

*Diös*

# Q2

INTERIM REPORT **JANUARY – JUNE 2016**



## HIGHLIGHTS

# JANUARY – JUNE 2016

- Rental income for the period was SEK 661 million (647)
- Property management income was SEK 259 million (254)
- Unrealised changes in value on properties were SEK 50 million (100)
- The profit after tax was SEK 337 million (303)
- Earnings per share were SEK 4.43 (4.11)

	2016 6 mths Jan-Jun	2015 6 mths Jan-Jun	2015 12 mths Jan-Dec
<b>NET PROFIT FOR THE PERIOD, SEKm</b>			
Rental income*	661	647	1,295
Other revenue	8	10	20
Operating and central costs	-302	-297	-597
Net financial items	-108	-106	-210
<b>Property management income*</b>	<b>259</b>	<b>254</b>	<b>508</b>
Changes in value of properties and derivatives	87	125	337
Current tax	31	-12	-163
Deferred tax	-40	-64	-140
<b>Profit after tax</b>	<b>337</b>	<b>303</b>	<b>542</b>
Surplus ratio, %*	60.4	58.8	59.9
Occupancy rate, %*	89.4	88.4	88.3
Equity ratio, %*	28.5	27.3	27.4
Loan-to-value ratio, properties, %*	60.6	61.2	60.7
Equity per share, SEK*	51.1	46.3	49.4
EPRA NAV per share, SEK*	64.2	59.5	63.0

\*For definitions of key ratios, see pages 22-24.

### FOR FURTHER INFORMATION, PLEASE CONTACT

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KNUT ROST, CEO

# GROWTH AND DEVELOPMENT

*Diös' property management income for the period improved to the highest level yet. The occupancy rate and surplus ratio also strengthened.*

The second quarter was marked by a number of good acquisitions, several major lets and an organisational change aimed at stepping up the pace of our business development activities. We are working actively on all fronts: property management, property development and transactions, which together create value and contribute to our positive development. There is still potential for improvement in the area of tenant relations, where we are working to increase the "repurchase rate" and thus further increase the occupancy rate.

In property development we see big opportunities, partly due to the potential of using our existing building rights for around 83,000 square metres. New builds have become more profitable due to rising property prices. This also gives us the opportunity to add value for the cities in which we operate. We are now hopefully close to a decision on a development of 70 new apartments in Tjädern, a centrally located property in Luleå that will change the skyline of the city and contribute to its development. We have a further ten or so interesting projects in strategic locations where we are currently working on detailed development plans and on obtaining building permits.

At the end of June we acquired Luleå Office Building, a new build in Luleå. The property is a landmark that fits well into our strategy of contributing to sustainable urban development. The acquisition includes development rights for around 3,500 square metres that will give us further opportunities in new construction.

Our vision is to be the most active and sought-after landlord in our market, which means that we continually need to adapt our company and our operations to changing circumstances. To be able to take advantage of opportunities and the tremendous potential that exists in our market, we have implemented an organisational change at man-



agement level with the aim of becoming even more efficient in transactions and property development as well as in property management.

During the period we replaced a part of our bank funding with bond loans through Nya Svensk FastighetsFinansiering AB. We issued SEK 441 million in bonds on attractive terms. Having access to multiple sources of funding enables us to spread our refinancing risk.

Stock markets were generally volatile during the period, which saw sharp fluctuations in prices prompted by growth concerns and uncertainty about the UK's future membership of the EU. Bond markets were also hit, pushing market interest rates lower in Sweden. Uncertainty in equity and bond markets can affect access to capital, but we have not yet noticed any difference in terms of the willingness to lend, either among banks or in capital markets.

My view is that the outlook remains good against a backdrop of rising employment and growth in our priority localities. The cities in which we operate offer great opportunities for development, and I believe prospects there are better than in the big cities, where property prices have reached extremely high levels and where the shortage of residential could create obstacles to growth. With an organisation that is being equipped to take advantage of new opportunities and a positive trend in profitability, we continue to focus on growth and on adding value for our shareholders, our employees and society at large.

Knut Rost, CEO



> Stefan Jönsson, Caretaker, Östersund.



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

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 259 million (254).

The operating surplus\* was SEK 399 million (380), representing a surplus ratio of 60.4 per cent (58.8). The improved surplus ratio is primarily due to increased rental income and reduced property costs. For comparable holdings, the operating surplus increased by 3.3 per cent compared with the previous year.

- Rental income for the reporting period was SEK 661 million (647), representing an economic occupancy rate of 89.4 per cent (88.4). For comparable holdings, rental income increased by 3.0 per cent compared with the previous year.
- Other property management income totalled SEK 7.6 million (10) and consisted mainly of re-billing to tenants regarding work carried out in leased premises.
- Total property costs were SEK 270 million (277). The reduction in costs is chiefly attributable to lower tariff-based costs and reduced repair costs. Of total property costs, SEK 3.4 million (3.2) refers to work in leased premises that is re-billed to tenants.

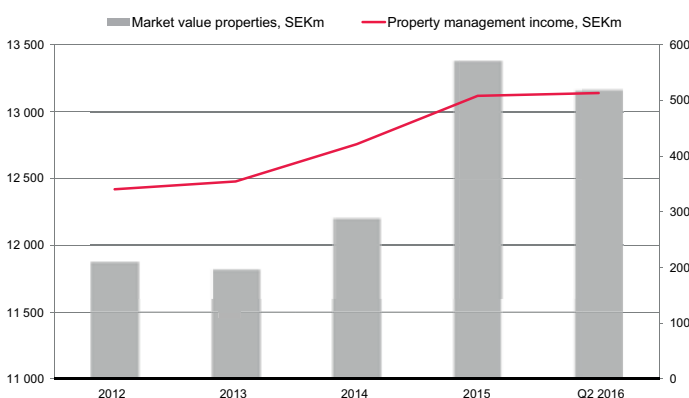
### CHANGES IN VALUE OF PROPERTIES AND DERIVATIVES

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 0.12 percentage points for the period. The average valuation yield at the end of the period was 6.55 per cent. Coupled with a number of individual adjustments at property level, this has resulted in a positive change in value of SEK 50 million (100), or 0.4 per cent (0.8). On 30 June, the market value was SEK 13,160 million (12,498). During the period 42 (1 property and 1 partial sale) properties were sold with a realised change in value of SEK -10 million (3.8) before tax. In the same period four 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 47 million (21), which have been 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. The accrued negative market values from derivatives will thus have an ongoing positive revaluation effect until maturity.

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



<sup>1</sup>The figures for property management income, operating surplus and surplus ratio in Q2 2016 are on a rolling 12-month basis.

### NET FINANCIAL ITEMS

Net financial items for the period totalled SEK -108 million (-106). The interest expense for the period, including expenses for interest-rate derivatives and loan commitments, represents borrowings at an average annual interest rate of 2.6 per cent (2.7). The average annual interest rate on interest-bearing liabilities based on the applicable terms and market interest rates at 30 June was 1.1 per cent (1.1).

### PROFIT BEFORE TAX

Profit before tax was SEK 346 million (379). This change in profit is mainly attributable to unrealised changes in the value of properties and interest rate derivatives.

### PROFIT AFTER TAX

Profit after tax was SEK 337 million (303). Current tax is SEK 31 million (-12). The partial reversal of previous tax provisions has had a positive impact on the figure. In the third quarter of 2015 the company made a provision of SEK 137 million for tax and interest attributable to a previously communicated tax case. All rulings of the Administrative Court of Appeal relating to the case have now been delivered and, as the time limit for any consequential amendments has now expired, the need to maintain provisions no longer exists. The final cost for the tax case after a reversal of SEK 37 million was SEK 100 million. The calculation of deferred tax has given rise to a deferred tax item of SEK -40 million (-64).

