the portfolio is located in Jämtland, Dalarna and Västerbotten. The total market value of the properties was SEK 13,001 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   | 67        | 48        | 51              | 71        | 54            | 40          | 331        |
| Other revenue   | 1         | 0         | 2               | 0         | 0             | 1           | 4          |
| Repair and maintenance  | -4        | -3        | -2              | -3        | -3            | -3          | -18        |
| Tariff-based costs  | -12       | -8        | -9              | -15       | -10           | -4          | -58        |
| Property tax  | -3        | -2        | -3              | -3        | -3            | -2          | -16        |
| Other property costs  | -8        | -5        | -8              | -8        | -6            | -5          | -40        |
| Property management   | -2        | -2        | -3              | -4        | -3            | -2          | -16        |
| <b>Operating surplus</b>  | <b>39</b> | <b>27</b> | <b>28</b>       | <b>38</b> | <b>30</b>     | <b>25</b>   | <b>187</b> |
| <b>Undistributed items</b>  |           |           |                 |           |               |             |            |
| Central administration  | -         | -         | -               | -         | -             | -           | -16        |
| Net financial items   | -         | -         | -               | -         | -             | -           | -52        |
| <b>Property management income</b>                                   | <b>-</b>  | <b>-</b>  | <b>-</b>        | <b>-</b>  | <b>-</b>      | <b>-</b>    | <b>119</b> |
| <b>Changes in value</b>   |           |           |                 |           |               |             |            |
| Property, realised  | -         | -         | -3              | -3        | -3            | -           | -9         |
| Property, unrealised  | 3         | 1         | -26             | 7         | 14            | 10          | 10         |
| Interest rate derivatives   | -         | -         | -               | -         | -             | -           | 19         |
| <b>Profit before tax</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>        | <b>-</b>  | <b>-</b>      | <b>-</b>    | <b>139</b> |
| Current tax   | -         | -         | -               | -         | -             | -           | -4         |
| Deferred tax  | -         | -         | -               | -         | -             | -           | 8          |
| Non-controlling interests   | -         | -         | -               | -         | -             | -           | -2         |
| <b>Profit for period attributable to shareholders of the parent</b> | <b>-</b>  | <b>-</b>  | <b>-</b>        | <b>-</b>  | <b>-</b>      | <b>-</b>    | <b>141</b> |
| <b>Leasable area, sq.m</b>  |           |           |                 |           |               |             |            |
| Leasable area, sq.m   | 266,682   | 250,733   | 189,217         | 299,535   | 226,119       | 120,075     | 1,352,362  |
| <b>Investments in new builds, conversions and extensions, SEKm</b>  |           |           |                 |           |               |             |            |
| Investments in new builds, conversions and extensions, SEKm         | 15        | 6         | 19              | 22        | 23            | 20          | 105        |
| <b>Carrying amount of investment properties, SEKm</b>               |           |           |                 |           |               |             |            |
| Carrying amount of investment properties, SEKm                      | 2,576     | 1,890     | 1,958           | 2,801     | 2,087         | 1,689       | 13,001     |
| <b>Rental value, SEKm</b>   |           |           |                 |           |               |             |            |
| Rental value, SEKm  | 74        | 54        | 61              | 80        | 59            | 43          | 371        |
| <b>Economic occupancy rate, %</b>                                   |           |           |                 |           |               |             |            |
| Economic occupancy rate, %  | 90.2      | 88.4      | 83.9            | 88.7      | 91.5          | 92.4        | 89.0       |
| <b>Surplus ratio, %</b>   |           |           |                 |           |               |             |            |
| Surplus ratio, %  | 58.3      | 57.2      | 56.1            | 53.0      | 55.9          | 61.7        | 56.7       |





## »»» PROPERTY PORTFOLIO AT 31 MARCH 2015

Diös owned 354 properties in 15 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,421,199 square metres and the economic occupancy rate, based on concluded leases at 31 March, 89.1 per cent. Diös invested SEK 111 million in new builds, conversions and extensions over the period. In terms of value, the largest share of the portfolio is located in Jämtland, Dalarna and Västernorrland. The total market value of the properties was SEK 12,295 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   | 65        | 48        | 63              | 75        | 36            | 38          | 325        |
| Other revenue   | 0         | 1         | 0               | 0         | 0             | 1           | 3          |
| Repair and maintenance  | -4        | -2        | -5              | -4        | -3            | -2          | -19        |
| Tariff-based costs  | -12       | -8        | -12             | -16       | -7            | -4          | -59        |
| Property tax  | -3        | -2        | -3              | -4        | -2            | -2          | -16        |
| Other property costs  | -8        | -7        | -10             | -9        | -5            | -5          | -44        |
| Property management   | -3        | -2        | -3              | -3        | -2            | -3          | -17        |
| <b>Operating surplus</b>  | <b>36</b> | <b>28</b> | <b>30</b>       | <b>40</b> | <b>19</b>     | <b>22</b>   | <b>174</b> |
| <b>Undistributed items</b>  |           |           |                 |           |               |             |            |
| Central administration  | -         | -         | -               | -         | -             | -           | -15        |
| Net financial items   | -         | -         | -               | -         | -             | -           | -58        |
| <b>Property management income</b>                                   | <b>-</b>  | <b>-</b>  | <b>-</b>        | <b>-</b>  | <b>-</b>      | <b>-</b>    | <b>101</b> |
| <b>Changes in value</b>   |           |           |                 |           |               |             |            |
| Property, realised  | -         | 3         | -               | -         | -             | -           | 3          |
| Property, unrealised  | -13       | 5         | -8              | -6        | 14            | 7           | -1         |
| Interest rate derivatives   | -         | -         | -               | -         | -             | -           | -6         |
| <b>Profit before tax</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>        | <b>-</b>  | <b>-</b>      | <b>-</b>    | <b>97</b>  |
| <b>Current tax</b>  |           |           |                 |           |               |             |            |
| Current tax   | -         | -         | -               | -         | -             | -           | -3         |
| Deferred tax  | -         | -         | -               | -         | -             | -           | -19        |
| 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>75</b>  |
| <b>Leasable area, sq.m</b>  |           |           |                 |           |               |             |            |
| Leasable area, sq.m   | 266,682   | 250,733   | 279,187         | 327,491   | 177,031       | 120,075     | 1,421,199  |
| <b>Investments in new builds, conversions and extensions, SEKm</b>  |           |           |                 |           |               |             |            |
| Investments in new builds, conversions and extensions, SEKm         | 20        | 7         | 39              | 16        | 8             | 21          | 111        |
| <b>Carrying amount of investment properties, SEKm</b>               |           |           |                 |           |               |             |            |
| Carrying amount of investment properties, SEKm                      | 2,505     | 1,757     | 2,245           | 2,908     | 1,356         | 1,525       | 12,295     |
| <b>Rental value, SEKm</b>   |           |           |                 |           |               |             |            |
| Rental value, SEKm  | 73        | 54        | 73              | 84        | 41            | 42          | 367        |
| <b>Economic occupancy rate, %</b>                                   |           |           |                 |           |               |             |            |
| Economic occupancy rate, %  | 89.0      | 88.2      | 86.7            | 88.9      | 89.0          | 90.7        | 88.6       |
| <b>Surplus ratio, %</b>   |           |           |                 |           |               |             |            |
| Surplus ratio, %  | 55.3      | 58.7      | 47.3            | 53.3      | 51.4          | 57.8        | 53.6       |



## »»» 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 and establish long-term relations. At the end of the period the portfolio comprised 92 per cent (88) commercial properties and 8 per cent (12) residential properties based on floor area by type of premises.

## »»» INVESTMENTS

The majority of our project investments are in the form of new builds, conversions and extensions, along with energy-saving measures. The goal is for such investments to reduce vacancies, increase occupancy and reduce the impact on the environment. During the period SEK 105 million (111) was invested in 368 projects (423). At the end of the period 19 major<sup>1</sup> improvement projects were ongoing, with a remaining investment volume of SEK 143 million and a total investment volume of SEK 294 million. During the period decisions were taken on 67 new project investments.

<sup>1</sup>Initial investment volume > SEK 4 million.

