

*Diös*

# Q3

INTERIM REPORT **JANUARY – SEPTEMBER 2018**





# HIGHLIGHTS OF THE PERIOD

## JANUARY–SEPTEMBER 2018

- **RENTAL INCOME** INCREASED BY 5 PER CENT TO SEK 1,330 MILLION (1,263)
- **OUR PROPERTY MANAGEMENT INCOME** INCREASED BY 7 PER CENT TO SEK 669 MILLION (625)
- **UNREALISED CHANGES IN VALUE** OF PROPERTIES WERE SEK 327 MILLION (335) AND UNREALISED CHANGES IN VALUE OF DERIVATIVES WERE SEK 16 MILLION (21)
- **THE PROFIT AFTER TAX** WAS SEK 890 MILLION (773).
- **EARNINGS PER SHARE** WERE SEK 6.59 (5.87)\*



**3.5%**

RENTAL GROWTH,  
COMPARABLE PROPERTIES



**5.7**

INTEREST COVERAGE  
RATIO



**54.6%**

LOAN-TO-VALUE  
RATIO

NET PROFIT FOR THE PERIOD, SEKm	2018 9 mths Jan-Sep	2,017 9 mths Jan-Sep	2,017 12 mths Jan-Dec
Rental income	1,330	1,263	1,700
Operating surplus	857	814	1,080
Property management income	669	625	822
Profit before tax	1,021	993	1,261
Profit after tax	890	773	1,029
Surplus ratio, %	64	64	64
Occupancy rate, %	91	91	91
Equity/assets ratio, %	36.1	33.9	34.9
Property loan-to-value ratio, %	54.6	57.8	57.1
Equity per share, SEK	54.9	49.3	51.2
EPRA NAV per share, SEK	64.0	57.8	59.7

For definitions of key performance indicators, see 27.

\* Per share performance measures for 2017 have been affected by the rights issue.

### ➤ SIGNIFICANT EVENTS Q3

- Diös closes a transaction in Gävle. Diös acquires 5 centrally located public-sector properties and sells 13 industrial and building supplies properties. The deal was completed on 3 September.
- Diös sells a commercial property in central Malung. The sale was completed on 30 August.
- Diös buys a central office property and sells an industrial property in Gävle. The deals were completed on 25 September.



KNUT ROST, CEO

# URBAN DEVELOPMENT CREATES VALUE

*Our property management income grew by 7 per cent and our loan-to-value ratio improved, and now stands at 54.6 per cent. As part of our urban development strategy, we have adopted the ambition to obtain environmental certification for all our properties.*

Our cities continue to grow and the trend in the office market, with central locations and flexibility becoming ever more important, has continued. We are seeing persistent strong demand for both commercial and residential premises, and this is reflected in our growing property management income. Our surplus ratio is 64 per cent, despite higher winter-related costs. These were offset by increased revenue and more efficient management of our properties. We see our property ownership as perpetual, which is why we take great care to ensure that the technical status of our properties is high. Our strategy centres on urban development with the aim of creating attractive properties, places, blocks and districts. People like to congregate and interact in attractive places and make the most of what the city has to offer. That way, we offer our tenants more than just premises.

Activity in our lettings business is high, as shown by net leasing for the period, which came in at SEK 10 million. We have, for example, concluded two leases in Skellefteå at prices of over SEK 2,000/sq.m. Considering that just four years ago rents were around SEK 1,000/sq.m, this shows the pace of growth in the city. Our tenants increasingly prioritise accessibility and local services, which is precisely what we can offer through our centrally located properties.

Our property transactions in Gävle during the period have led to a further concentration of our portfolio. We reduced the share of industrial properties in favour of offices and public-sector properties in locations that will strengthen our presence in the central areas of the city. We have previously made the same shift in Umeå, Östersund and other locations with very good results. A larger portfolio of centrally located properties coupled with our market-leading position puts us in a better position to enhance our properties and locations in line with our strategy for increased growth. Our return on investment is also significantly higher in central locations.

Our average financing rate dropped further during the period, to just 1.3 per cent. The change was mainly due to the expiry of derivatives in August. Our loan-to-value ratio declined, to 54.6 per cent



at 30 September. We have already refinanced our loans maturing in November and have done so at lower interest rates and with longer maturities, which will have a positive impact on our average loan maturity. We continue to enjoy good access to capital from banks as well as the capital market. Good relations with all our stakeholders is very important for us, which is why we place a strong emphasis on a high level of transparency and accessibility. In 2018, we reported in accordance with EPRA's recommendations as well as to GRESB, where we have achieved the Green Star level.

We have also adopted the ambition to have all our properties environmentally certified. This will require a lot of time and resources, and we are currently working on establishing a realistic timetable. Our ambition creates clarity and is part of our drive to be a sustainable company and promote sustainable urban development. We have also started work on installing our second solar cell facility, this time in the Åre Station Building. The 900 sq.m facility is expected to produce 135 MWh. It is one of several solar cell investments that we intend to make over the coming years.

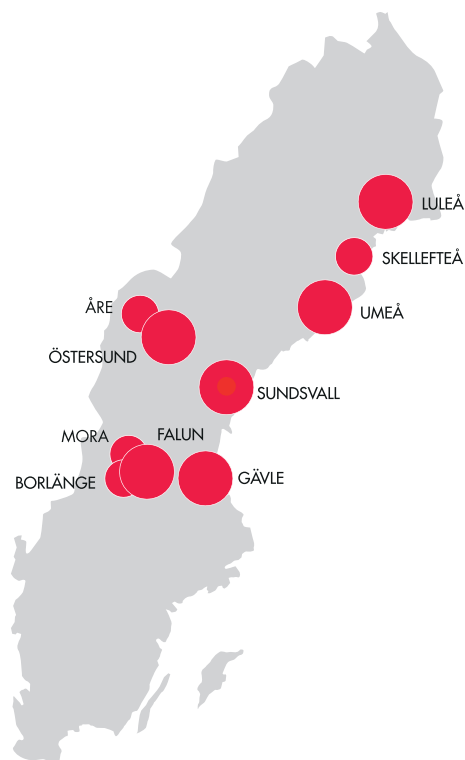
We continue to deliver. Our key ratios have improved, we are upgrading our properties and our new production projects are starting to take shape. There is a big development potential in our cities for those who are able to create attractive places where people want to be. Developing our existing spaces and creating new spaces where the infrastructure is already in place is a sustainable long-term approach. As the market-leading player in all our cities, we are in a strong position to drive this development. Our position is unique, and I am very optimistic about all the opportunities we have to continue to create value for our shareholders and tenants and our cities.