### SECOND QUARTER OF 2016

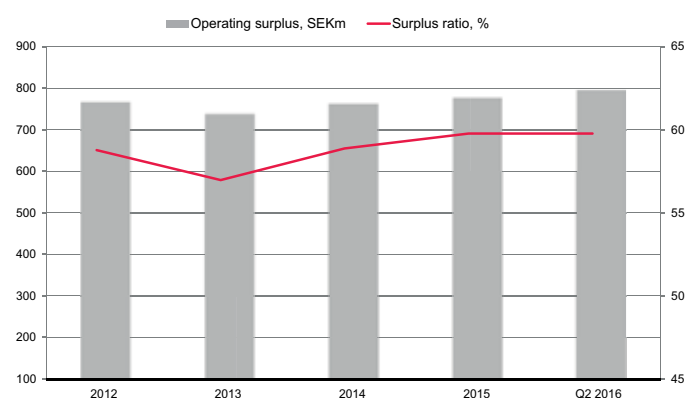
Property management income for the second quarter, i.e. income excluding changes in value and tax, was SEK 140 million (153). The change is primarily attributable to the reversal of provisions made in 2015 in relation to staff costs incurred in connection with the acquisition of Norrvidden. The operating surplus was SEK 212 million (207), representing a surplus ratio of 64.0 per cent (63.9).

- Rental income for the second quarter was SEK 330 million (323), representing an economic occupancy rate of 89.8 per cent (88.3).
- Total property costs were SEK 122 million (123).

Net financial items for the second quarter were SEK -56 million (-48). The profit before tax was SEK 207 million (282), with changes in the value of properties having a positive impact of SEK 39 million (102) and changes in the value of interest rate derivatives adding SEK 28 million (27). Earnings after tax were SEK 194 million (228), of which SEK -48 million (-45) refers to deferred tax and SEK 35 million (-9) to current tax. In the second quarter one property (1) was sold, resulting in a net realised change in value of SEK -1.2 million (1.2).

\*For definitions of key ratios, see pages 22–24.

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





## »»» PROPERTY PORTFOLIO AT 30 JUNE 2016

Diös owns 313 properties in 10 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,351,198 square metres and the economic occupancy rate, based on concluded leases at 30 June, 89.8 per cent. Diös invested SEK 220 million in the construction, extension and conversion of premises 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 13,160 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Dalarna	Gävleborg	Väster-norrland	Jämtland	Väster-botten	Norr-botten	Diös Group
Rental income	133	97	101	143	106	81	661
Other revenue	1	1	3	1	0	1	8
Repair and maintenance	-8	-5	-5	-6	-8	-5	-37
Tariff-based costs	-19	-13	-15	-25	-16	-8	-95
Property tax	-6	-5	-6	-7	-5	-4	-32
Other property costs	-14	-10	-14	-16	-10	-9	-73
Property management	-5	-4	-5	-8	-5	-5	-33
<b>Operating surplus</b>	<b>81</b>	<b>61</b>	<b>58</b>	<b>83</b>	<b>63</b>	<b>52</b>	<b>399</b>
<b>Undistributed items</b>							
Central administration	-	-	-	-	-	-	-32
Net financial items	-	-	-	-	-	-	-108
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259</b>
<b>Changes in value</b>							
Property, realised	-	-	-3	-3	-4	-	-10
Property, unrealised	-19	11	-21	29	20	30	50
Interest rate derivatives	-	-	-	-	-	-	47
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>346</b>
<b>Current tax</b>							
Current tax	-	-	-	-	-	-	31
Deferred tax	-	-	-	-	-	-	-40
Non-controlling interests	-	-	-	-	-	-	-6
<b>Profit for period attributable to shareholders of the parent</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>331</b>
<b>Leasable area, sq.m</b>							
Leasable area, sq.m	266,682	250,733	185,404	302,185	226,119	120,075	1,351,198
<b>Investments in new builds, conversions and extensions, SEKm</b>							
Investments in new builds, conversions and extensions, SEKm	35	12	34	49	56	35	220
<b>Carrying amount of investment properties, SEKm</b>							
Carrying amount of investment properties, SEKm	2,574	1,906	1,961	2,870	2,126	1,724	13,160
<b>Rental value, SEKm*</b>							
Rental value, SEKm*	147	110	119	161	117	87	739
<b>Economic occupancy rate, %</b>							
Economic occupancy rate, %	90.3	88.3	85.2	89.1	91.1	93.5	89.4
<b>Surplus ratio, %</b>							
Surplus ratio, %	61.3	63.4	57.9	57.7	59.1	64.7	60.4

\*For definitions of key ratios, see pages 22–24.

## PROPERTY PORTFOLIO AT 30 JUNE 2015

Diös owns 353 properties in 15 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,420,228 square metres and the economic occupancy rate, based on concluded leases at 30 June, 89.1 per cent. Diös invested SEK 215 million in the construction, extension and conversion of premises 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 12,498 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Dalarna	Gävleborg	Väster-norrland	Jämtland	Väster-botten	Norr-botten	Diös Group
Rental income	131	96	124	149	73	75	647
Other revenue	1	2	5	0	0	2	10
Repair and maintenance	-9	-5	-9	-9	-5	-4	-41
Tariff-based costs	-19	-13	-20	-26	-11	-7	-96
Property tax	-6	-5	-6	-7	-4	-4	-32
Other property costs	-15	-11	-18	-17	-8	-9	-78
Property management	-5	-4	-7	-6	-3	-5	-31
<b>Operating surplus</b>	<b>78</b>	<b>60</b>	<b>69</b>	<b>84</b>	<b>42</b>	<b>48</b>	<b>380</b>
<b>Undistributed items</b>							
Central administration	-	-	-	-	-	-	-20 <sup>1</sup>
Net financial items	-	-	-	-	-	-	-106
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254</b>
<b>Changes in value</b>							
Property, realised	-	2	-	1	-	-	4
Property, unrealised	17	26	-5	-8	23	46	100
Interest rate derivatives	-	-	-	-	-	-	21
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>379</b>
Current tax	-	-	-	-	-	-	-12
Deferred tax	-	-	-	-	-	-	-64
Non-controlling interests	-	-	-	-	-	-	4
<b>Profit for period attributable to shareholders of the parent</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307</b>
Leasable area, sq.m	266,682	250,733	279,187	326,520	177,031	120,075	1,420,228
Investments in new builds, conversions and extensions, SEKm	40	18	30	60	28	39	215
Carrying amount of investment properties, SEKm	2,555	1,789	2,262	2,927	1,385	1,581	12,498
Rental value, SEKm	146	109	145	168	81	83	732
Economic occupancy rate, %	89.2	88.0	85.7	88.8	89.2	90.8	88.4
Surplus ratio, %	59.8	62.7	55.3	56.1	57.9	63.8	58.8

<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.



## 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 (89) commercial properties and 8 per cent (11) 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, reduce cost, increase occupancy and reduce the impact on the environment. During the period SEK 220 million (215) was invested in 412 projects (474). At the end of the period 19<sup>1</sup> major improvement projects were ongoing, with a remaining investment volume of SEK 77 million and a total investment volume of SEK 268 million. During the period decisions were taken on 92 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' calculations 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 12,173–14,147 million.

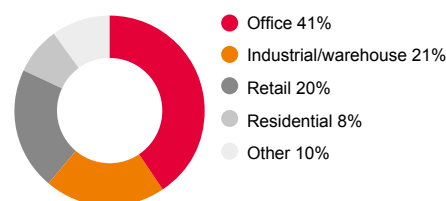
During the quarter, there were no changes in valuation methodology or approach. The valuations are in accordance with IFRS 13 level 3.