## »»» PROPERTY VALUE

### VALUATION

At each closing, a fair value assessment is made of all properties, as of that date. 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. Besides the largest properties, in terms of value, an internal valuation is carried out, assisted by Savills, on properties where major changes have occurred. This pertains to, for example, properties where a lease has recently been signed or terminated, along with major new build or conversion projects. All property valuations are based on a number of assumptions about the future and the market. Savills' valuations are therefore based on an uncertainty range of +/-7.5 per cent, which is also applied to the entire portfolio. For Diös this corresponds to a value range of SEK 12,026–13,975 million.

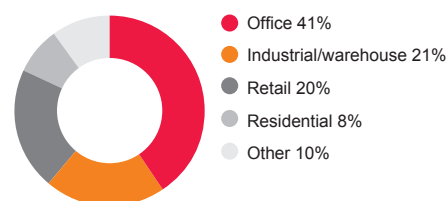
During the quarter, there were no changes in valuation methodology or approach. The valuations are in accordance with IFRS 13 level 3.

### VALUATION ASSUMPTIONS

| Value date                                       | 31 Mar 2016 | 31 Mar 2015 |
|--|-------------|-------------|
| Analysis period                                  | 5 years     | 5 years     |
| Yield for assessing residual value <sup>1</sup>  | 6.2-7.5%    | 6.4-8.0%    |
| Cost of capital for discounting to present value | 8.72%       | 9.03%       |
| Long-term vacancy                                | 5.2%        | 5.6%        |
| Inflation  | 2%          | 2%          |

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

## PROPERTY PORTFOLIO SQ.M, 31 MARCH 2016



## FIVE LARGEST PROJECTS IN PROGRESS

| Municipality | Property         | Type of project | Planned investment, SEKm | Increase in rental value <sup>1</sup> , SEKm |
|--------------|------------------|-----------------|--------------------------|--|
| Norrbottn    | Humlan 6         | Offices         | 48.3                     | 3.5  |
| Dalarna      | Gullvivan 18     | School          | 28.3                     | 2.3  |
| Jämtland     | Totten 1:68      | Offices         | 26.4                     | 2.1  |
| Jämtland     | Kommunalmannen 4 | Offices         | 20.0                     | 1.5  |
| Västerbotten | Rind 5           | Residential     | 19.5                     | 0.5  |
| <b>Total</b> |                  |                 | <b>142.5</b>             | <b>9.9</b>                                   |

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

## CHANGES IN THE PORTFOLIO

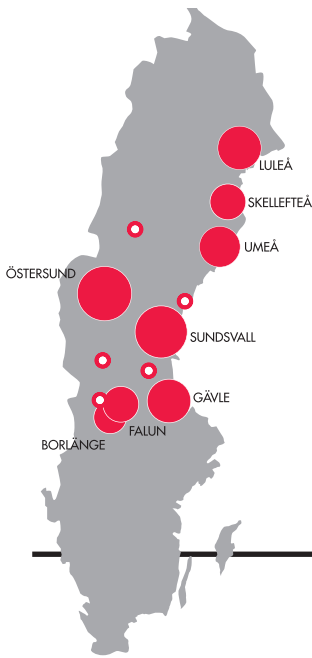
The first quarter saw the handing-over of the properties in Östersund and Umeå under the exchange deal with Riksbyggen. Three properties were acquired and eleven properties were sold under the deal, announced in the fourth quarter of 2015. The properties sold by Diös in Härnösand were also handed over in the first quarter of 2016. Diös' Härnösand portfolio comprised 30 properties and the deal was communicated in the fourth quarter of 2015. After the end of the period an exchange deal with NP3 has been announced, under which we will acquire one property in Östersund and sell one property in Sundsvall. The result will be recognised in the second quarter. Our strategy is to continuously strive to concentrate our property portfolio to priority locations in our target areas.

New builds, conversions and extensions contributed to a positive change in the value of the property portfolio for the period. We make adjustments to the portfolio on an ongoing basis to create improvements and efficiencies for our tenants with a view to strengthening long-term tenant relationships.

Unrealised changes in value totalled SEK 10 million (-1) and were due to higher net operating income and lower required rates of return.

| CHANGE IN PROPERTY PORTFOLIO           | Fair value, SEKm | Number |
|--|------------------|--------|
| Property portfolio, 1 January 2016     | 13,381           | 351    |
| Acquisitions                           | 149              | 3      |
| New builds, conversions and extensions | 105              |        |
| Sales                                  | -644             | -41    |
| Unrealised changes in value            | 10               |        |
| Property portfolio, 31 March 2016      | 13,001           | 313    |





## »»» BUSINESS AREAS

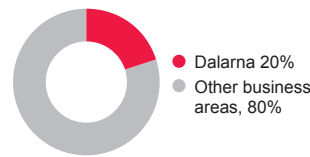
Diös Fastigheter is northern Sweden's largest private property company and a market leader in several of the localities in which it operates. The company's market, which stretches from Borlänge in the south to Luleå in the north, is divided into the business areas Dalarna, Gävleborg, Västernorrland,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

# DALARNA

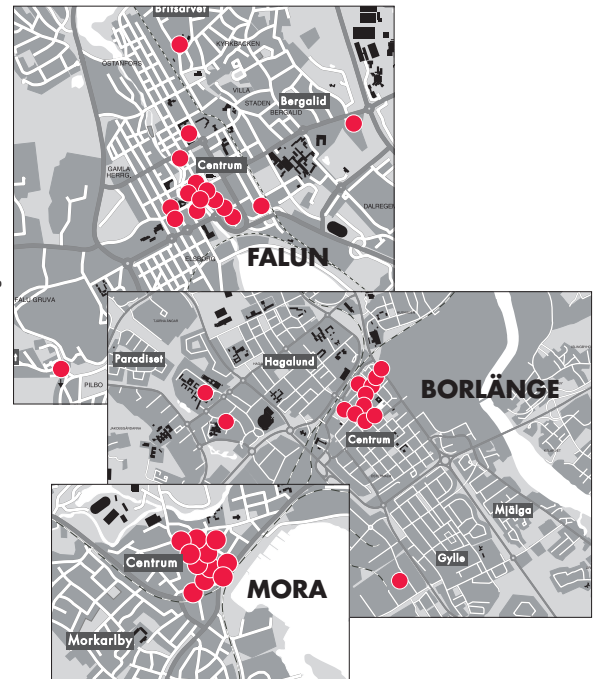
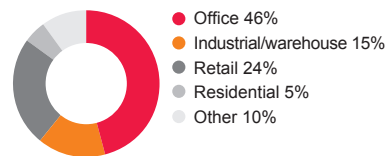
### PROPERTY HOLDINGS

|                         |       |
|-------------------------|-------|
| No. of properties       | 44    |
| Area, '000 sq.m         | 267   |
| Property value, SEKm    | 2,576 |
| Operating surplus, SEKm | 39    |
| Surplus ratio, %        | 58    |

### SHARE OF TOTAL CONTRACT VALUE



### FLOOR AREA BY TYPE OF PREMISES



### DALARNA LARGEST TENANTS

| TENANT                             | No. contracts | Annual contract value, SEK '000 | Share of total contract value, %* | Average contract term, years |
|------------------------------------|---------------|---------------------------------|-----------------------------------|------------------------------|
| Swedish Transport Administration   | 3             | 39,984                          | 15.0                              | 4.2                          |
| Municipality of Falun              | 7             | 18,302                          | 6.9                               | 2.3                          |
| Swedish Police Authority           | 8             | 9,928                           | 3.7                               | 3.3                          |
| Internationella Engelska Skolan AB | 1             | 9,107                           | 3.4                               | 19.8                         |
| Pysslingen Förskolor och Skolor AB | 1             | 8,335                           | 3.1                               | 8.3                          |
| <b>Total, largest tenants</b>      | <b>20</b>     | <b>85,656</b>                   | <b>32.1</b>                       | <b>5.8</b>                   |

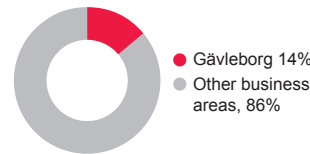
\*In relation to the annual contract value for each business area.