  
Knut Rost, VD

# WELCOME TO DIÖS

*Diös aims to be the market-leading property company in northern Sweden. We own, manage and develop centrally located properties in ten growth cities.*

**OUR STRATEGY IS URBAN DEVELOPMENT.** By developing our properties with attractive meeting places, shops, offices and homes, we enable our tenants, our cities and ourselves to grow. Deals and relationships are the key to continued success. We will meet the needs of tenants through local presence, a high degree of competency and long-term sustainable development.



**328**

NO. OF  
PROPERTIES



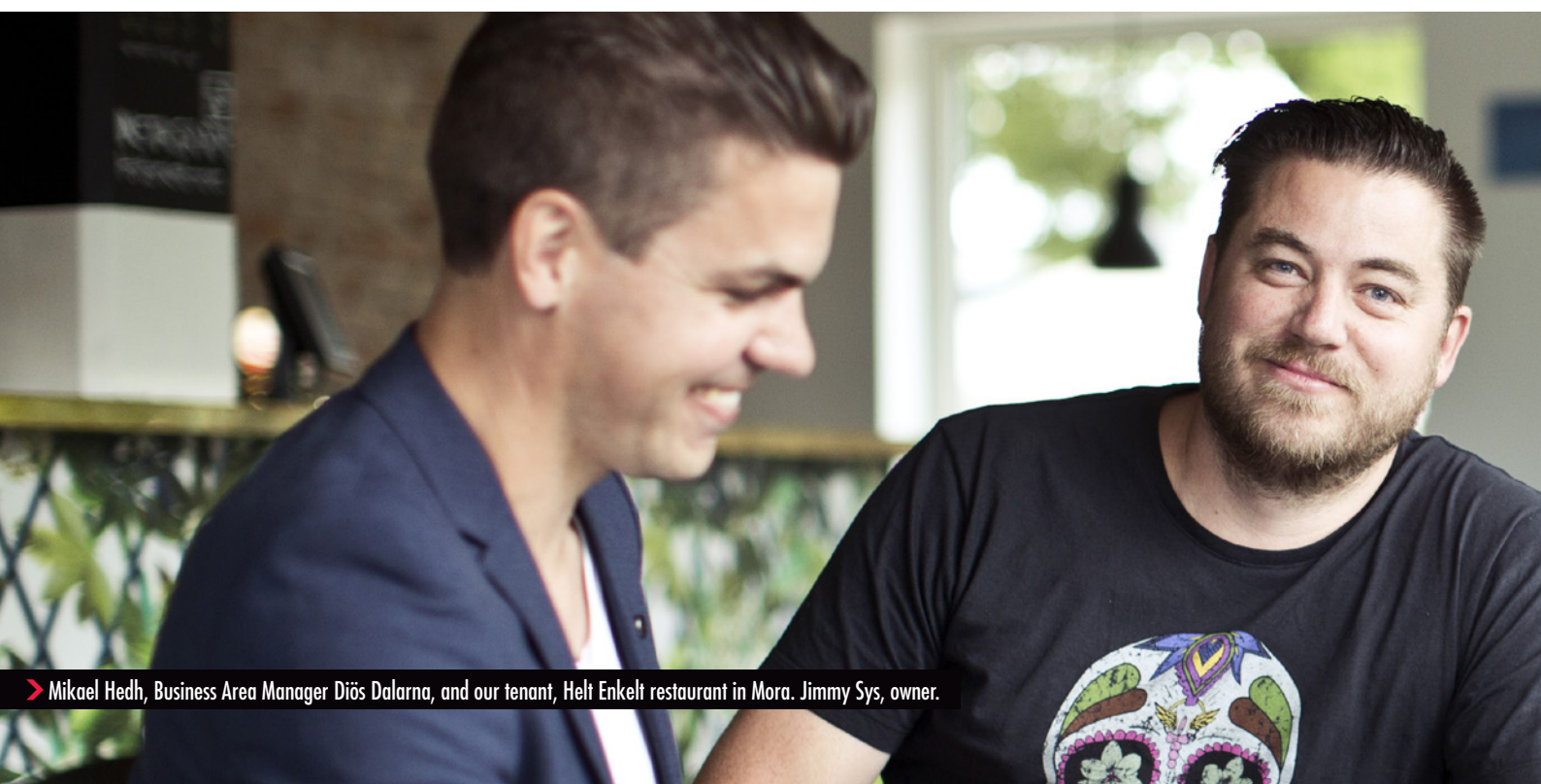
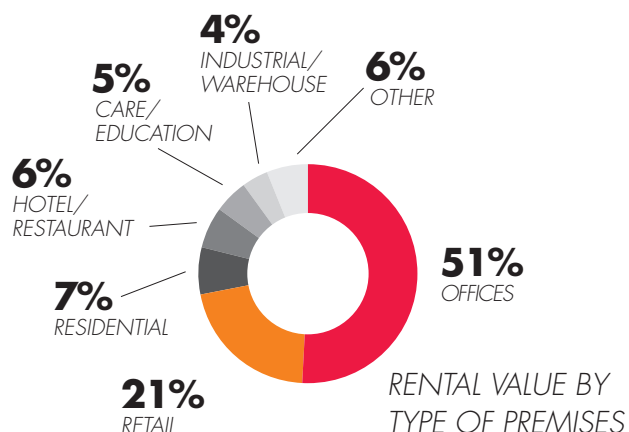
**20.2**

PROPERTY VALUE,  
SEK BN



**1,464**

LEASABLE AREA,  
'000 SQ.M



> Mikael Hedh, Business Area Manager Diös Dalarna, and our tenant, Helt Enkelt restaurant in Mora. Jimmy Sys, owner.



# RELATIONSHIPS AND DEALS

*Without good relationships, it is impossible create long-term, profitable business deals.*

Our employees know that long-term business is all about uncomplicated meetings, availability and decisiveness. We have in-depth knowledge of local areas and are courageous. It means that we can and do make a difference. Our business area managers lead the local teams with the goal of creating sustainable urban development.

Swedes have changed their behaviour in terms of how they shop, experience, work and socialise. E-trade developments, new logistics opportunities and types of office environments, and the need for attractive venues in city centres are creating new conditions and opportunities for us to develop our priority cities. The company's strong cash flow makes it possible to invest in and develop attractive venues at city centres, where the flow and activity level of people is high. We're convinced that the challenge lies in making city centres more attractive, by changing the offering and perhaps above all, creating more inspiring environments.