### VALUATION ASSUMPTIONS

Value date	30 Jun 2016	30 Jun 2016
Analysis period	5 years	5 years
Yield for assessing residual value <sup>1</sup>	6.1-7.5%	6.3-8.0%
Cost of capital for discounting to present value	8.65%	8.92%
Long-term vacancy	5.2%	5.6%
Inflation	2%	2%

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

## PROPERTY PORTFOLIO SQ.M, 30 JUNE 2016



## FIVE LARGEST PROJECTS IN PROGRESS

Municipality	Property	Type of project	Planned investment, SEKm	Increase in rental value <sup>1</sup> SEKm
Dalarna	Gullvivan 18	School	28.3	2.3
Jämtland	Totten 1:68	Office	26.4	2.1
Jämtland	Kommunalmannen 4	Office	20.0	1.5
Västerbotten	Rind 5	Residential	19.5	0.5
Dalarna	G:a Bergsskolan 15	Retail	17.5	1.6
<b>Total</b>			<b>111.7</b>	<b>8.0</b>

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

## CHANGES IN THE PORTFOLIO

In the second quarter an exchange deal was concluded with NP3, under which Diös acquired a centrally located property in Östersund, Åkeriet 11, and sold an industrial property in Sundsvall, Skönsmon 2:13. On 30 June we announced that Diös had acquired the Luleå Office Building in central Luleå. Occupancy is scheduled for January 2017.

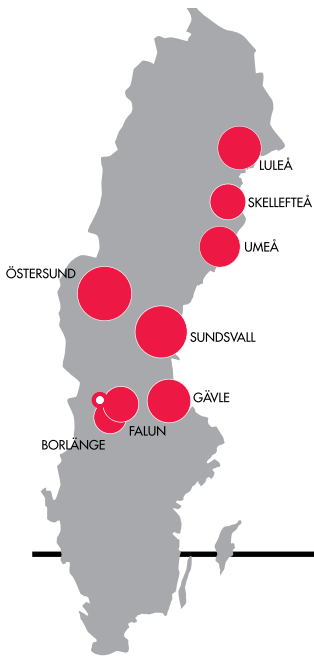
In the first quarter we sold a portfolio of 30 properties in Härnösand and concluded an exchange deal in Östersund and Umeå in which three properties were acquired and 11 sold. Our strategy is to continuously strive to concentrate our property portfolio to priority growth cities.

New builds, conversions and extensions accounted for a significant portion of the change in value of the property portfolio for the period. We improve and develop the property 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 for the period totalled SEK 50 million (100) 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	170	4
New builds, conversions and extensions	223	
Sales	-664	-42
Unrealised changes in value	50	
Property portfolio, 30 June 2016	13,160	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

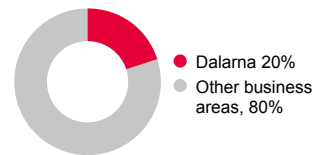
No. of properties	44
Area, '000 sq.m	267
Property value, SEKm	2,574
Operating surplus, SEKm	81
Surplus ratio, %	61

### DALARNA LARGEST TENANTS

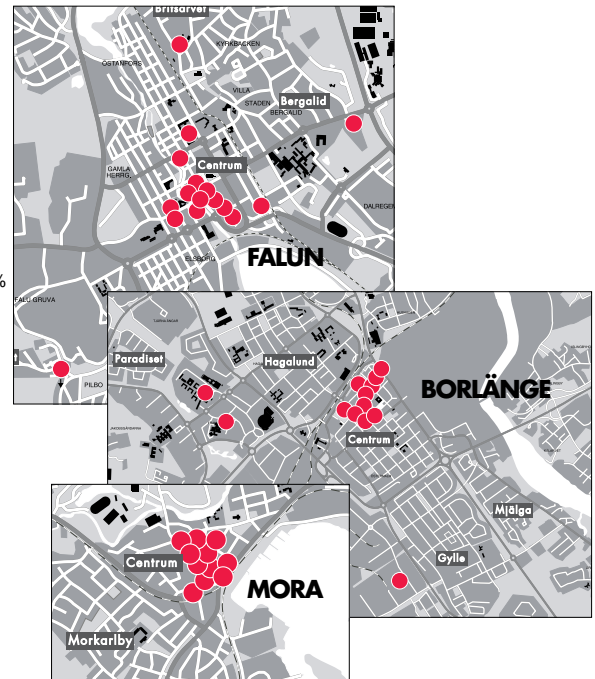
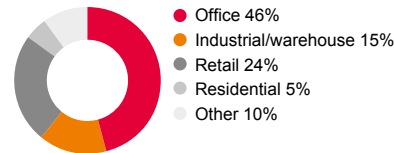
TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	3	39,984	15.1	4.0
Municipality of Falun	8	18,484	7.0	2.0
Swedish Police Authority	8	9,928	3.8	3.1
Internationella Engelska Skolan AB	1	9,107	3.4	19.5
Pysslingen Förskolor och Skolor AB	1	8,335	3.2	8.1
<b>Total, largest tenants</b>	<b>21</b>	<b>85,838</b>	<b>32.5</b>	<b>5.5</b>

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

### SHARE OF TOTAL CONTRACT VALUE



### FLOOR AREA BY TYPE OF PREMISES



# GÄVLEBORG

### PROPERTY HOLDINGS

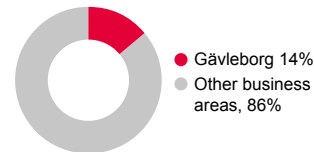
No. of properties	51
Area, '000 sq.m	251
Property value, SEKm	1,906
Operating surplus, SEKm	61
Surplus ratio, %	63

### GÄVLEBORG - LARGEST TENANTS

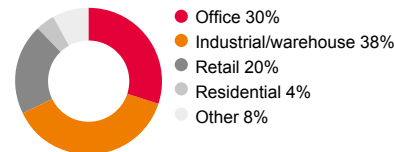
TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Public Employment Service	8	7,421	3.9	1.6
Swedish Transport Administration	3	6,982	3.7	2.3
Internationella Engelska Skolan AB	2	5,657	3.0	7.3
ÅF AB	1	2,993	1.6	4.5
Ahléns	3	2,910	1.5	3.3
<b>Total, largest tenants</b>	<b>17</b>	<b>25,963</b>	<b>13.7</b>	<b>3.5</b>

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

### SHARE OF TOTAL CONTRACT VALUE



### FLOOR AREA BY TYPE OF PREMISES



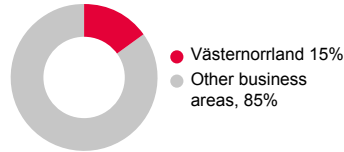


# VÄSTERNORRLAND

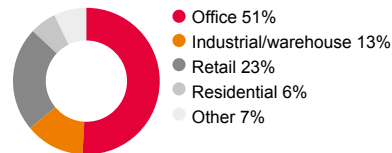
## PROPERTY HOLDINGS

No. of properties	46
Area, '000 sq.m	185
Property value, SEKm	1,961
Operating surplus, SEKm	58
Surplus ratio, %	58