# GÄVLEBORG

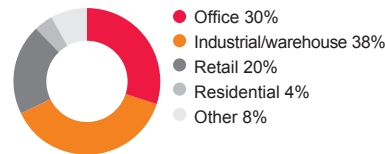
### PROPERTY HOLDINGS

|                         |       |
|-------------------------|-------|
| No. of properties       | 51    |
| Area, '000 sq.m         | 251   |
| Property value, SEKm    | 1,890 |
| Operating surplus, SEKm | 27    |
| Surplus ratio, %        | 57    |

### SHARE OF TOTAL CONTRACT VALUE



### FLOOR AREA BY TYPE OF PREMISES



### GÄVLEBORG - LARGEST TENANTS

| TENANT                             | No. contracts | Annual contract value, SEK '000 | Share of total contract value, %* | Average contract term, years |
|------------------------------------|---------------|---------------------------------|-----------------------------------|------------------------------|
| Swedish Public Employment Service  | 8             | 7,421                           | 3.9                               | 1.9                          |
| Swedish Transport Administration   | 3             | 6,982                           | 3.7                               | 2.5                          |
| Internationella Engelska Skolan AB | 2             | 5,657                           | 3.0                               | 7.5                          |
| ÅF AB                              | 1             | 2,993                           | 1.6                               | 4.8                          |
| Ahléns                             | 3             | 2,910                           | 1.5                               | 3.5                          |
| <b>Total, largest tenants</b>      | <b>17</b>     | <b>25,963</b>                   | <b>13.7</b>                       | <b>3.8</b>                   |

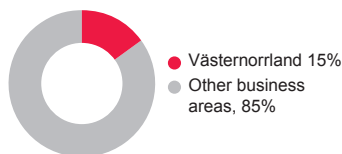
\*In relation to the annual contract value for each business area.

# VÄSTERNORRLAND

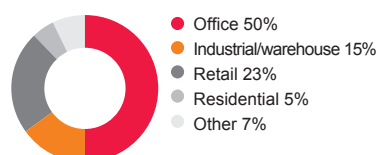
## PROPERTY HOLDINGS

|                         |       |
|-------------------------|-------|
| No. of properties       | 47    |
| Area, '000 sq.m         | 189   |
| Property value, SEKm    | 1,958 |
| Operating surplus, SEKm | 28    |
| Surplus ratio, %        | 56    |

## SHARE OF TOTAL CONTRACT VALUE



## FLOOR AREA BY TYPE OF PREMISES

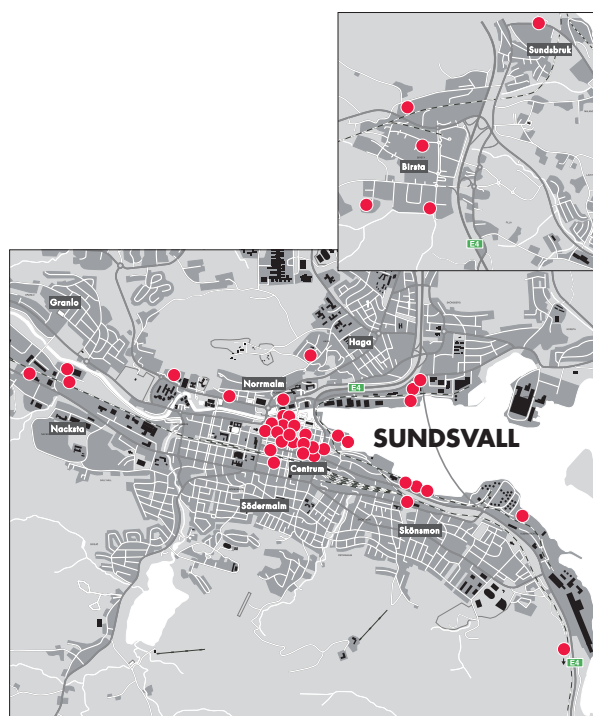


## VÄSTERNORRLAND LARGEST TENANTS

| TENANT                          | No. contracts | Annual contract value, SEK '000 | Share of total contract value, %* | Average contract term, years |
|---------------------------------|---------------|---------------------------------|-----------------------------------|------------------------------|
| Norrlidens Kunskapscentrum AB   | 2             | 6,900                           | 3.5                               | 9.8                          |
| Swedish Migration Board         | 17            | 6,123                           | 3.1                               | 4.7                          |
| Municipality of Sundsvall       | 15            | 6,071                           | 3.1                               | 2.2                          |
| Länsförsäkringar Västernorrland | 18            | 5,717                           | 2.9                               | 3.9                          |
| Com Hem AB                      | 4             | 5,229                           | 2.6                               | 0.9                          |
| <b>Total, largest tenants</b>   | <b>56</b>     | <b>30,040</b>                   | <b>15.2</b>                       | <b>4.5</b>                   |

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

In January 2016 Diös sold all its developed properties in Härnösand.

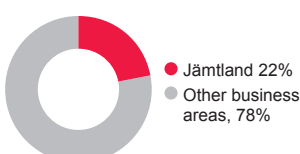


# JÄMTLAND

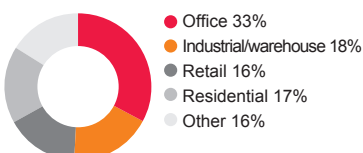
## PROPERTY HOLDINGS

|                         |       |
|-------------------------|-------|
| No. of properties       | 113   |
| Area, '000 sq.m         | 300   |
| Property value, SEKm    | 2,801 |
| Operating surplus, SEKm | 38    |
| Surplus ratio, %        | 53    |

## SHARE OF TOTAL CONTRACT VALUE



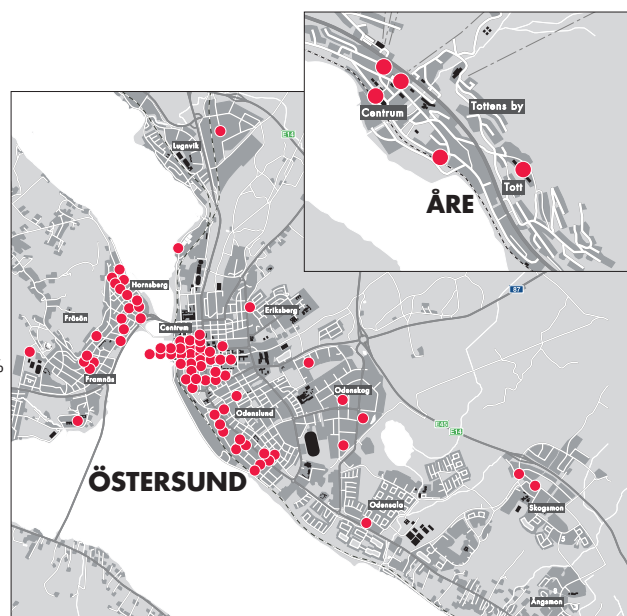
## FLOOR AREA BY TYPE OF PREMISES



## JÄMTLAND - LARGEST TENANTS

| TENANT                            | No. contracts | Annual contract value, SEK '000 | Share of total contract value, %* | Average contract term, years |
|-----------------------------------|---------------|---------------------------------|-----------------------------------|------------------------------|
| Municipality of Östersund         | 88            | 29,167                          | 10.4                              | 4.3                          |
| Region Jämtland Härjedalen        | 17            | 10,609                          | 3.8                               | 2.5                          |
| Swedbank AB                       | 5             | 7,515                           | 2.7                               | 1.4                          |
| Swedish Public Employment Service | 4             | 5,869                           | 2.1                               | 2.5                          |
| Ica Fastigheter Sverige AB        | 3             | 5,294                           | 1.9                               | 0.8                          |
| <b>Total, largest tenants</b>     | <b>117</b>    | <b>58,454</b>                   | <b>20.9</b>                       | <b>3.1</b>                   |