Long-term relationships are built on trust. We strive to have a reputation of honesty, expertise and professionalism in everything we do. We run our business on a foundation of high business ethics and zero tolerance to corruption. Our code of conduct is based on the ten principles of the UN Global Compact.

**WELCOME TO OUR CITIES!**



## VISION

*To be the most active and sought-after landlord in our market.*



## BUSINESS CONCEPT

*To own and develop commercial and residential properties in priority growth cities from local offices. We create long-term values with a focus on the tenant by operating in a responsible and sustainable manner.*



## PROMISE AND CORE VALUES

*Our promise is that everything is possible. We strive to be perceived as simple, close and active. Simple by being open and honest. Close by having a local presence, being available and taking an interest. Active by developing, growing and taking advantage of opportunities.*



# INCOME STATEMENT

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

	2018 3 mths Jul-Sep	2017 3 mths Jul-Sep	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
<b>INCOME STATEMENT</b>					
Rental income	443	431	1,330	1,263	1,700
Other property management income	24	5	33	13	19
Property costs	-155	-149	-506	-462	-639
<b>Operating surplus</b>	<b>312</b>	<b>287</b>	<b>857</b>	<b>814</b>	<b>1,080</b>
Central administration	-17	-16	-52	-52	-73
Net financial items	-47	-49	-136	-137	-185
<b>Property management income</b>	<b>248</b>	<b>222</b>	<b>669</b>	<b>625</b>	<b>822</b>
Change in value, properties	112	43	336	347	412
Change in value, interest rate derivatives	4	7	16	21	27
<b>Profit before tax</b>	<b>364</b>	<b>272</b>	<b>1,021</b>	<b>993</b>	<b>1,261</b>
Current tax	-38	-10	-77	-27	-43
Deferred tax	-23	-70	-54	-193	-189
<b>Profit after tax</b>	<b>303</b>	<b>192</b>	<b>890</b>	<b>773</b>	<b>1,029</b>
Profit attributable to shareholders of the parent company	303	192	887	770	1,027
Profit attributable to non-controlling interests	0	0	3	3	2
<b>Total</b>	<b>303</b>	<b>192</b>	<b>890</b>	<b>773</b>	<b>1,029</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Profit after tax	303	192	890	773	1,029
Comprehensive income for the period	303	192	890	773	1,029
Comprehensive income attributable to shareholders of the parent company	303	192	887	770	1,027
Comprehensive income attributable to non-controlling interests	0	0	3	3	2
<b>Total</b>	<b>303</b>	<b>192</b>	<b>890</b>	<b>773</b>	<b>1,029</b>
Earnings per share, SEK	2.25	1.43	6.59	5.87	7.78
Number of shares at end of period ('000)	134,512	134,512	134,512	134,512	134,512
Average number of shares ('000)	134,512	134,512	134,512	131,208	132,041
Number of treasury shares at end of period	0	0	0	0	0
Average number of treasury shares	0	0	0	0	0

Historical data for the number of shares has been restated to factor in the effect of bonus issues (i.e. the value of the subscription rights) in issues of new shares, and has been used in all KPI calculations for SEK per share.

The conversion factor is 1.28. There is no dilutive effect, as no potential shares (such as convertibles) exist.

Accounting principles are presented on page 21.

# EARNINGS

## JANUARY–SEPTEMBER 2018

### PROPERTY MANAGEMENT INCOME

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 669 million (625). That is an increase by 7 per cent compared to last year. For comparable properties, our property management income increased by 0,8 per cent year on year.

### RENTAL INCOME AND OTHER INCOME

The rental income for the reporting period was SEK 1,330 million (1,263), representing a 91 per cent (91) economic occupancy rate. For comparable properties, rental income increased by 3.5 per cent year on year. Other property management income totalled SEK 33 million (13) and consisted mainly of costs for work in leased premises that are passed on to tenants. Other property management income for the period includes a non-recurring payment attributable to property acquisitions in previous years.

### RENTAL INCOME GROWTH

	2018 Jan-Sep	2017 Jan-Sep	Change %
Comparable properties	1,247	1,205	3.5
Acquired properties	52	0	
Sold properties	31	58	
<b>Rental income</b>	<b>1,330</b>	<b>1,263</b>	

### PROPERTY COSTS

Total property costs were SEK 506 million (462). Winterrelated costs increased by SEK 25 million compared with the same period last year and are attributable to the cold and snowy winter. Of total property costs, SEK 11 million (6) refers to work in leased premises for which the costs are passed on to tenants.

### OPERATING SURPLUS

The operating surplus was SEK 857 million (814), representing a surplus ratio of 64 per cent (64). For comparable properties, our operating surplus increased by 1.9 per cent compared with the previous year.

### CENTRAL ADMINISTRATION

The central administration expense was SEK 52 million (52). For 2017, this includes a non-recurring item of SEK 4 million, which refers to restructuring costs incurred in connection with acquisitions. Central administration includes costs for Group-wide functions such as senior management, IT, annual reports, auditors' fees, legal advice and so on.

### NET FINANCIAL ITEMS

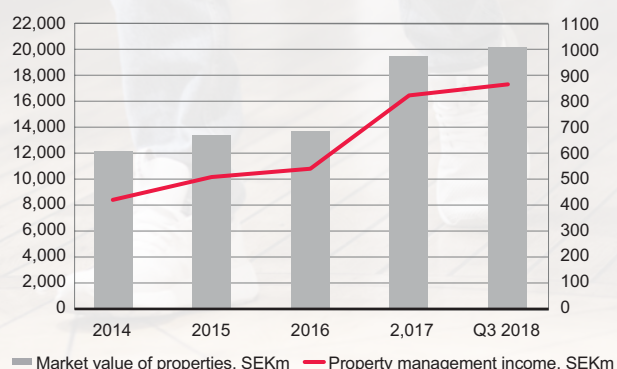
Net financial items for the period were SEK -136 million (-137). The interest costs for the period, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.3 per cent (1.6).

### CHANGES IN VALUE, PROPERTIES

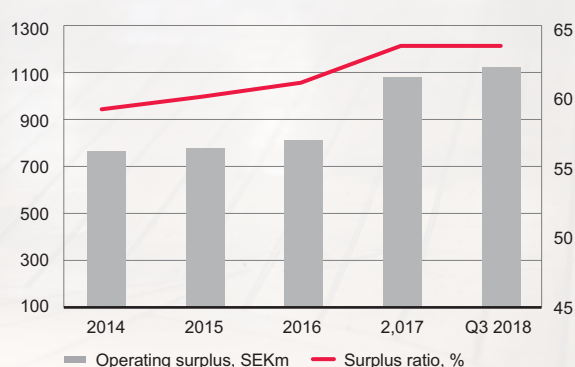
The average valuation yield at the end of the period was 5.97 per cent (6.09). At portfolio level, this represents a decrease of 0.11 percentage points since year-end. The positive value change of SEK 327 million (335) is mainly attributable to a higher net operating income. The change in value represented 1.6 per cent (1.7) of market value. Last year's unrealised value changes were positively impacted by a one-off effect of a discount on deferred tax in connection with property transactions. At 30 September, the market value was SEK 20,178 million (19,260).