## SHARE OF TOTAL CONTRACT VALUE



## FLOOR AREA BY TYPE OF PREMISES

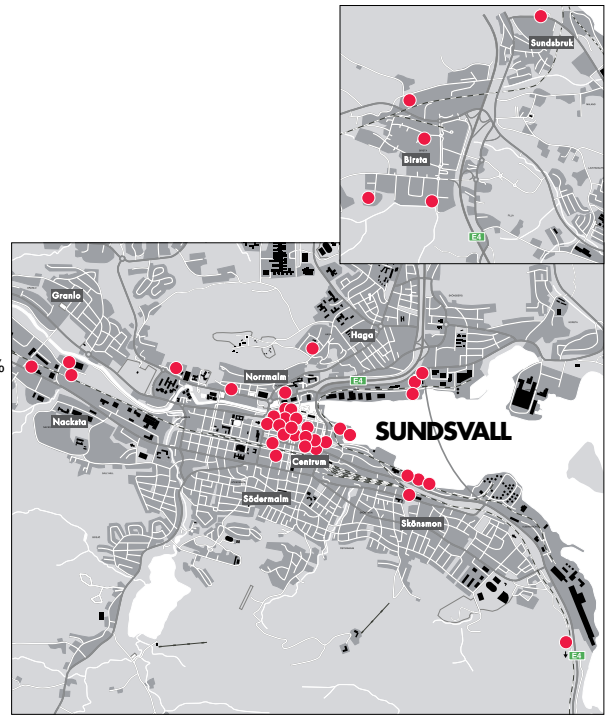


## VÄSTERNORRLAND LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Sundsvall	17	7,972	4.0	1.9
Norridens Kunskapscentrum AB	2	6,900	3.5	9.5
Swedish Migration Board	8	5,752	2.9	4.8
Åhléns	1	4,478	2.3	2.3
Nordea Bank AB	1	4,272	2.2	1.3
<b>Total, largest tenants</b>	<b>29</b>	<b>29,374</b>	<b>14.9</b>	<b>4.2</b>

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

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

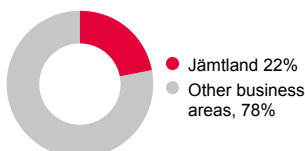


# JÄMTLAND

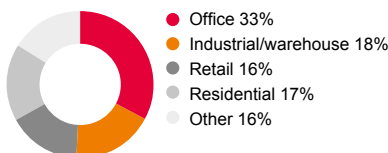
## PROPERTY HOLDINGS

No. of properties	114
Area, '000 sq.m	302
Property value, SEKm	2,870
Operating surplus, SEKm	83
Surplus ratio, %	58

## SHARE OF TOTAL CONTRACT VALUE



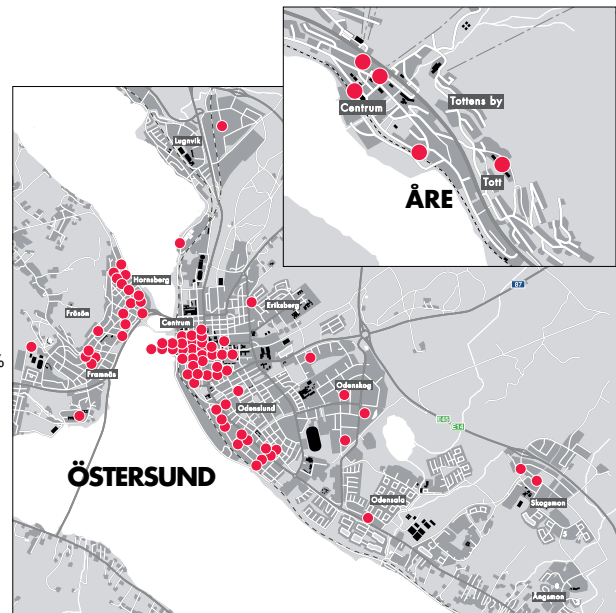
## FLOOR AREA BY TYPE OF PREMISES



## JÄMTLAND - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Östersund	104	33,351	11.6	3.9
Region Jämtland Härjedalen	18	11,045	3.9	2.3
Swedbank AB	5	7,500	2.6	1.1
Swedish Public Employment Service	4	5,869	2.0	2.3
Ica Fastigheter Sverige AB	3	5,294	1.8	0.6
<b>Total, largest tenants</b>	<b>134</b>	<b>63,059</b>	<b>21.9</b>	<b>2.8</b>

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

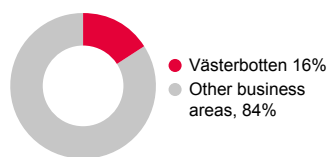


# VÄSTERBOTTEN

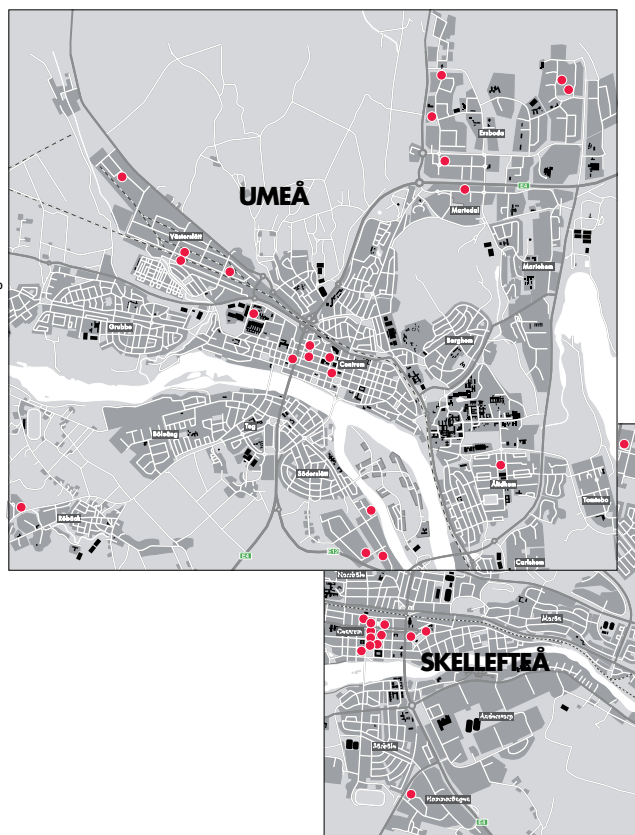
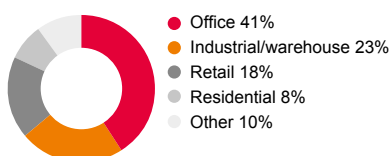
## PROPERTY HOLDINGS

No. of properties	40
Area, '000 sq.m	226
Property value, SEKm	2,126
Operating surplus, SEKm	63
Surplus ratio, %	59

### SHARE OF TOTAL CONTRACT VALUE



### FLOOR AREA BY TYPE OF PREMISES



## VÄSTERBOTTEN - LARGEST TENANTS

TENANT	No. contracts	Annual contract No. value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Skellefteå	21	15,688	7.5	4.1
Tieto Sweden AB	2	9,700	4.6	2.5
Municipality of Umeå	9	8,087	3.9	3.1
Scandic Hotels AB	1	7,865	3.8	14.2
Swedish Social Insurance Agency	8	6,036	2.9	1.8
<b>Total, largest tenants</b>	<b>41</b>	<b>47,376</b>	<b>22.7</b>	<b>5.0</b>

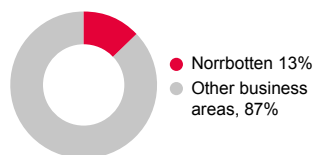
\*In relation to the annual contract value for each business area.