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



# VÄSTERBOTTEN

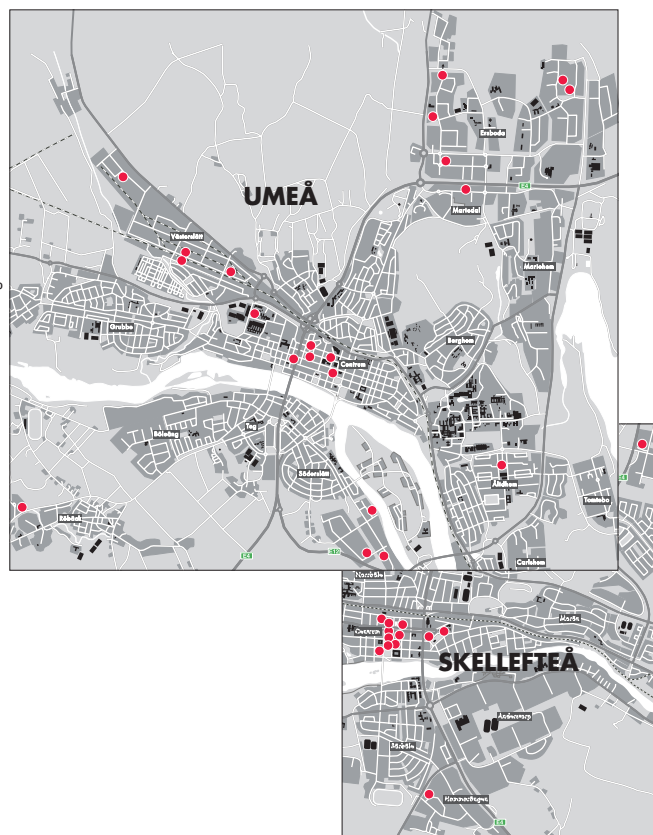
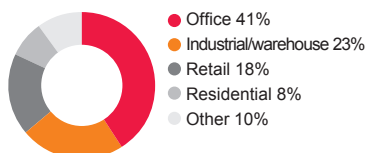
## PROPERTY HOLDINGS

|                         |       |
|-------------------------|-------|
| No. of properties       | 40    |
| Area, '000 sq.m         | 226   |
| Property value, SEKm    | 2,087 |
| Operating surplus, SEKm | 30    |
| Surplus ratio, %        | 56    |

### SHARE OF TOTAL CONTRACT 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 Skellefteå      | 22            | 15,829                          | 7.6                               | 4.4                          |
| Tieto Sweden AB                 | 1             | 9,243                           | 4.4                               | 2.8                          |
| Municipality of Umeå            | 9             | 8,086                           | 3.9                               | 1.2                          |
| Scandic Hotels AB               | 1             | 7,865                           | 3.8                               | 14.4                         |
| Swedish Social Insurance Agency | 8             | 6,036                           | 2.9                               | 2.1                          |
| <b>Total, largest tenants</b>   | <b>41</b>     | <b>47,059</b>                   | <b>22.6</b>                       | <b>4.9</b>                   |

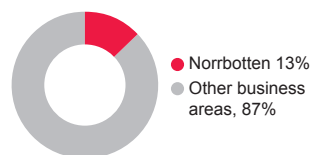
\*In relation to the annual contract value for each business area.

# NORRBOTTEN

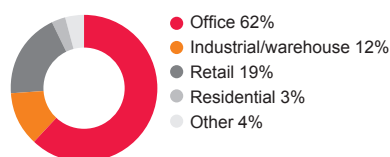
## PROPERTY HOLDINGS

|                         |       |
|-------------------------|-------|
| No. of properties       | 18    |
| Area, '000 sq.m         | 120   |
| Property value, SEKm    | 1,689 |
| Operating surplus, SEKm | 25    |
| Surplus ratio, %        | 62    |

### SHARE OF TOTAL CONTRACT VALUE



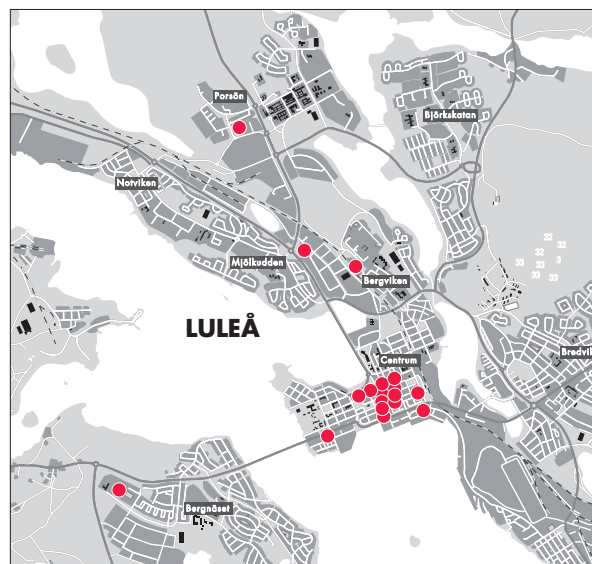
### FLOOR AREA BY TYPE OF PREMISES



## NORRBOTTEN - LARGEST TENANTS

| TENANT                        | No. contracts | Annual contract value, SEK '000 | Share of total contract value, %* | Average contract term, years |
|-------------------------------|---------------|---------------------------------|-----------------------------------|------------------------------|
| Municipality of Luleå         | 8             | 10,896                          | 7.2                               | 1.6                          |
| SWECO Sverige AB              | 2             | 7,764                           | 5.2                               | 7.0                          |
| Swedish Customs IT Department | 3             | 7,302                           | 4.8                               | 0.9                          |
| Swedbank AB                   | 3             | 6,173                           | 4.1                               | 2.9                          |
| Folksam Sak                   | 18            | 5,952                           | 3.9                               | 5.4                          |
| <b>Total, largest tenants</b> | <b>34</b>     | <b>38,087</b>                   | <b>25.2</b>                       | <b>3.5</b>                   |

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





## »»» LEASE MATURITIES AT 31 MARCH 2016

|                                  | Maturity year | Signed contracts no. | Rented area sq.m | Contracted rental income SEKm | Share, %   |
|----------------------------------|---------------|----------------------|------------------|-------------------------------|------------|
| Leases for premises              | 2016          | 481                  | 103,951          | 113                           | 9          |
|                                  | 2017          | 818                  | 215,339          | 245                           | 19         |
|                                  | 2018          | 593                  | 227,390          | 256                           | 20         |
|                                  | 2019          | 502                  | 219,178          | 240                           | 18         |
|                                  | 2020+         | 211                  | 257,043          | 301                           | 23         |
| <b>Total leases for premises</b> |               | <b>2,605</b>         | <b>1,022,901</b> | <b>1,155</b>                  | <b>89</b>  |
| Residential leases               |               | 1,490                | 104,122          | 108                           | 8          |
| Other leases                     |               | 3,155                | -                | 42                            | 3          |
| <b>TOTAL</b>                     |               | <b>7,250</b>         | <b>1,127,023</b> | <b>1,305</b>                  | <b>100</b> |

### NET LEASING

Net leasing for the first quarter was SEK 7 million (11). The largest lets in the period were those to the Municipality of Östersund in Frösö 3:7, Östersund, and NCC Construction in Humlan 6, Luleå. The average term for commercial premises at 31 March is 3.4 years (3.3).

### VACANCIES

Vacancies fell during the quarter and at 31 March the economic vacancy rate was 10.5 per cent (11.5) and vacant area was 16.3 per cent (18.3). Economic vacancies are highest in office and retail premises while physical vacancy rates are highest in office and industrial premises. The economic vacancy rate for the period, excluding discounts, was 9.9 per cent (10.1).