During the period, 19 properties (13) were sold, resulting in a realised change in value of SEK 9 million (12). Eight properties (38) were acquired during the period.

### 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 Q3 2018 are on a rolling 12-month basis.

## CHANGES IN VALUE, DERIVATIVES

The portfolio of interest rate derivatives has been measured 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 an accounting nature and does not affect cash flow.

During the period, unrealised changes in value on derivatives totalled SEK 16 million (21), which have been fully recognised in income statement. The change in the market values of derivatives is primarily attributable to the time effect.

## PROFIT BEFORE TAX

The profit before tax was SEK 1 021 million (993). The improvement in earnings was mainly due to increased rental income.

## PROFIT AFTER TAX

The profit after tax was SEK 890 million (773). Current tax totalled SEK -77 million (-27). This is mainly attributable to tax in subsidiaries which do not have the right to offset losses against Group contributions. Deferred tax was SEK -54 million (-193) after a positive effect of SEK 75 million from restatement of deferred tax after the corporate tax rate was changed from 22 per cent to 20.6 per cent.

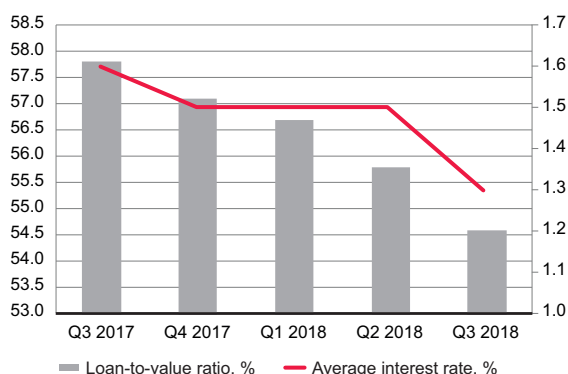
## THIRD QUARTER OF 2018

Property management income for the third quarter, i.e. income excluding changes in value and tax, was SEK 248 million (222). The operating surplus was SEK 312 million (287), representing a surplus ratio of 70 per cent (66).

- Rental income for the third quarter was SEK 443 million (431), representing an economic occupancy rate of 91 per cent (91).
- Total property costs were SEK 155 million (149).

Net financial items for the third quarter were SEK -47 million (-49). The profit before tax was SEK 364 million (272), with changes in the value of properties having a positive impact of SEK 112 million (43) and changes in the value of interest rate derivatives adding SEK 4 million (7). Earnings after tax were SEK 303 million (192), of which deferred tax had an impact on earnings of SEK -23 million (-70). Current tax was SEK -38 million (-10).

## ➤➤➤ AVERAGE INTEREST RATE AND LOAN-TO-VALUE RATIO



## ➤➤➤ TAX

The nominal corporate tax rate in Sweden is 22 per cent. Thanks to the option of using tax depreciation allowances, recognising the full amount of expenses for certain types of conversion projects in the first year and using tax losses, tax paid was low.

The remaining tax losses are estimated at SEK 5 million (0). The Group also has untaxed reserves of SEK 245 million (118). The fair value of the properties exceeds their tax base by SEK 5,755 million (5,313), less deferred tax relating to asset acquisitions. The tax liability has been calculated based on the tax rate applying at the time when the tax consequence is expected to arise.

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. In addition, tax regulations are complex and hard to interpret. The application of the regulations may also change over time. Diös has no ongoing tax disputes.

## TAX CALCULATION FOR THE PERIOD

SEKm	Effective tax
Property management income	669
Other tax adjustments	38
Taxable property management income <sup>1</sup>	708
Sale of properties	-100
Change in value, properties	327
Taxable profit before tax losses	934
<b>Tax for the period</b>	<b>206</b>
Restatement of deferred tax <sup>2</sup>	-75
<b>Tax for the period as per income statement</b>	<b>131</b>

<sup>1</sup> Income tax at 22 per cent if tax losses are not used amounts to SEK 64 million.

<sup>2</sup> The deferred tax liability has been restated as follows: The deferred tax liability on the difference between the tax base and fair value of the properties has been calculated based on the tax rate applying at the time when the deferred tax liability is expected to be settled. No other items have been restated.

## NEW TAX RULES

On 14 June 2018, the Swedish parliament adopted a new law on limitation of interest deductibility for businesses, which becomes effective on 1 January 2019. The new law restricts the right to deduct interest expenses while gradually lowering the income tax rate from 22 per cent currently to 20.6 per cent. As at 30 June 2018, Diös restated its deferred tax liability in accordance with the new tax rates, which had a positive one-off effect of SEK 75 million during the period. In view of Diös' strong cash flow and the prevailing historically low interest rates, the new law will have a minor impact on tax paid, but if interest rates were to rise it would have a negative impact (assuming cash flow remains unchanged).



# OUR TENANTS

## TENANTS

Our tenant base is well diversified geographically and in terms of industry. The number of commercial leases was 2,988 (3,011). The number of residential leases was 1,633 (1,748). The ten largest tenants represent 16.1 per cent (15.8) of Diös' total rental income. At 30 September, 26 per cent of rental income came from tenants engaged in activities on behalf of the central government, county councils or local authorities.

## NET LEASING

Net leasing was SEK 9 million (45) for the period as a whole and SEK 10 million (13) for the third quarter. Notable new lets during the period included those to IES in the Stören 17 property in Luleå, Folksam in Siken 7 in Luleå and the Swedish Social Insurance Agency in Sirius 25 in Skellefteå.

## OUR LARGEST TENANTS

TENANTS AT 30 SEP 2018	No. of contracts	Annual contract value, SEK '000	Average contract term, years
Swedish Transport Administration	32	63,552	1.8
Municipality of Östersund	114	37,897	2.8
Swedish Public Employment Service	38	32,155	2.5
Swedbank AB	11	23,038	4.5
Swedish Migration Board	18	22,838	2.7
Åhléns AB	5	22,799	4.9
Swedish Social Insurance Agency	22	22,621	2.9
Folksam ömsesidig sakförsäkring	44	20,443	4.3
Telia Sverige AB	24	20,219	10.2
Swedish Police Authority	32	19,735	3.2
<b>Total, largest tenants</b>	<b>340</b>	<b>285,297</b>	<b>3.5</b>

## CONTRACT TERM

The average contract term for commercial premises at 30 September is 3.2 years (3.6).