# NORRBOTTEN

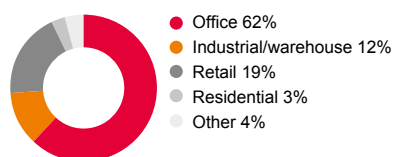
## PROPERTY HOLDINGS

No. of properties	18
Area, '000 sq.m	120
Property value, SEKm	1,724
Operating surplus, SEKm	52
Surplus ratio, %	65

### SHARE OF TOTAL CONTRACT VALUE



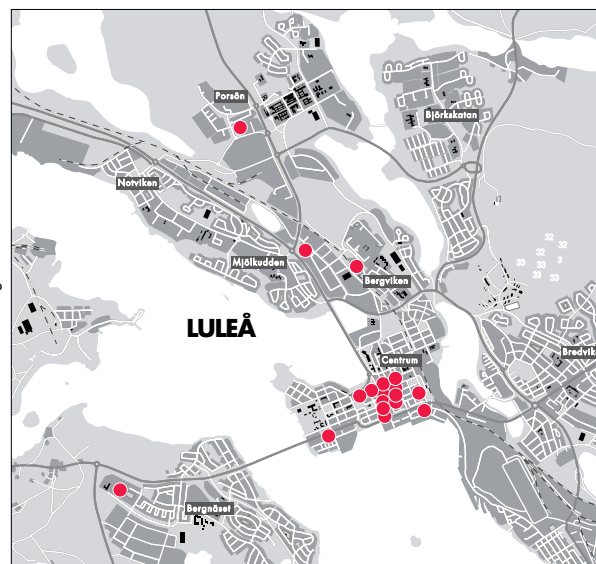
### FLOOR AREA BY TYPE OF PREMISES



## NORRBOTTEN - LARGEST TENANTS

TENANT	No. contracts	Annual contract No. value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Luleå	9	11,284	7.1	1.5
SWECO Sverige AB	2	7,764	4.9	6.7
Swedish Customs IT Department	3	7,302	4.6	0.7
Swedbank AB	3	6,193	3.9	2.7
Folksam Sak	16	5,919	3.7	5.2
<b>Total, largest tenants</b>	<b>33</b>	<b>38,462</b>	<b>24.2</b>	<b>3.1</b>

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



## »» LEASE MATURITIES AT 30 JUNE 2016

	Maturity year	Signed contracts no.	Rented area sq.m	Contracted rental income SEKm	Share, %
Leases for premises	2016	451	96,462	104	8
	2017	777	197,512	223	17
	2018	599	223,857	255	19
	2019	530	220,477	237	18
	2020+	295	291,246	348	27
<b>Total leases for premises</b>		<b>2,652</b>	<b>1,029,554</b>	<b>1,167</b>	<b>89</b>
Residential leases		1,490	104,048	109	8
Other leases		3,237	-	40	3
<b>TOTAL</b>		<b>7,379</b>	<b>1,133,602</b>	<b>1,316</b>	<b>100</b>

### NET LEASING

Net leasing for the second quarter was SEK 2 million (12). The biggest lets during the period were to Östersund Municipality in Frösö 3:7, Östersund, to Orangeriet Boule & Bistro in Vale 17, Umeå and to Guldkusten AB (a nursery school) in Guckuskon 1, Östersund. The average contract term commercial premises at 30 June was 3.3 years (3.2).

### VACANCIES

Vacancies fell during the second quarter and at 30 June the economic vacancy rate\* was 10.3 per cent (11.8) and vacant area was 15.8 per cent (18.5). 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 9.5 per cent (10.4).

## »» LARGEST TENANTS AT 30 JUNE 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	3.7
Municipality of Östersund	104	33,352	2.6	3.9
Swedish Public Employment Service	33	24,181	1.9	1.9
Swedbank AB	10	19,555	1.5	1.6
Municipality of Falun	8	18,484	1.4	2.0
Ahléns	7	15,946	1.2	1.9
Municipality of Skellefteå	21	15,688	1.2	4.1
Internationella Engelska Skolan	3	14,764	1.1	14.8
KappAhl	6	14,737	1.1	3.0
Hennes & Mauritz	8	13,903	1.1	0.6
<b>Total, largest tenants</b>	<b>213</b>	<b>218,658</b>	<b>16.8</b>	<b>3.6</b>

## »» ENERGY USE AND CARBON DIOXIDE EMISSIONS

	Unit	2016 6 mths Jan-Jun	2015 6 mths Jan-Jun
Heating <sup>1</sup>	kWh/sq.m	45.5	46.5
District cooling <sup>2</sup>	kWh/sq.m	0.8	0.8
Electricity <sup>3</sup>	kWh/sq.m	25.9	25.9
Carbon dioxide, total <sup>4</sup>	g CO2/kWh	47.9	47.7
Water	m3/sq.m	0.2	0.2

<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.

Total consumption of heating and electricity was down by 1.2 per cent on the same period in the previous year thanks to energy-saving measures and favourable weather conditions. 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, our total carbon dioxide emissions decreased markedly in 2015.

\*For definitions of key ratios, see pages 22–24.



> Malin Runberg, Letting Agent, Östersund.



## »»» FINANCIAL POSITION AS AT 30 JUNE 2016

### EQUITY AND LONG-TERM NET ASSET VALUE

Equity was SEK 3,818 million (3,445) and equity per share SEK 51.3 (46.3). Long-term net asset value, expressed as EPRA NAV\* was SEK 4,795 million (4,448). EPRA NAV is a key ratio measuring the long-term fair value of a company's net assets. At the end of the second quarter the equity ratio was 28.5 per cent (27.3), 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 60.6 per cent (61.2), edging closer to the long-term target of, at most, 60 per cent. The interest coverage ratio was 3.3 times (3.4).

### CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents were SEK 0 million (0) at the end of the period and drawn overdraft facilities were SEK 159 million (186).

## »»» INTEREST EXPENSE JANUARY–JUNE 2016

	Amount, SEKm	Cost, SEKm	Weighted average interest rate, %
Interest-bearing liability	8,044	42	1.0%
Undrawn credit facilities <sup>1</sup>	745	2	0.0%
Cost of financial instruments	4,200	59	1.5%
		<b>103</b>	<b>2.6%</b>

<sup>1</sup> The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.04 percentage points.

Average interest-bearing liabilities for the period were SEK 8,044 million (7,661). The actual interest expense, including expenses related to undrawn credit and overdraft facilities and the performance of financial instruments, amounted to SEK 103 million (104), which represents an average annual interest rate of 2.6 per cent (2.7). During the period,

unrealised changes in value arising on derivatives held totalled SEK 47 million (21), which are fully recognised in the income statement. In the second quarter a SEK 441 million floating rate bond was issued through Nya SFF. The bond has a quoted margin of 0.95 per cent and matures in May 2018. At 30 June 2016 the bond had an effective rate of 0.49 per cent.

## »»» INTEREST RATES AND LOAN MATURITY AT 30 JUNE 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	4,579	1.1	2,232	2,232
2018	1,320	1.0	3,642	3,642
2019	567	1.2	2,035	1,444
2021	-	-	1,080	650
<b>Drawn credit facilities</b>	<b>7,968</b>	<b>1.0</b>	<b>8,989</b>	<b>7,968</b>
Undrawn credit facilities <sup>2</sup>	1,021	0.1		
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 30 June 2016.

<sup>2</sup> The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.06 percentage points.

## »»» SENSITIVITY ANALYSIS AT 30 JUNE 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	2.3	1.1 <sup>1</sup>	7,968	0.9	+75	
Derivative portfolio	0.6		1.5	-87	-1.0	-42	+27
<b>Loan portfolio, incl. derivatives</b>	<b>0.6</b>	<b>2.3</b>	<b>2.6</b>		<b>0.4</b>	<b>+32</b>	<b>+27</b>

<sup>1</sup> The cost for undrawn credit facilities has been included.

The Group's interest-bearing liabilities were SEK 7,968 million (7,650). The average fixed-rate term was 0.3 years (0.3) and average maturity was 2.3 years (1.8). If the effect of the derivatives portfolio is included, the average fixed-rate term was 0.6 years (1.2) and the average fixed credit margin term for the loan agreements was 1.2 years (1.7). Of the Group's total interest-bearing liabilities, SEK 4,200 million (4,200) is hedged through derivatives. The average remaining term is 0.6 years (1.6). The average annual interest rate, including costs related to derivatives, amounted to 2.6 per cent (2.5), including loan commitments. At 30 June 2016, the market value of the derivative portfolio was SEK -87 million (-177). With a derivatives portfolio of SEK 4,200 million and fixed-rate bonds of SEK 500 million, 59.0 per cent (61.4)

of the Group's total outstanding loans are covered by interest rate hedges.