## »»» LARGEST TENANTS AT 31 MARCH 2016

| TENANT                            | No. of contracts | Annual contract value, SEK '000 | Share of total contract value, % | Average contract term, years |
|-----------------------------------|------------------|---------------------------------|----------------------------------|------------------------------|
| Swedish Transport Administration  | 13               | 48,048                          | 3.7                              | 4.0                          |
| Municipality of Östersund         | 88               | 29,167                          | 2.3                              | 4.3                          |
| Swedish Public Employment Service | 31               | 23,549                          | 1.8                              | 2.2                          |
| Swedbank AB                       | 11               | 21,479                          | 1.7                              | 1.9                          |
| Municipality of Falun             | 7                | 18,302                          | 1.4                              | 2.3                          |
| Ähléns                            | 7                | 15,946                          | 1.2                              | 2.1                          |
| Municipality of Skellefteå        | 22               | 15,688                          | 1.2                              | 4.4                          |
| Internationella Engelska Skolan   | 3                | 14,764                          | 1.1                              | 15.1                         |
| Hennes & Mauritz                  | 10               | 14,745                          | 1.1                              | 0.6                          |
| KappAhl                           | 6                | 14,737                          | 1.1                              | 3.2                          |
| <b>Total, largest tenants</b>     | <b>198</b>       | <b>216,425</b>                  | <b>16.6</b>                      | <b>3.8</b>                   |

## »»» ENERGY USE AND CARBON DIOXIDE EMISSIONS

|                                    | Unit      | 2016<br>3 months<br>Jan-Mar | 2015<br>3 months<br>Jan-Mar |
|------------------------------------|-----------|-----------------------------|-----------------------------|
| Heating <sup>1</sup>               | kWh/sq.m  | 31.3                        | 33.4                        |
| District cooling <sup>2</sup>      | kWh/sq.m  | 0.3                         | 0.3                         |
| Electricity <sup>3</sup>           | kWh/sq.m  | 12.5                        | 13.6                        |
| Carbon dioxide, total <sup>4</sup> | g CO2/kWh | 31.8                        | 31.1                        |
| Water                              | m3/sq.m   | 0.1                         | 0.1                         |

<sup>1</sup> Heating has been adjusted to a normal year.

<sup>2</sup> District cooling does not include self-produced cooling.

<sup>3</sup> Electricity from energy use and tenants where electricity is included in the lease.

<sup>4</sup> Carbon dioxide from electricity and heating.

All values have been provided by the suppliers. The area refers to the leasable area excluding garage space multiplied by a factor of 1.15 to obtain the heated area.

Consumption of heating and electricity were down by 2.1 per cent on the same period in 2015 thanks to energy-saving measures. More efficient installations and improved optimisation tools are some of the concrete measures that have had an impact on the results. The target for the full

year is to cut electricity and heat consumption by 3 per cent. To reduce the environmental impact from our energy use, we only purchase electricity from renewable sources. As a result, Diös' total carbon dioxide emissions decreased markedly in 2015.



> Stefan Jönsson, Caretaker, Östersund.







## »»» FINANCIAL POSITION AS AT 31 MARCH 2016

### EQUITY AND LONG-TERM NET ASSET VALUE

Equity was SEK 3,837 million (3,440) and equity per share SEK 51.3 (46.0). Long-term net asset value, expressed as EPRA NAV was SEK 4,814 million (4,418). EPRA NAV is a key ratio measuring the long-term fair value of a company's net assets. At the end of the first quarter the equity ratio was 29.0 per cent (27.4), which is higher than the short-term target of 25 per cent, but lower than the long-term target of 30 per cent.

The loan-to-value ratio was 61.4 per cent (62.3), edging closer to the long-term target of, at most, 60 per cent. The interest coverage ratio was 3.1 times (2.7).

### CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents were SEK 27 million (151) at the end of the period and drawn overdraft facilities were SEK 0 million (119).

## »»» INTEREST EXPENSE JANUARY–MARCH 2016

|  | Amount, SEKm | Cost, SEKm | Weighted average interest rate, % |
|--|--------------|------------|-----------------------------------|
| Interest-bearing liability             | 8,048        | 21         | 1.0                               |
| Undrawn credit facilities <sup>1</sup> | 525          | 3          | 0.0                               |
| Cost of financial instruments          | 4,200        | 29         | 1.5                               |
|  |              | <b>52</b>  | <b>2.5</b>                        |

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

Average interest-bearing liabilities for the period were SEK 8,048 million (7,671). The actual interest expense, including expenses related to undrawn credit and overdraft facilities and the performance of financial instruments, amounted to SEK 52 million (57), which represents an

average annual interest rate of 2.5 per cent (3.0). During the period, unrealised changes in value arising on derivatives held totalled SEK 19 million (-6), which are fully recognised in the income statement.

## »»» INTEREST RATES AND LOAN MATURITY ON 31 MARCH 2016

| Maturity year                          | Interest rate and margin expiration |   | Loan maturity           |              |
|--|-------------------------------------|---|-------------------------|--------------|
|  | Loan amount, SEKm                   | Average annual interest rate <sup>1</sup> , % | Credit agreements, SEKm | Drawn, SEKm  |
| 2016                                   | 1,502                               | 0.7   | -                       | -            |
| 2017                                   | 4,587                               | 0.9   | 2,234                   | 2,234        |
| 2018                                   | 880                                 | 1.3   | 3,206                   | 3,206        |
| 2019                                   | 1,008                               | 1.2   | 2,037                   | 1,887        |
| 2021                                   | -                                   | -   | 1,080                   | 650          |
| <b>Drawn credit facilities</b>         | <b>7,977</b>                        | <b>1.0</b>                                    | <b>8,557</b>            | <b>7,977</b> |
| Undrawn credit facilities <sup>2</sup> | 580                                 | 0.0   |                         |              |
| Financial instruments                  | 4,200                               | 1.5   |                         |              |
| <b>TOTAL</b>                           |                                     | <b>2.6</b>                                    |                         |              |

<sup>1</sup> Average annual interest rate refers to the average interest rate based on interest rate terms and current liability at 31 March 2016.

<sup>2</sup> The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.04 percentage points.

## »»» SENSITIVITY ANALYSIS AT 31 MARCH 2016

|  | Fixed rate term, years | Maturity, years | Average annual interest rate, % | Market value, SEKm | If market rates rise by 1 per cent        |  |                              |
|--|------------------------|-----------------|---------------------------------|--------------------|---|--|------------------------------|
|  |                        |                 |                                 |                    | Change in annual average interest rate, % | Change in annual average interest cost, SEKm | Change in market value, SEKm |
| Loan portfolio, excl. derivatives        | 0.3                    | 2.6             | 1.0                             | 7,977              | 0.9                                       | +75  |                              |
| Derivative portfolio                     | 0.9                    | -               | 1.5                             | -116               | -1.0                                      | -42  | +38                          |
| <b>Loan portfolio, incl. derivatives</b> | <b>0.7</b>             | <b>2.6</b>      | <b>2.6</b>                      |                    | <b>0.4</b>                                | <b>+33</b>                                   | <b>+38</b>                   |

The Group's interest-bearing liabilities amounted to SEK 7,977 million (7,671). The average fixed-rate term was 0.3 years (0.2) and average maturity was 2.6 years (2.1). If the effect of the derivatives portfolio is included, the average fixed-rate term was 0.7 years (1.3) and the average fixed credit margin term for the loan agreements was 1.5 years (2.0). Of the Group's total interest-bearing liabilities, SEK 4,200 million (4,200) is hedged through derivatives. The average remaining term is 0.9 years (1.8). The average annual interest rate, including costs related to derivatives, amounted to 2.6 per cent (2.5), including loan commitments. At 31 March 2016, the market value of the derivative portfolio was SEK -116 million (-204). With a derivatives portfolio of SEK 4,200 million and fixed-rate bonds of SEK 500 million,

58.9 per cent (54.7) of the Group's total outstanding loans are covered by interest rate hedges.

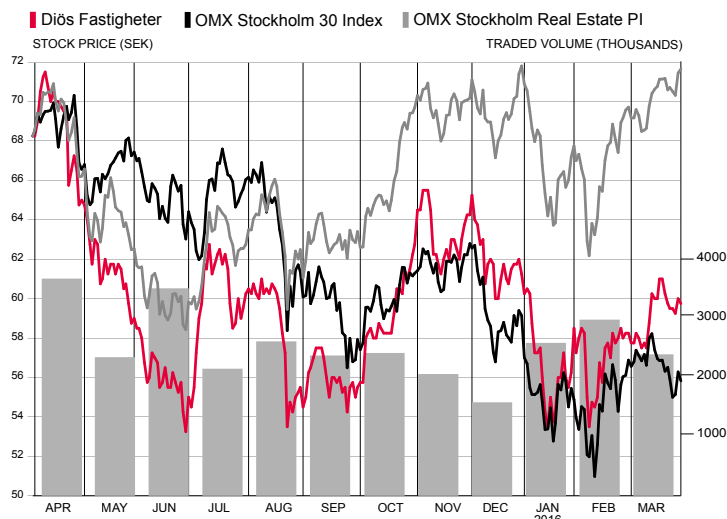
Financial instruments limit the impact of a change in interest rates on our average borrowing costs. The value of derivatives is always zero at maturity.