## VACANCIES

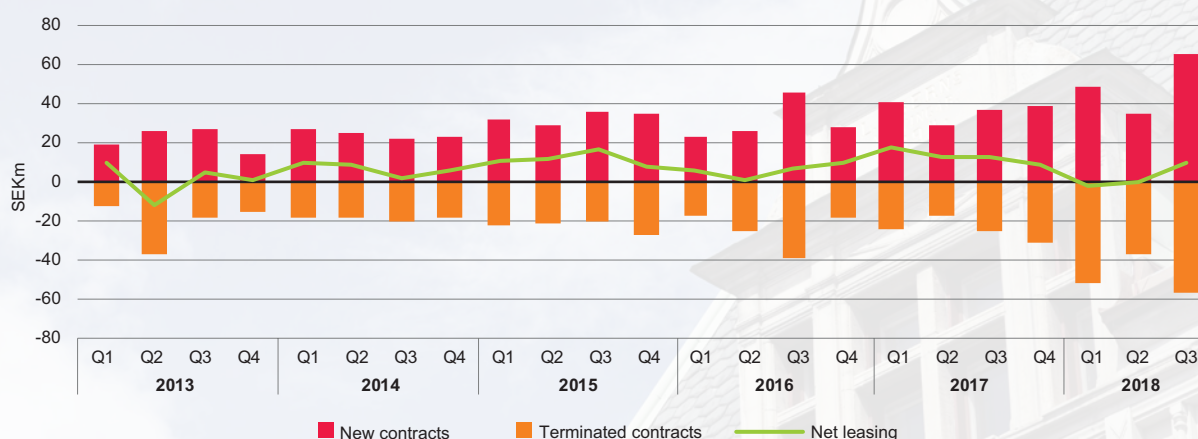
Vacancies remained unchanged during the period, with economic vacancies standing at 8 per cent (9) and physical vacancies at 13 per cent (14) at 30 September. Economic vacancies are highest in office and retail premises while physical vacancies are highest in office and industrial premises. The economic vacancy rate for the period, excluding discounts, was 8 per cent (8).

## LEASES AND MATURITIES

	Number contract	Contract value SEKm	Share of value, %
Commercial, maturity			
2018	266	85	5
2019	844	265	15
2020	758	335	19
2021	641	344	19
2022+	479	552	31
<b>Total</b>	<b>2,988</b>	<b>1,581</b>	<b>89</b>
Residential	1,633	125	7
Other leases <sup>1</sup>	4,085	64	4
<b>TOTAL</b>	<b>8,706</b>	<b>1,770</b>	<b>100</b>

<sup>1</sup> Other leases refer mainly to garage and parking spaces.

## NET LEASING





# BALANCE SHEET AND EQUITY

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

	2018 30 Sep	2017 30 Sep	2017 31 Dec
<b>ASSETS</b>			
Investment properties	20,178	19,260	19,457
Other non-current assets	53	46	46
Current receivables	219	245	173
Cash and cash equivalents	-	19	32
<b>TOTAL ASSETS</b>	<b>20,450</b>	<b>19,570</b>	<b>19,708</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	7,388	6,631	6,887
Deferred tax liability	1,242	1,202	1,197
Provisions	9	9	9
Interest-bearing liabilities	11,026	11,133	11,104
Overdraft facilities	1	-	-
Current liabilities	784	595	511
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>20,450</b>	<b>19,570</b>	<b>19,708</b>

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

	Equity	Attributable to shareholders of the parent	Attributable to minority interests
<b>Equity, 31 Dec 2016</b>	<b>4,313</b>	<b>4,270</b>	<b>43</b>
<i>Profit for the period after tax</i>	773	770	3
<b>Comprehensive income for the period</b>	<b>773</b>	<b>770</b>	<b>3</b>
<i>Issue of new shares</i>	1,853	1,853	-
<i>Issue costs</i>	-51	-51	-
<i>Tax effect of issue costs</i>	11	11	-
<i>Dividend</i>	-269	-269	-
<b>Equity, 30 Sep 2017</b>	<b>6,631</b>	<b>6,584</b>	<b>46</b>
<i>Profit for the period after tax</i>	256	257	-1
<b>Comprehensive income for the period</b>	<b>256</b>	<b>257</b>	<b>-1</b>
<b>Equity, 31 Dec 2017</b>	<b>6,888</b>	<b>6,841</b>	<b>45</b>
<i>Profit for the period after tax</i>	890	887	3
<b>Comprehensive income for the period</b>	<b>890</b>	<b>887</b>	<b>3</b>
<i>Dividend</i>	-390	-390	-
<b>Equity, 30 Sep 2018</b>	<b>7,388</b>	<b>7,339</b>	<b>49</b>





> Residential tenant Eva Bergström at the Hälsan 6 property in Sundsvall with Catrin Engberg, residential letting agent.

# OUR PROPERTIES

## PROPERTY PORTFOLIO

The property portfolio is concentrated to central locations in ten priority cities in northern Sweden. The portfolio is well diversified, consisting mainly of residential, office and retail properties. At the end of the period, the portfolio comprised 93 per cent (93) commercial properties and 7 per cent (7) residential properties based on rental value by type of premises.

## PROPERTY VALUATION

At each closing date, all properties are measured at fair value. The aim is to determine the properties' individual values in a sale executed through a structured transaction between market players. Any portfolio effects are thus not taken into account. Diös' property portfolio is divided into a main portfolio and a subsidiary portfolio. The main portfolio comprises around 75 per cent of the property value, or SEK 14,694 million, and 115 properties. The valuation method requires that an external valuation of the entire main portfolio be made each year. The external valuation is made by valuation consultants Savills, who assess 25 per cent of the main portfolio each quarter, the remaining part is valued internally. All properties in the main portfolio are also physically inspected by Savills within a three-year period. In addition to the regular inspections, physical visits are also made after major changes. Properties in the secondary portfolio are internally valued with the help of Savills. All property valuations are based on a number of assumptions about the future and the market. Savills' calculations thus have an uncertainty range of +/-7.5 per cent. For Diös, this translates into a value range of SEK 18,665-21,691 million. No changes in terms of valuation methodology or approach were made during the period. The valuations were made in accordance with IFRS 13 level 3.