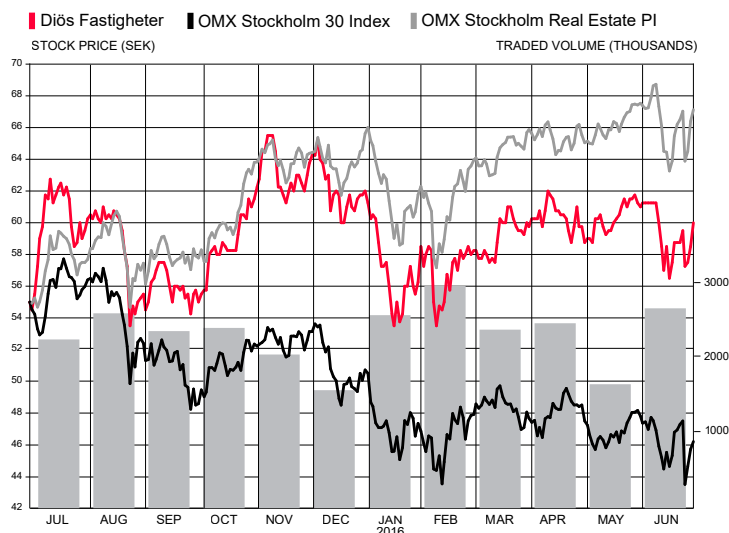
Financial instruments limit the impact of a change in interest rates on our average borrowing costs. The value of derivatives is always zero at maturity.

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.

\*For definitions of key ratios, see pages 22–24.

## SHARE PRICE PERFORMANCE



### SHARE PERFORMANCE

The share price at the end of the period was SEK 60.0 per share (53.3), which equates to a market capitalisation of SEK 4,484 million (3,979) and a return of 9.1 per cent (-9.0) 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 14.3 per cent (-4.2). The diagram shows share prices for the past 12 months for both Diös and the indexes. The return for OMX Stockholm 30 was -16.0 per cent (12.0) and for OMX Stockholm Real Estate PI 22.1 per cent (12.4).

Diös Fastigheter AB had 11,621 shareholders (9,004) on 31 May. The share of foreign-owned shares was 17.8 per cent (17.1) while the total number of shares during the period remained unchanged at 74,729,134 (74,729,134).

## NET ASSET VALUE

30 Jun 2016	SEKm	Per share
Number of shares, thousands		74,729
Equity	3,818	
Equity held by minority	-42	
<i>Reversal</i>		
Fair value of financial instruments	87	
Deferred tax on temporary differences	932	
<b>EPRA NAV</b>	<b>4,795</b>	<b>64.2</b>
<i>Less</i>		
Fair value of financial instruments	-87	
Estimated actual deferred tax on temporary differences, 4%	-169	
<b>EPRA NNAV*</b>	<b>4,539</b>	<b>60.7</b>

## EARNINGS PER SHARE AS PER EPRA EPS

30 Jun 2016	SEKm	Per share
Number of shares, thousands		74,729
Property management income	259	
Tax attributable to property management income	-22	
Minority's share of earnings	-6	
<b>EPRA EPS*</b>	<b>231</b>	<b>3.09</b>

## LARGEST SHAREHOLDERS

OF DIÖS FASTIGHETER AB AT 31 MAY 2016

SHAREHOLDER	Capital and votes,	
	No. of shares	%
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	4,717,557	6.3
Pensionskassan SHB Försäkringsförening	4,498,239	6.0
Försäkringsaktiebolaget, Avanza Pension	2,471,241	3.3
SEB Investment Management	2,398,803	3.2
Fourth AP Fund	1,683,095	2.3
Ssb Client Omnibus Ac Om07 (15 pct)	1,537,418	2.1
Handelsbankens Fonder	1,477,470	2.0
<b>Total, largest shareholders</b>	<b>45,632,490</b>	<b>61.1</b>
Other shareholders	29,096,644	38.9
<b>TOTAL</b>	<b>74,729,134</b>	<b>100.0</b>

The largest single shareholder was AB Persson Invest with a 15.4 per cent (15.4) shareholding. The ten largest shareholders accounted for 61.1 per cent (63.2) of the shares and votes. The 2016 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 6.0 per cent (6.4). The annualised return for the period was 17.6 per cent (18.0).

Equity at the end of the second quarter was SEK 3,818 million (3,455) and the long-term net asset value, EPRA NAV, was SEK 4,795 million (4,448). On a per share basis, EPRA NAV was SEK 64.2 (59.5), which means that the share price at 30 June 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 (55.1) per share. Read more about EPRA on pages 22-24.

### EARNINGS

Earnings per share for the period were SEK 4.43 (4.11) while long-term earnings per share, expressed as EPRA EPS, were SEK 3.09 (2.90). Designed to show a company's long-term earnings capacity per share, 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.

\*For definitions of key ratios, see pages 22-24.



## »»» EMPLOYEES AND ORGANISATION

The number of employees on 30 June 2016 was 152 (149), of whom 61 were women (57). 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, 104 (107) of them, work in the business areas, 46 (53) 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 73 million (65) and post-tax profit was SEK 303 million (8). 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 0 million (0) at 30 June 2016 and drawn overdraft facilities were SEK 182 million (61). External interest-bearing liabilities, excluding overdraft facilities, amounted to SEK 2,037 million (2,662). The average annual interest rate based on the situation at 30 June 2016 was 0.8 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 912 million (799) at 30 June 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 4,235 million (3,800) at 30 June 2016. At a tax rate of 22.0 per cent, the deferred tax liability on temporary differences was SEK 932 million (836).

Diös' tax losses carried forward on 30 June 2016 are estimated at SEK 177 million (282). At a tax rate of 22.0 per cent, deferred tax asset relating to tax losses carried forward was SEK 39 million (62), which in Diös' financial statements has been offset against deferred tax liability. Other deferred tax liabilities were SEK 20 million (25) at 30 June 2016.

The change since 31 December 2015 is attributable to a decrease in deferred tax assets of SEK 19 million and an increase in deferred tax on temporary differences of SEK 20 million. Other changes are attributable to a SEK 1 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 Fastigheter' 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 5 July the Swedish Riksbank decided to leave the repo rate unchanged at -0.50 per cent and to postpone future rate increases. The forecast is that the repo rate will stay at this level until 2018, when a gradual hiking cycle is introduced. The government bond purchases programme will continue under the second half of 2016, as decided in April. There is still a high level of preparedness to make monetary policy more expansionary if this is needed to safeguard the inflation target.

According to the June 2016 edition of Swedish Economy, a publication of the National Institute of Economic Research (NIER), the Swedish economy is continuing to improve during 2016 and 2017. Expansionary financial and monetary policy will stimulate the domestic demand and unemployment will decrease to 6.3 per cent 2017.

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

There have been no significant events since the reporting date.