Loan covenants issued by our creditors are as follows: max. LTV of 65 per cent, min. equity ratio of 25 per cent and interest coverage ratio higher than 1.8 times. All were met with a good margin.

All financial instruments are measured at fair value and classified at level 2 in accordance with IFRS 13, which means that valuation is based on observable market data. Changes in value are recognised in profit or loss.



## SHARE PRICE PERFORMANCE



### SHARE PERFORMANCE

The share price at the end of the period was SEK 59.8 per share (68.5), which equates to a market capitalisation of SEK 4,465 million (5,119) and a return of -12.5 per cent (27.4) 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 period is -8.3 per cent (34.4). The graph shows share prices for the past 12 months for both Diös and the indexes. The return for OMX Stockholm 30 was -18.2 per cent (22.2) and for OMX Stockholm Real Estate PI 5.0 per cent (40.3).

Diös Fastigheter AB had 11,380 shareholders on 31 March. The share of foreign-owned shares was 17.4 per cent (15.8) while the total number of shares during the period remained unchanged at

## NET ASSET VALUE

| AT 31 MAR 2016   | SEKm         | Per share   |
|--|--------------|-------------|
| Number of shares, thousands                                |              | 74,729      |
| Equity   | 3,837        |             |
| Equity held by minority                                    | -38          |             |
| <i>Reversal</i>  |              |             |
| Fair value of financial instruments                        | 116          |             |
| Deferred tax on temporary differences                      | 899          |             |
| <b>EPRA NAV</b>  | <b>4,814</b> | <b>64.4</b> |
| <i>Less</i>  |              |             |
| Fair value of financial instruments                        | -116         |             |
| Estimated actual deferred tax on temporary differences, 4% | -163         |             |
| <b>EPRA NNAV</b>   | <b>4,534</b> | <b>60.7</b> |

## EARNINGS PER SHARE AS PER EPRA EPS

| AT 31 MAR 2016                                 | SEKm       | Per share   |
|--|------------|-------------|
| Number of shares, thousands                    |            | 74,729      |
| Property management income                     | 119        |             |
| Tax attributable to property management income | -7         |             |
| Minority's share of earnings                   | -2         |             |
| <b>EPRA EPS</b>                                | <b>110</b> | <b>1.47</b> |

## LARGEST SHAREHOLDERS

OF DIÖS FASTIGHETER AB AT 31 MARCH 2016

| SHAREHOLDER                             | No. of shares     | Capital and votes, |
|---|-------------------|--------------------|
|   |                   | %                  |
| AB Persson Invest                       | 11,499,691        | 15.4               |
| Backahill Inter AB                      | 7,830,754         | 10.5               |
| Bengtssons Tidnings Aktiebolag          | 7,518,222         | 10.1               |
| Länsförsäkringar Fondförvaltning AB     | 5,244,333         | 7.0                |
| Pensionskassan SHB Försäkringsförening  | 4,498,239         | 6.0                |
| Försäkringsaktiebolaget, Avanza Pension | 2,476,535         | 3.3                |
| SEB Investment Management               | 2,092,666         | 2.8                |
| Fourth AP Fund                          | 1,673,095         | 2.2                |
| Handelsbankens Fonder                   | 1,470,951         | 2.0                |
| Ssb Client Omnibus Ac Om07 (15 pct)     | 1,446,055         | 1.9                |
| <b>Total, largest shareholders</b>      | <b>45,750,541</b> | <b>61.2</b>        |
| Other shareholders                      | 28,978,593        | 38.8               |
| <b>TOTAL</b>                            | <b>74,729,134</b> | <b>100.0</b>       |

74,729,134 (74,729,134). The largest single shareholder was AB Persson Invest with a 15.4 per cent (15.4) shareholding. The ten largest shareholders accounted for 61.2 per cent (63.1) of the shares and votes.

The 2015 AGM authorised the company to buy back ten per cent of all outstanding shares of the company. No repurchases were made during the period.

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.

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.

### RETURN AND NET ASSET VALUE

Our target is to generate a return on equity in excess of the risk-free rate plus 6 per cent. The target return for the past 12 months was 6.1 per cent (6.6). The annualised return for the period was 14.8 per cent (8.8).

Equity at the end of the first quarter was SEK 3,837 million (3,440) and the long-term net asset value, EPRA NAV, was SEK 4,814 million (4,418). On a per share basis, EPRA NAV was SEK 64.4 (59.1), which means that the share price at 31 March represented 93 per cent (116) of long-term NAV. The current net asset value for the period, as expressed by EPRA NNAV, was SEK 60.7 (59.1) per share. Read more about EPRA on page 21.

### EARNINGS

Earnings per share for the period were SEK 1.88 (1.00) while long-term earnings per share, expressed as EPRA EPS, were SEK 1.47 (1.26). Designed to show a company's long-term earnings capacity, EPRA EPS 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 on 31 March 2016 was 146 (149), of whom 55 were women (55). Diös Fastigheter is geographically divided into the six business areas of Dalarna, Gävleborg, Västernorrland, Jämtland, Västerbotten and Norrbotten. The company's head office and central Group functions are located in Östersund. Most of the employees, 104 (106) of them, work in the business areas, 46 (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 34 million (30) and post-tax profit was SEK 303 million (-6). Profit after tax includes dividends from Group companies in the amount of SEK 300 million (0). Net sales refer chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents were SEK 4 million (123) at 31 March 2016 and drawn overdraft facilities were SEK 0 million (0). External interest-bearing liabilities, excluding overdraft facilities, amounted to SEK 2,478 million (2,663). The average annual interest rate based on the situation at 31 March 2016 was 0.9 per cent (1.2). 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 867 million (754) at 31 March 2016. 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 4,087 million (3,629) at 31 March 2016. At a tax rate of 22.0 per cent, the deferred tax liability on temporary differences was SEK 899 million (798).

Diös' tax losses carried forward on 31 March 2016 are estimated at SEK 237 million (312). At a tax rate of 22.0 per cent, deferred tax asset relating to tax losses carried forward was SEK 52 million (69), which in Diös' financial statements has been offset against deferred tax liability. Other deferred tax liabilities were SEK 20 million (25) at 31 March 2016.

The change since 31 December 2015 is attributable to a SEK 6 million deferred tax asset decrease and a SEK 12 million decrease in deferred tax on temporary differences. Other changes are attributable to a SEK 2 million decrease in other deferred tax liabilities.

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.

## »»» PRINCIPAL RISKS AND UNCERTAINTIES

Diös Fastigheters' principal risks and uncertainties are described in the 2015 annual report on pages 40-42. Apart from what is stated in the following, there have been no material changes to Diös' risks and uncertainties.

At its monetary policy meeting on 20 April the Riksbank decided to buy an additional SEK 45 billion of Government bonds and leave the repo rate at -0.50 percentage points. This action was taken as an attempt to fuel inflation such that it stabilizes at around 2 per cent in 2017.

According to the March 2016 edition of *Swedish Economy*, a publication of the National Institute of Economic Research (NIER), the Swedish economy is entering a period of high economy activity and GDP is forecast to grow by close to 4 per cent in 2016. At the same time inflation will remain muted, with the target of 2 per cent inflation being reached only in 2018. The repo rate is expected to be around 0 per cent in 2017, rising to 1 per cent in 2018.

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 is prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting principles applied in preparing the interim report are consistent with the accounting principles applied in preparing the consolidated financial statements and annual report for 2015, Note 1. New and amended standards which entered into force on 1 January 2016 have not had any material impact on the Group's financial statements.