CHANGE IN PROPERTY VALUE	2018		2017	
	SEKm	Number	SEKm	Number
Property portfolio, 1 January	19,457	339	13,683	315
Acquisitions	334	8	4,997	36
Investments in new builds, extensions and conversions	484		388	
Sales	-433	-19	-143	-12
Unrealised changes in value	327		335	
Reclassifications	10		-	
Value of property portfolio, 30 Sep	20,178	328	19,260	339

## CHANGES IN VALUE

Unrealised changes in value for the period totalled SEK 327 million (335) and were due to mainly higher net operating income.

## UNREALISED CHANGES IN VALUE

	30 Sep 2018	
	SEKm	%
Change in net operating income, etc.	202	61
Change in required rate of return	125	39
<b>Total</b>	<b>327</b>	<b>100</b>

## CHANGES IN THE PORTFOLIO

Our strategy is to continuously strive to concentrate our property portfolio to central locations in our priority cities. In the third quarter, Diös completed on the purchase of 6 properties in Gävle and on the sale 15 properties, also in Gävle. During the period, the company also completed on the sale of the Fiskens 5 property in Malung.

## LIST OF PROPERTY TRANSACTIONS JAN-SEP 2018

### Acquired

Property	Quarter	City	Area, sq.m	Price, SEKm
Polaris 39	1	Skellefteå	3,209	
Idun 10	1	Skellefteå	2,157	
Vale 18	2	Umeå	3,272	
Portfolio of 5 properties	3	Gävle	12,230	
Norr 36:2	3	Gävle	1,173	
<b>Total</b>			<b>22,041</b>	<b>334</b>

### Divested

Property	Quarter	City	Area, sq.m	Price, SEKm
Norrkämsta 16:3	1	Ljusdal	15,997	
Norrkämsta 17:2	1	Ljusdal	2,300	
Östernäs 14:4	1	Ljusdal	1,695	
Tälle 23:8	1	Ljusdal	4,015	
Fiskens 5	3	Malung	2,781	
Portfolio of 14 properties	3	Gävle	80,147	
Hemsta 12:17	3	Gävle	3,425	
<b>Total</b>			<b>110,360</b>	<b>442</b>

## VALUATION ASSUMPTIONS

	30 Sep 2018					30 Sep 2017				
	Office	Retail	Residential	Industrial/warehouse	Other	Office	Retail	Residential	Industrial/warehouse	Other
Yield for assessing residual value <sup>1</sup> , %	7.0-5.6	6.7-5.8	5.2-4.7	10.0-7.0	7.0-6.0	7.0-5.7	6.8-5.9	5.3-4.7	8.1-7.0	7.0-6.2
Cost of capital for discounting to present value, %	8.0	8.2	7.2	10.2	8.6	8.1	8.2	7.3	9.8	8.8
Long-term vacancy, %	5.0	3.7	1.6	35.0	5.6	5.0	3.5	1.7	11.9	6.0

<sup>1</sup> From lower to upper quartiles in the portfolio.

<sup>2</sup> The valuation model is based on a five-year analysis period and a long-term inflation rate of 2 per cent.





## »»» INVESTMENTS

We are continuously investing in our portfolio to improve, adapt and improve the efficiency of our premises for our tenants. New builds, conversions and extensions added SEK 484 million (388) to the value of Diös' property portfolio for the period.

### PROPERTY DEVELOPMENT

Our investments in our existing portfolio comprise conversions and extensions as well as energy-saving measures. The investments must result in a higher occupancy rate, increased customer satisfaction, lower costs and a reduced impact on the environment. During the period, SEK 484 million (388) was invested in 670 projects (578). At the end of the period, 18 major<sup>1</sup> development projects were ongoing, with a remaining investment volume of SEK 283 million and a total investment volume of SEK 401 million. During the period, 104 new project investments were approved. The return on completed investments for the period was 10.3 per cent on the invested amount while the return on our ongoing projects was 6.1 per cent.

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

### PROJECTS

Our existing and potential development rights cover a gross area of over 150,000 square metres, of which around 50 per cent refers to development rights for residential properties and 50 per cent refers to development rights for commercial properties. Among these, Diös has identified various types of projects with a total estimated investment volume of around SEK 4,000 million.

The Falan 20 residential property project is ongoing and is expected to be completed in spring 2019. The Riverside hotel project in Sundsvall has been initiated, with preparatory work underway on the underground car park on which the hotel will stand. Construction of the hotel is scheduled to begin in April 2019. The production stage of the hotel project on the Magne property in Umeå is expected to commence in the first half of 2019.

## »»» ENERGY USE AND CARBON DIOXIDE EMISSIONS

	Unit	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep
Heating <sup>1</sup>	kWh/sq.m	55.0	57.5
District cooling <sup>2</sup>	kWh/sq.m	11.6	9.3
Electricity <sup>3</sup>	kWh/sq.m	43.6	42.9
Carbon dioxide, total <sup>4</sup>	g CO <sub>2</sub> /kWh	24.6	24.3
Water	m <sup>3</sup> /sq.m	0.3	0.3

<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. Floor area refers to tempered area. The comparative figures have been updated for the current portfolio and thus show changes for comparable properties.

Total energy use, adjusted to a normal year, declined by 1.8 per cent compared with the same period in the previous year. For the full-year 2018, our aim is to achieve a decrease in energy use of 3 per cent, which will be possible by increasing our energy optimisation efforts and further developing our technology strategies. The summer months were warmer than usual, which led to a 2 per cent increase in use of district cooling and electricity. Our increased focus on energy optimisation is yielding fruit, as heat consumption was down by 4 per cent on the year-before period. To lower the environmental impact, we only purchase origin-labelled electricity and we can now see that 98 per cent of our energy use comes from renewable sources.

### CERTIFICATIONS

No new properties were environmentally certified during the period, but we expect to complete the environmental certification process for a further eight properties before the end of the year. We now have 16 properties certified under the Miljöbyggnad, BREEAM In-Use and Greenbuilding standards.



» Visualisation of Riverside, Sundsvall.

# FINANCING

## CAPITAL STRUCTURE

At 30 September 2018, 36 per cent (34) of Diös' total assets of SEK 20,450 million were financed through equity, 54 per cent (57) through debt and 10 per cent (9) through other capital. Interest-bearing liabilities comprise bank financing, covered bonds and commercial paper.

## EQUITY

Equity at 30 September was SEK 2018 million 7,388 (6,631). The equity/assets ratio was 36.1 per cent (33.9), which exceeds the target of 30 per cent.