## »»» FINANCIAL CALENDAR

Q3 Interim report January-September 2016

21 October 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, 08 July 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*



*Nis*



## »»» CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEKM

	2016 3 months Apr-Jun	2015 3 months Apr-Jun	2016 6 months Jan-Jun	2015 6 months Jan-Jun	2015 12 months Jan-Dec
<b>INCOME STATEMENT</b>					
Rental income	330	323	661	647	1,295
Other property management income	4	7	8	10	20
Property costs	-122	-123	-270	-277	-539
<b>Operating surplus</b>	<b>212</b>	<b>207</b>	<b>399</b>	<b>380</b>	<b>776</b>
Central administration	-16	-6 <sup>1</sup>	-32	-20 <sup>1</sup>	-58 <sup>1</sup>
Net financial items	-56	-48	-108	-106	-210
<b>Property management income</b>	<b>140</b>	<b>153</b>	<b>259</b>	<b>254</b>	<b>508</b>
Change in value of properties	39	102	40	104	273
Change in value of interest rate derivatives	28	27	47	21	64
<b>Profit before tax</b>	<b>207</b>	<b>282</b>	<b>346</b>	<b>379</b>	<b>845</b>
Current tax	35 <sup>2</sup>	-9	31 <sup>2</sup>	-12	-163 <sup>2</sup>
Deferred tax	-48	-45	-40	-64	-140
<b>Profit after tax</b>	<b>194</b>	<b>228</b>	<b>337</b>	<b>303</b>	<b>542</b>
Profit attributable to shareholders of the parent	190	232	331	307	530
Profit attributable to non-controlling interests	4	-4	6	-4	12
<b>Total</b>	<b>194</b>	<b>228</b>	<b>337</b>	<b>303</b>	<b>542</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Profit after tax	194	228	337	303	542
Comprehensive income for the period	194	228	337	303	542
Comprehensive income attributable to shareholders of the parent	190	232	331	307	530
Comprehensive income attributable to non-controlling interests	4	-4	6	-4	12
<b>Total</b>	<b>194</b>	<b>228</b>	<b>337</b>	<b>303</b>	<b>542</b>
Earnings per share after tax, SEK	2.54	3.11	4.43	4.11	7.09
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 for January-December 2015 includes a provision of SEK 137 million relating to a tax case. In the second quarter of 2016 SEK 37 million of the provision was reversed, see page 5.



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

ASSETS	2016 30 Jun	2015 30 Jun	2015 31 Dec
<b>Non-current assets</b>			
Investment properties	13,160	12,498	13,381
Other property, plant and equipment	4	6	4
Intangible assets	3	4	3
Financial assets	43	9	13
<b>Total non-current assets</b>	<b>13,210</b>	<b>12,517</b>	<b>13,401</b>
<b>Current assets</b>			
Current receivables	183	137	104
Cash and cash equivalents	-	-	-
<b>Total current assets</b>	<b>183</b>	<b>137</b>	<b>104</b>
<b>TOTAL ASSETS</b>	<b>13,393</b>	<b>12,654</b>	<b>13,505</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	3,818	3,455	3,694
Deferred tax liability	912	799	875
Non-current liabilities	7,979	7,652	8,121
Overdraft facilities	159	186	227
Current liabilities	525	562	588
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>13,393</b>	<b>12,654</b>	<b>13,505</b>
Contingent liabilities	-	136	-

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

	Equity	Attributable to shareholders of the parent	Attributable to minority interests
Equity at 31 Dec 2014	3,365	3,341	24
<i>Profit for the period after tax</i>	303	307	-4
<b>Comprehensive income for the period</b>	<b>303</b>	<b>307</b>	<b>-4</b>
<i>Cash dividend</i>	-213	-213	-
Equity at 30 Jun 2015	3,455	3,435	20
<i>Profit for the period after tax</i>	239	223	16
<b>Comprehensive income for the period</b>	<b>239</b>	<b>223</b>	<b>16</b>
Equity at 31 Dec 2015	3,694	3,658	36
<i>Profit for the period after tax</i>	337	331	6
<b>Comprehensive income for the period</b>	<b>337</b>	<b>331</b>	<b>6</b>
<i>Cash dividend</i>	-213	-213	-
Equity at 30/06/2016	3,818	3,776	42



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

	2016 3 months Apr-Jun	2015 3 months Apr-Jun	2016 6 months Jan-Jun	2015 6 months Jan-Jun	2015 12 months Jan-Dec
<b>OPERATING ACTIVITIES</b>					
Property management income <sup>1</sup>	140	153	259	254	508
Adjustments for non-cash items	10	9	-16	-13	7
Tax paid	-2	-9	-6	-12	-126
<b>Operating cash flows before change in working capital</b>	<b>148</b>	<b>153</b>	<b>237</b>	<b>229</b>	<b>389</b>
<b>Changes in working capital</b>					
Decrease (+)/increase (-) in receivables	-8	-25	-79	-94	-61
Decrease (-)/increase (+) in current liabilities	-12	-14	-6	5	19
<b>Total change in working capital</b>	<b>-20</b>	<b>-39</b>	<b>-85</b>	<b>-89</b>	<b>-42</b>
<b>Operating cash flow</b>	<b>128</b>	<b>114</b>	<b>152</b>	<b>140</b>	<b>347</b>
<b>INVESTING ACTIVITIES</b>					
Investment in financial assets	-	-2	-30	-2	-6
Proceeds from sale of property, plant and equipment	20	4	637	22	177
Purchases of property, plant and equipment	-113	-108	-336	-191	-1,059
<b>Investing cash flow</b>	<b>-93</b>	<b>-106</b>	<b>271</b>	<b>-171</b>	<b>-888</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	-213	-213	-213	-213	-213
Change in non-current liabilities	-8	-13	-142	-21	448
Change in overdraft facility	159	67	-68	186	227
<b>Financing cash flow</b>	<b>-62</b>	<b>-159</b>	<b>-423</b>	<b>-48</b>	<b>462</b>
<b>Cash flow for the period</b>	<b>-27</b>	<b>-151</b>	<b>0</b>	<b>-79</b>	<b>-79</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>27</b>	<b>151</b>	<b>0</b>	<b>79</b>	<b>79</b>
<b>Cash and cash equivalents at end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<sup>1</sup> Items included in property management income					
Interest received	0	1	0	1	2
Interest paid	-43	-38	-118	-118	-199



## DEFINITIONS AND KEY RATIOS

KEY RATIOS	2016 3 months Apr-Jun	2015 3 months Apr-Jun	2016 6 months Jan-Jun	2015 6 months Jan-Jun	2015 12 months Jan-Dec	Page reference
<b>Earnings per share, SEK</b> Profit for the period after tax, attributable to shareholders, divided by the average number of shares.	2.54	3.11	4.43	4.11	7.09	19

### ALTERNATIVE KEY RATIOS

The company presents certain financial measures in the interim report that have not been defined in accordance with IFRS. The company considers that these measures provide valuable additional information for investors and the company's management, as they enable the evaluation of relevant

trends/the company's performance. As not all companies calculate financial measures in the same way, these are not always comparable with the measures used by other companies. These financial measures should therefore not be viewed as substitutes for IFRS-defined measures. The following table presents non-IFRS measures unless otherwise stated.