<sup>1</sup> The Annual Report 2015 is available at [www.dios.se](http://www.dios.se)



## »»» DIVIDEND POLICY

Approximately 50 per cent of the company's profit after tax, excluding unrealised changes in value and deferred tax, shall be distributed to the shareholders in the form of dividends.

## »»» EVENTS AFTER THE REPORTING PERIOD

On 1 April 2016 Diös Fastigheter acquired the Åkeriet 11 property in Östersund and sold the Skönsmon 2:13 property in Sundsvall under an exchange deal with NP3 Fastigheter. The underlying property value was SEK 21 million for the acquisition and SEK 20 million for the divested property. The handover date for both parties was 1 April. The property was sold in the form of a company and resulted in a gain of SEK 3 million excluding transaction costs and tax. The deals will be recognised in the second quarter of 2016.

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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. This interim report has not been subject to review by the company's auditor.

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

Östersund, 26 April 2016

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 M

|   | 2016<br>3 mths<br>Jan-Mar | 2015<br>3 mths<br>Jan-Mar | 2015<br>12 mths<br>Jan-Dec |
|---|---------------------------|---------------------------|----------------------------|
| <b>INCOME STATEMENT</b>   |                           |                           |                            |
| Rental income and other property management income              | 335                       | 328                       | 1,315                      |
| Property costs  | -148                      | -154                      | -539                       |
| <b>Operating surplus</b>  | <b>187</b>                | <b>174</b>                | <b>776</b>                 |
| Central administration  | -16                       | -15                       | -58 <sup>1</sup>           |
| Net financial items   | -52                       | -58                       | -210                       |
| <b>Property management income</b>                               | <b>119</b>                | <b>101</b>                | <b>508</b>                 |
| Change in value of properties                                   | 1                         | 2                         | 273                        |
| Change in value of interest rate derivatives                    | 19                        | -6                        | 64                         |
| <b>Profit before tax</b>  | <b>139</b>                | <b>97</b>                 | <b>845</b>                 |
| Current tax   | -4                        | -3                        | -163 <sup>2</sup>          |
| Deferred tax  | 8                         | -19                       | -140                       |
| <b>Profit after tax</b>   | <b>143</b>                | <b>75</b>                 | <b>542</b>                 |
| Profit attributable to shareholders of the parent               | 141                       | 75                        | 530                        |
| Profit attributable to non-controlling interests                | 2                         | -                         | 12                         |
| <b>Total</b>  | <b>143</b>                | <b>75</b>                 | <b>542</b>                 |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b>                        |                           |                           |                            |
| Profit after tax  | 143                       | 75                        | 542                        |
| Comprehensive income for the period                             | 143                       | 75                        | 542                        |
| Comprehensive income attributable to shareholders of the parent | 141                       | 75                        | 530                        |
| Comprehensive income attributable to non-controlling interests  | 2                         | -                         | 12                         |
| <b>Total</b>  | <b>143</b>                | <b>75</b>                 | <b>542</b>                 |
| Earnings per share after tax, SEK                               | 1.88                      | 1.00                      | 7.09                       |
| Number of shares at end of period, thousands                    | 74,729                    | 74,729                    | 74,729                     |
| Average number of shares, thousands                             | 74,729                    | 74,729                    | 74,729                     |
| Number of treasury shares at end of period, thousands           | 0                         | 0                         | 0                          |
| Average number of treasury shares, thousands                    | 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                              | 2016<br>31 Mar | 2015<br>31 Mar | 2015<br>31 Dec |
|-------------------------------------|----------------|----------------|----------------|
| <b>Non-current assets</b>           |                |                |                |
| Investment properties               | 13,001         | 12,295         | 13,381         |
| Other property, plant and equipment | 4              | 6              | 4              |
| Intangible assets                   | 3              | 4              | 3              |
| Financial assets                    | 44             | 6              | 13             |
| <b>Total non-current assets</b>     | <b>13,052</b>  | <b>12,311</b>  | <b>13,401</b>  |
| <b>Current assets</b>               |                |                |                |
| Current receivables                 | 175            | 112            | 104            |
| Cash and cash equivalents           | 27             | 151            | -              |
| <b>Total current assets</b>         | <b>202</b>     | <b>263</b>     | <b>104</b>     |
| <b>TOTAL ASSETS</b>                 | <b>13,254</b>  | <b>12,574</b>  | <b>13,505</b>  |
| <b>EQUITY AND LIABILITIES</b>       |                |                |                |
| Equity                              | 3,837          | 3,440          | 3,694          |
| Deferred tax liability              | 867            | 754            | 875            |
| Non-current liabilities             | 7,987          | 7,658          | 8,121          |
| Overdraft facilities                | -              | 119            | 227            |
| Current liabilities                 | 563            | 603            | 588            |
| <b>TOTAL LIABILITIES AND EQUITY</b> | <b>13,254</b>  | <b>12,574</b>  | <b>13,505</b>  |
| Contingent liabilities              | -              | 135            | -              |

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

|  | Equity       | Attributable to<br>shareholders of the<br>parent | Attributable to<br>minority interests |
|--|--------------|--|---------------------------------------|
| <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>     | 75           | 75   | -                                     |
| <b>Comprehensive income for the period</b> | <b>75</b>    | <b>75</b>  | <b>-</b>                              |
| <b>Equity at 31 Mar 2015</b>               | <b>3,440</b> | <b>3,416</b>                                     | <b>24</b>                             |
| <i>Profit for the period after tax</i>     | 467          | 455  | 12                                    |
| <b>Comprehensive income for the period</b> | <b>467</b>   | <b>455</b>                                       | <b>12</b>                             |
| Cash dividend                              | -213         | -213   | -                                     |
| <b>Equity at 31 Dec 2015</b>               | <b>3,694</b> | <b>3,658</b>                                     | <b>36</b>                             |
| <i>Profit for the period after tax</i>     | 143          | 141  | 2                                     |
| <b>Comprehensive income for the period</b> | <b>143</b>   | <b>141</b>                                       | <b>2</b>                              |
| <b>Equity at 31 Mar 2016</b>               | <b>3,837</b> | <b>3,799</b>                                     | <b>38</b>                             |



## »»» CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEK M

|  | 2016<br>3 mths<br>Jan-Mar | 2015<br>3 mths<br>Jan-Mar | 2015<br>12 mths<br>Jan-Dec |
|--|---------------------------|---------------------------|----------------------------|
| <b>OPERATING ACTIVITIES</b>                                  |                           |                           |                            |
| Property management income <sup>1</sup>                      | 119                       | 101                       | 508                        |
| Adjustments for non-cash items                               | -26                       | -22                       | 7                          |
| Tax paid   | -4                        | -3                        | -126                       |
| <b>Operating cash flows before change in working capital</b> | <b>89</b>                 | <b>76</b>                 | <b>389</b>                 |
| <b>Changes in working capital</b>                            |                           |                           |                            |
| Decrease (+)/increase (-) in receivables                     | -71                       | -69                       | -61                        |
| Decrease (-)/increase (+) in current liabilities             | 6                         | 19                        | 19                         |
| <b>Total change in working capital</b>                       | <b>-65</b>                | <b>-50</b>                | <b>-42</b>                 |
| <b>Operating cash flow</b>                                   | <b>24</b>                 | <b>26</b>                 | <b>347</b>                 |
| <b>INVESTING ACTIVITIES</b>                                  |                           |                           |                            |
| Investment in financial assets                               | -30                       | -                         | -6                         |
| Proceeds from sale of property, plant and equipment          | 617                       | 18                        | 177                        |
| Purchases of property, plant and equipment                   | -223                      | -83                       | -1,059                     |
| <b>Investing cash flow</b>                                   | <b>364</b>                | <b>-65</b>                | <b>-888</b>                |
| <b>FINANCING ACTIVITIES</b>                                  |                           |                           |                            |
| Dividends paid   | -                         | -                         | -213                       |
| Change in non-current liabilities                            | -134                      | -8                        | 448                        |
| Change in overdraft facility                                 | -227                      | 119                       | 227                        |
| <b>Financing cash flow</b>                                   | <b>-361</b>               | <b>111</b>                | <b>462</b>                 |
| <b>Cash flow for the period</b>                              | <b>27</b>                 | <b>72</b>                 | <b>-79</b>                 |
| <b>Cash and cash equivalents at beginning of period</b>      | <b>0</b>                  | <b>79</b>                 | <b>79</b>                  |
| <b>Cash and cash equivalents at end of period</b>            | <b>27</b>                 | <b>151</b>                | <b>0</b>                   |
| <sup>1</sup> Items included in property management income    |                           |                           |                            |
| Interest received  | 0                         | 0                         | 2                          |
| Interest paid  | -75                       | -80                       | -199                       |