## INTEREST-BEARING LIABILITIES

Interest-bearing liabilities in the Group were SEK 11,026 million (11,133). Of total interest-bearing liabilities, SEK 8,986 million (10,118) refers to bank financing, SEK 1,240 million (1 015) to covered bonds and SEK 800 million (0) to commercial paper. The bonds are issued through the covered MTN programme of a jointly controlled company, Svensk FastighetsFinansiering AB. At the end of the period, the loan-to-value ratio in the Group was 54.6 per cent (57.8). At 30 September, the average annual interest rate, including the cost of derivatives and loan commitments, was 1.3 per cent (1.6) and the interest coverage ratio for the period was 5.7 times (5.5).

## DERIVATIVES

Of the Group's total interest-bearing liabilities, SEK 4,000 million (4,600) has been hedged through derivatives. At 30 September 2018, the derivatives portfolio had a market value of SEK 0.5 million (-24).

The financial instruments limit the impact of changes in interest rates on our average borrowing cost. All financial instruments are measured at fair value and are classified in Level 2 in accordance with IFRS 13, which means that the measurement is based on observable market data (see Note 21 in the Annual Report 2017). Changes in value are recognised through profit or loss.

## SENSITIVITY ANALYSIS

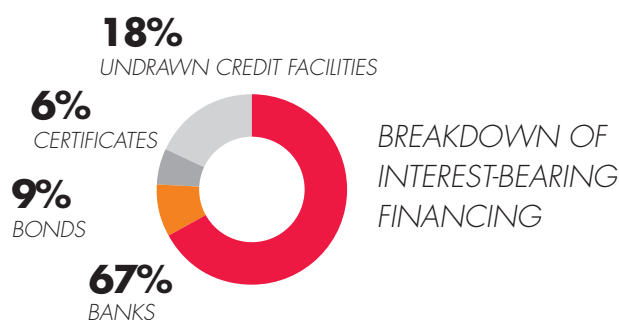
AT 30 SEP 2018	If market interest rates increase by 1 percentage point		
	Change in average annual interest rate, %	Change in average annual interest cost, SEKm	Change in market value, SEKm
Loan portfolio excl. derivatives	0.2	+27	
Derivatives portfolio	0.0	0	+1
<b>Loan portfolio incl. derivatives</b>	<b>0.2</b>	<b>+27</b>	<b>+1</b>

## FIXED-RATE TERMS AND LOAN MATURITIES

The average fixed-rate term, including derivatives, was 1.7 years (2.7) and the average loan maturity 1.7 years (2.2). Of the Group's outstanding loans, SEK 8,357 million (7,187) is subject to fixed interest rates.

## CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the period were SEK 0 million (19) and drawn overdraft facilities were SEK 1 million (0). The agreed limit on the overdraft facility was SEK 600 million (600).



## »»» INTEREST RATE AND DEBT MATURITY STRUCTURE AT 30 SEPTEMBER 2018

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate <sup>1</sup> , %	Credit agreements, SEKm	Drawn, SEKm
2018	2,803	0.8	1,307	1,307
2019	2,495	1.2	2,425	2,425
2020	5,508	1.4	6,233	5,733
2021	220	0.4	730	220
2022	-	-	1,725	645
2027	-	-	1,000	697
<b>Drawn credit facilities</b>	<b>11,026</b>	<b>1.2</b>	<b>13,419</b>	<b>11,026</b>
Unutilised credit facilities <sup>2</sup>	2,393	0.1		
Financial instruments	4,000	0.0		
<b>TOTAL</b>		<b>1.3</b>		

<sup>1</sup> Average annual interest rate refers to the average interest rate based on interest rate terms and the outstanding liability as at 30 September 2018.

<sup>2</sup> The cost of unused credit facilities affects the average annual interest rate by 0.08 percentage points.





# CASH FLOW

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEK M

	2018 3 mths Jul-Sep	2017 3 mths Jul-Sep	2018 9 mths Jan-Sep	2017 9 months Jan-Sep	2017 12 mths Jan-Dec
<b>OPERATING ACTIVITIES</b>					
Operating surplus	312	287	857	814	1,080
Central administration	-17	-16	-52	-52	-73
Reversal of depreciation, amortisation and impairment	0	2	1	2	2
Interest received	3	1	5	2	4
Interest paid	-50	-32	-130	-154	-219
Tax paid	-38	-10	-77	-27	-43
<b>Operating cash flow before changes in working capital</b>	<b>210</b>	<b>232</b>	<b>604</b>	<b>585</b>	<b>751</b>
<b>Changes in working capital</b>					
Decrease (+)/increase (-) in receivables	-8	1	-55	-11	82
Decrease (-)/increase (+) in current liabilities	21	9	45	-89	-142
<b>Total changes in working capital</b>	<b>13</b>	<b>10</b>	<b>-10</b>	<b>-100</b>	<b>-60</b>
<b>Operating cash flow</b>	<b>223</b>	<b>242</b>	<b>594</b>	<b>485</b>	<b>691</b>
<b>INVESTING ACTIVITIES</b>					
Investments in new builds, conversions and extensions	-149	-141	-413	-385	-502
Acquisition of properties	-173	-175	-284	-2,491	-2,581
Sale of properties	383	149	438	152	240
Other financial assets	0	-	5	-	-
<b>Cash flow from investing activities</b>	<b>61</b>	<b>-167</b>	<b>-254</b>	<b>-2,724</b>	<b>-2,843</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	-	-	-195	-269	-269
Issue of new shares	-	-	-	1,802	1,802
New borrowing, interest-bearing liabilities	-	10	212	3,134	3,168
Repayment and redemption of interest-bearing liabilities	-239	-18	-390	-2,394	-2,502
Change in overdraft facility	-45	-48	1	-15	-15
<b>Cash flow from financing activities</b>	<b>-284</b>	<b>-56</b>	<b>-372</b>	<b>2,258</b>	<b>2,184</b>
<b>Cash flow for the period</b>	<b>0</b>	<b>19</b>	<b>-32</b>	<b>19</b>	<b>32</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at end of period</b>	<b>0</b>	<b>19</b>	<b>0</b>	<b>19</b>	<b>32</b>



## »»» SEGMENT REPORTING AS AT 30 SEPTEMBER

Amounts are expressed in millions of Swedish kronor unless otherwise indicated.