ALTERNATIVE KEY RATIOS	2016 3 months Apr-Jun	2015 3 months Apr-Jun	2016 6 months Jan-Jun	2015 6 months Jan-Jun	2015 12 months Jan-Dec	Page reference
<b>Return on equity, %</b> Profit for the period in relation to average equity. Average equity is calculated as the sum of the opening and closing balance of equity divided by two.	4.97	6.75	8.81	9.01	15.0	19, 20
<b>Loan-to-value ratio, properties, %</b> Interest-bearing and other liabilities relating to properties divided by the book value of the properties at the end of the period.	60.6	61.2	60.6	61.2	60.7	20
<b>Operating surplus, SEKm</b> Earnings after tax less current and deferred tax, changes in value of interest rate derivatives, properties, net financial items, central administration.	212	207	399	380	776	19
<b>Yield, %</b> Operating surplus for the period divided by the properties' market value at the end of the period.	1.61	1.65	3.03	3.04	5.79	19, 20
<b>Equity per share, SEK</b> Equity at the end of the period divided by the number of shares outstanding at the end of the period.	51.1	46.3	51.1	46.3	49.4	20
<b>EPRA EPS, SEK</b> 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.	1.62	1.64	3.09	2.90	5.77	15
<b>EPRA NAV, SEKm</b> Equity at the end of the period after reversal of interest rate derivatives, deferred tax attributable to temporary differences in properties and minority's share of equity. Temporary difference, properties refers to the tax base less the carrying amount.	4,795	4,448	4,795	4,448	4,704	14



<b>ALTERNATIVE KEY RATIOS, CONTINUED</b>	<b>2016 3 months Apr-Jun</b>	<b>2015 3 months Apr-Jun</b>	<b>2016 6 months Jan-Jun</b>	<b>2015 6 months Jan-Jun</b>	<b>2015 12 months Jan-Dec</b>	<b>Page reference</b>
<b>EPRA NAV/Long-term net asset value per share, SEK</b> Equity at the end of the period after reversal of interest rate derivatives, deferred tax attributable to temporary differences in properties and minority's share of equity, divided by the number of shares outstanding at the end of the period. Temporary difference, properties refers to the tax base less the carrying amount.	64.2	59.5	64.2	59.5	63.0	15
<b>EPRA NNAV/Current net asset value per share, SEK</b> Equity at the end of the period adjusted for actual deferred tax instead of nominal deferred tax and minority's share of equity, divided by the number of shares outstanding at the end of the period.	60.7	55.1	60.7	55.1	58.9	15
<b>Property management income, SEKm</b> Revenue less property costs, costs for central administration and net financial items.	140	153	259	254	508	19
<b>Rental income, SEKm</b> Rents invoiced for the period less rent losses and rent discounts.	330	323	661	647	1,295	19
<b>Cash flow per share, SEK</b> Profit before tax, adjusted for unrealised changes in value, plus depreciation less current tax, divided by the average number of shares.	2.33	1.93	3.76	3.25	4.80	5, 19
<b>Interest coverage ratio, times</b> Profit after financial items, excluding unrealised changes in value, plus finance expense, in relation to financial costs during the period.	3.5	4.1	3.3	3.4	3.5	5, 19
<b>Debt/equity ratio, times</b> Interest-bearing liabilities divided by equity at the end of the period.	2.1	2.2	2.1	2.2	2.2	20
<b>Equity ratio, %</b> Equity divided by total assets at the end of the period.	28.5	27.3	28.5	27.3	27.4	20
<b>Surplus ratio, %</b> Operating surplus for the period divided by rental income for the period.	64.0	63.9	60.4	58.8	59.9	19
The key ratios for the segments have been calculated on the same bases of calculation as the key ratios for the Group as a whole.						6, 7



OPERATIONAL KEY RATIOS	2016 3 months Apr-Jun	2015 3 months Apr-Jun	2016 6 months Jan-Jun	2015 6 months Jan-Jun	2015 12 months Jan-Dec	Page reference
<b>Number of shares at end of period, thousands</b> Actual number of outstanding shares at the end of the period.	74,729	74,729	74,729	74,729	74,729	15, 19
<b>Average number of shares, thousands</b> Number of shares outstanding at the beginning of the period, adjusted by the number of shares issued or repurchased 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.	74,729	74,729	74,729	74,729	74,729	15, 19
<b>Economic occupancy rate, %</b> Rental income for the period divided by the rental value at the end of the period.	89.8	88.3	89.4	88.4	88.3	5, 6, 7
<b>Economic vacancy rate, %</b> Estimated market rent for unoccupied premises divided by the total rental value. Estimated market rent is based on comparable leased premises.	10.3	11.8	9.50	10.4	9.70	12
<b>Rental value, SEKm</b> Rent for the period plus estimated market rent for vacant floor space. Estimated market rent is based on comparable leased premises.	368	365	739	732	1,466	12
<b>Net leasing, SEKm</b> Net annual rent, excluding discounts and supplements, for newly signed, terminated and renegotiated contracts. No account is taken of the length of contracts.	7	11	9	14	48	12
Number of properties at end of period	313	353	313	353	351	6
Leasable area at end of period, sq.m	1,351,198	1,420,228	1,351,198	1,420,228	1,462,538	6
Market value of properties, SEKm	13,160	12,498	13,160	12,498	13,381	5, 8, 20

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), EPRA NAV (long-term net asset value) and EPRA NNNAV (current 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.

The European Securities and Markets Authority (ESMA) is an independent authority appointed by the European Parliament. ESMA has issued guidelines for "alternative key ratios", which are not regulated by applicable laws. The first time an alternative key ratio is mentioned in the text a footnote is provided. See definitions and key ratios above. See also [www.esma.europa.eu](http://www.esma.europa.eu) for more information.

## »» TARGETS

OPERATIONAL TARGETS	Target 2016	Outcome 2016 6 months Jan-Jun
Economic occupancy rate, %	> 90	89.4
Surplus ratio, %	> 60	60.4
Energy use, %	-3.0	-1.2
Employee satisfaction index	75	-
Customer satisfaction index	63	-

### FINANCIAL AND RISK LIMITATION TARGETS

Return on equity, %	Risk-free rate + 6 %	17.6 <sup>1</sup>
Loan-to-value ratio, %	< 65	60.6
Equity ratio, %	Short-term > 25 Long-term > 30	28.5
Interest coverage ratio, times	> 1.8	3.3

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





> The tenant Klättermusen in Åre. Gonz Ferrero, CEO of Klättermusen, and Ulrika Ritzén Kristensson, Property Manager, Diös.



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

	2016 6 months Jan-Jun	2015 6 months Jan-Jun	2015 12 months Jan-Dec
<b>INCOME STATEMENT</b>			
Net sales	73	65	127
<b>Gross profit</b>	<b>73</b>	<b>65</b>	<b>127</b>
Central administration	-97	-85	-180
<b>Operating profit</b>	<b>-24</b>	<b>-20</b>	<b>-53</b>
Income from interests in Group companies	300	-	-
Financial income	127	123	232
Financial costs	-100	-95	-190
<b>Profit after financial items</b>	<b>303</b>	<b>8</b>	<b>-11</b>
Current tax	-	-	-
<b>Profit after tax</b>	<b>303</b>	<b>8</b>	<b>-11</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Profit after tax	303	8	-11
<b>Comprehensive income for the year</b>	<b>303</b>	<b>8</b>	<b>-11</b>

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

	2016 30 June	2015 30 June	2015 31 Dec
<b>ASSETS</b>			
Projects in progress	1	-	-
Intangible assets	3	4	3
Machinery and equipment	2	2	2
Interests in Group companies	270	171	171
Non-current receivables from Group companies	7,297	7,802	7,674
<b>Total non-current assets</b>	<b>7,573</b>	<b>7,979</b>	<b>7,850</b>
Current receivables from Group companies	1,293	123	767
Other current receivables	8	11	10
Cash and cash equivalents	-	-	-
<b>Total current assets</b>	<b>1,301</b>	<b>134</b>	<b>777</b>
<b>TOTAL ASSETS</b>	<b>8,874</b>	<b>8,113</b>	<b>8,627</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,119</b>	<b>1,048</b>	<b>1,029</b>
Non-current liabilities to credit institutions	2,044	2,655	2,701
Non-current liabilities to Group companies	3,537	2,955	3,331
<b>Total non-current liabilities</b>	<b>5 581</b>	<b>5 610</b>	<b>6 032</b>
Current liabilities to credit institutions	-	7	7
Current liabilities to Group companies	1,960	1,355	1,439
Overdraft facilities	182	61	85
Trade payables	1	1	2
Other current liabilities	31	31	33
<b>Total current liabilities</b>	<b>2,174</b>	<b>1,455</b>	<b>1,566</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,874</b>	<b>8,113</b>	<b>8,627</b>



**Diös**

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