## KEY RATIOS

|   | 2016<br>3 months<br>Jan-Mar | 2015<br>3 months<br>Jan-Mar | 2015<br>12 months<br>Jan-Dec |
|---|-----------------------------|-----------------------------|------------------------------|
| Return on equity, %                     | 3.7                         | 2.2                         | 15.0                         |
| Equity ratio, %                         | 29.0                        | 27.4                        | 27.4                         |
| Loan-to-value ratio, properties, %      | 61.4                        | 62.3                        | 60.7                         |
| Interest coverage ratio, times          | 3.1                         | 2.7                         | 3.4                          |
| Debt/equity ratio, times                | 2.1                         | 2.3                         | 2.2                          |
| Equity per share, SEK                   | 51.3                        | 46.0                        | 49.4                         |
| Earnings per share, SEK                 | 1.88                        | 2.26                        | 7.09                         |
| Cash flow per share, SEK                | 1.43                        | 1.30                        | 4.80                         |
| Number of outstanding shares, thousands | 74,729                      | 74,729                      | 74,729                       |
| EPRA NAV, SEKm                          | 4,814                       | 4,418                       | 4,704                        |
| EPRA NAV per share, SEK                 | 64.4                        | 59.1                        | 63.0                         |
| EPRA NNNAV per share, SEK               | 60.7                        | 54.4                        | 58.9                         |
| EPRA EPS, SEK                           | 1.47                        | 1.26                        | 4.29                         |
| Number of properties at end of period   | 313                         | 354                         | 351                          |
| Leasable area at end of period, sq.m    | 1,352,362                   | 1,421,199                   | 1,462,538                    |
| Market value of properties, SEKm        | 13,001                      | 12,295                      | 13,381                       |
| Rental value, SEKm                      | 371                         | 367                         | 1,466                        |
| Economic occupancy rate, %              | 89.0                        | 88.6                        | 88.3                         |
| Yield, %                                | 1.4                         | 1.4                         | 5.8                          |
| Surplus ratio, %                        | 56.7                        | 53.6                        | 59.9                         |

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 NNNAV (triple net asset value) are part of this. In calculating EPRA NNNAV, an estimated actual deferred tax rate has been calculated at about 4 per cent based on a discount rate of 3 per cent. The calculation is based on the assumption that the property portfolio will be realised over a period of 50 years, with 10 per cent of the portfolio being sold directly subject to a nominal tax rate of 22 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of 6 per cent. The use of tax loss carry-forwards is taken into account for the first two years.

## TARGETS

| OPERATIONAL TARGETS         | Target 2016 | Outcome Q1 2016 |
|-----------------------------|-------------|-----------------|
| Economic occupancy rate, %  | > 90        | 89.0            |
| Surplus ratio, %            | > 60        | 56.7            |
| Energy use, %               | -3.0        | -2.1            |
| Employee satisfaction index | 75          | -               |
| Customer satisfaction index | 63          | -               |

### FINANCIAL AND RISK LIMITATION TARGETS

|                                |   |                   |
|--------------------------------|---|-------------------|
| Return on equity, %            | Risk-free rate + 6 %                        | 14.7 <sup>1</sup> |
| Dividend                       | -50%<br>of profit for the year <sup>2</sup> | -                 |
| Loan-to-value ratio, %         | < 65  | 61.4              |
| Equity ratio, %                | Short-term > 25<br>Long-term > 30           | 29.0              |
| Interest coverage ratio, times | > 1.8                                       | 3.1               |

<sup>1</sup> Return on equity has been annualised.

<sup>2</sup> Profit after tax, excluding unrealised changes in value and deferred tax.



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

|  | 2016<br>3 months<br>Jan-Mar | 2015<br>3 months<br>Jan-Mar | 2015<br>12 months<br>Jan-Dec |
|--|-----------------------------|-----------------------------|------------------------------|
| <b>INCOME STATEMENT</b>                  |                             |                             |                              |
| Net sales                                | 34                          | 30                          | 127                          |
| <b>Gross profit</b>                      | <b>34</b>                   | <b>30</b>                   | <b>127</b>                   |
| Central administration                   | -45                         | -41                         | -180                         |
| <b>Operating profit</b>                  | <b>-11</b>                  | <b>-11</b>                  | <b>-53</b>                   |
| Income from interests in Group companies | 300                         | -                           | -                            |
| Financial income                         | 64                          | 43                          | 232                          |
| Financial costs                          | -50                         | -38                         | -190                         |
| <b>Profit after financial items</b>      | <b>303</b>                  | <b>-6</b>                   | <b>-11</b>                   |
| Current tax                              | -                           | -                           | -                            |
| <b>Profit after tax</b>                  | <b>303</b>                  | <b>-6</b>                   | <b>-11</b>                   |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b> |                             |                             |                              |
| Profit after tax                         | 303                         | -6                          | -11                          |
| <b>Comprehensive income for the year</b> | <b>303</b>                  | <b>-6</b>                   | <b>-11</b>                   |

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

|   | 2016<br>31 Mar | 2015<br>31 Mar | 2015<br>31 Dec |
|---|----------------|----------------|----------------|
| <b>ASSETS</b>   |                |                |                |
| Projects in progress                                  | 1              | 1              | -              |
| Intangible assets                                     | 3              | 4              | 3              |
| Machinery and equipment                               | 2              | 2              | 2              |
| Interests in Group companies                          | 171            | 171            | 171            |
| Non-current receivables from Group companies          | 8,136          | 7,413          | 7,674          |
| <b>Total non-current assets</b>                       | <b>8,313</b>   | <b>7,591</b>   | <b>7,850</b>   |
| Current receivables from Group companies              | 555            | 193            | 767            |
| Other current receivables                             | 25             | 17             | 10             |
| Cash and cash equivalents                             | 4              | 123            | -              |
| <b>Total current assets</b>                           | <b>584</b>     | <b>333</b>     | <b>777</b>     |
| <b>TOTAL ASSETS</b>                                   | <b>8,897</b>   | <b>7,924</b>   | <b>8,627</b>   |
| <b>EQUITY AND LIABILITIES</b>                         |                |                |                |
| <b>Equity</b>   | <b>1,332</b>   | <b>1,247</b>   | <b>1,029</b>   |
| <b>Non-current liabilities to credit institutions</b> | <b>2,478</b>   | <b>2,656</b>   | <b>2,701</b>   |
| <b>Non-current liabilities to Group companies</b>     | <b>3,848</b>   | <b>2,974</b>   | <b>3,331</b>   |
| Current liabilities to credit institutions            | -              | 7              | 7              |
| Current liabilities to Group companies                | 1,181          | 992            | 1,439          |
| Overdraft facilities                                  | -              | -              | 85             |
| Trade payables  | 3              | 2              | 2              |
| Other current liabilities                             | 55             | 46             | 33             |
| <b>Total current liabilities</b>                      | <b>1,239</b>   | <b>1,047</b>   | <b>1,566</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                   | <b>8,897</b>   | <b>7,924</b>   | <b>8,627</b>   |

## »»» FINANCIAL CALENDAR

Q2 Interim report January-June 2016

8 July 2016

Q3 Interim report January-September 2016

21 October 2016

## »»» 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 divided by 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.

### EPRA NNAV/CURRENT NET ASSET VALUE PER SHARE

Equity at the end of the period adjusted for actual deferred tax instead of nominal deferred tax and minority share of equity, divided by the number of shares outstanding at the end of the period.

### PROPERTY MANAGEMENT INCOME

Revenue less property costs, costs for central administration and net financial items.

### 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, divided by 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 costs, divided by financial costs during the period.

### DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity at the end of 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.



**Diös**

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