### 2018

By segment	Dalarna	Gävle	Sundsvall	Äre/Östersund	Skellefteå/Umeå	Luleå	The Group
Rental income	209	144	213	243	288	233	1,330
Other income	4	1	5	2	8	13	33
Repair and maintenance	-8	-5	-8	-9	-14	-8	-53
Tariff-based costs	-28	-15	-27	-36	-32	-22	-161
Property tax	-9	-7	-11	-11	-15	-13	-66
Other property costs	-25	-20	-32	-31	-29	-32	-169
Property management	-10	-7	-10	-11	-11	-9	-58
<b>Operating surplus</b>	<b>133</b>	<b>91</b>	<b>131</b>	<b>145</b>	<b>195</b>	<b>161</b>	<b>857</b>
Central administration/net financial items	-	-	-	-	-	-	-188
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>669</b>
Property, realised	1	9		-		-	9
Property, unrealised	1	55	48	55	108	60	327
Interest rate derivatives	-	-	-	-	-	-	16
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,021</b>
Leasable area, sq.m	263,901	146,523	233,490	304,511	309,955	205,440	1,463,820
Rental value	229	159	243	265	310	247	1,453
Economic occupancy rate, %	92	91	88	91	93	95	91
Surplus ratio, %	64	63	61	60	68	69	64

### 2017

By segment	Dalarna	Gävle	Sundsvall	Äre/Östersund	Skellefteå/Umeå	Luleå	The Group
Rental income	202	150	202	233	257	220	1,263
Other income	4	3	1	2	1	3	13
Repair and maintenance	-8	-8	-9	-10	-13	-7	-55
Tariff-based costs	-27	-17	-25	-34	-31	-19	-153
Property tax	-9	-8	-11	-11	-13	-14	-66
Other property costs	-19	-15	-22	-25	-25	-24	-129
Property management	-10	-7	-12	-12	-9	-10	-60
<b>Operating surplus</b>	<b>132</b>	<b>99</b>	<b>125</b>	<b>143</b>	<b>167</b>	<b>149</b>	<b>814</b>
Central administration/Net financial items	-	-	-	-	-	-	-189
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>625</b>
Property, realised	-	-1	1	-	12	-	12
Property, unrealised	-48	51	64	111	98	60	335
Interest rate derivatives	-	-	-	-	-	-	21
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>993</b>
Leasable area, sq.m	266,682	240,699	233,490	304,511	301,722	205,440	1,552,544
Rental value	226	169	232	256	281	231	1,395
Economic occupancy rate, %	89	89	87	91	92	95	91
Surplus ratio, %	65	66	62	62	65	68	64

## »»» PROPERTY PORTFOLIO AT 30 SEPTEMBER

	Dalarna		Gävle		Sundsvall		Äre/Östersund		Skellefteå/Umeå		Luleå		The Group	
SEKm	2018	2,017	2018	2,017	2018	2,017	2018	2,017	2018	2,017	2018	2,017	2018	2,017
Property portfolio, 1 January	2,649	2,576	2,045	1,978	3,234	2,033	3,257	3,025	4,494	2,219	3,778	1,852	19,457	13,683
Acquisitions	-	1	196	-	-	1,047	-	-	138	2,143	-	1,806	334	4,997
Investments in new builds, extensions and conversions	95	97	37	27	65	80	95	65	89	73	103	46	484	388
Sales	-15	-	-418	-57	-	-33	-	-	-	-53	-	-	-433	-143
Reclassifications	2	-	0	-	3	-	1	-	2	-	1	-	10	-
Unrealised changes in value	1	-48	55	51	48	64	55	111	108	98	60	60	327	335
<b>Property portfolio, 30 September</b>	<b>2,733</b>	<b>2,626</b>	<b>1,915</b>	<b>1,999</b>	<b>3,350</b>	<b>3,190</b>	<b>3,408</b>	<b>3,200</b>	<b>4,831</b>	<b>4,480</b>	<b>3,942</b>	<b>3,764</b>	<b>20,178</b>	<b>19,260</b>

Columns/rows may not add up due to rounding.





> Erik Wallström, Property Manager, at the office of Diös tenant NCC at Humlan 6 in Luleå.



## FINANCIAL KPIS

The interim report presents non-IFRS performance measures. We consider that these measures provide valuable additional information for investors, analysts and the company's management, as they enable the evaluation of relevant trends and 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. Definitions of these measures are found on page 27.

Figures refer to SEK million unless otherwise indicated.

	2018 3 mths Jul-Sep	2017 3 mths Jul-Sep	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
Number of shares at end of period, thousands <i>(balance sheet KPIS)</i> <sup>1</sup>	134,512	134,512	134,512	134,512	134,512
Average number of shares, thousands <i>(income statement-related key ratios)</i> <sup>1</sup>	134,512	134,512	134,512	131,208	132,041

<sup>1</sup> Historical data for the number of shares has been restated to factor in the effect of bonus issues (i.e. the value of the subscription rights) in issues of new shares, and has been used in all KPI calculations for SEK per share. The conversion factor is 1.28.

There is no dilutive effect, as no potential shares (such as convertibles) exist.

### OPERATING RESULTS

The operations are governed based partly on the objective of generating capital growth by increasing the surplus ratio and thereby the cash flow from operating activities, i.e. increased income from property management. The target for the year is a surplus ratio in excess of 64 per cent. The income from property management is also the basis for what is distributed annually to the shareholders – around 50 per cent of the profit for the year after tax, excluding unrealised changes in value and deferred tax. We also report the alternative performance indicators property management income, EPRA earnings and surplus ratio, as these are deemed to be relevant for investors and analysts, and provide additional information on the company's operating results. The indicators provide a picture which excludes factors that are partly beyond our control, such as changes in the value of properties and derivatives.

	2018 3 mths Jul-Sep	2017 3 mths Jul-Sep	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
<b>Property management income</b>					
Profit before tax	364	272	1,021	993	1,261
Reversal					
Change in value, properties	-112	-43	-336	-347	-412
Change in value, derivatives	-4	-7	-16	-21	-27
<b>Property management income</b>	<b>248</b>	<b>222</b>	<b>669</b>	<b>625</b>	<b>822</b>
<b>EPRA earnings (property management income after tax)</b>					
Property management income	248	222	669	625	822
Reversal, current tax property management income	-22	-27	-63	-77	-88
Minority share of earnings	0	0	-3	-3	-2
<b>EPRA earnings / EPRA EPS</b>	<b>226</b>	<b>195</b>	<b>603</b>	<b>545</b>	<b>732</b>
<b>EPRA earnings / EPRA EPS per share, SEK</b>	<b>1.68</b>	<b>1.45</b>	<b>4.48</b>	<b>4.15</b>	<b>5.54</b>
<b>SURPLUS RATIO</b>					
Operating surplus as per income statement	312	287	857	814	1,080
Rental income as per income statement	443	431	1,330	1,263	1,700
<b>Surplus ratio, %</b>	<b>70</b>	<b>67</b>	<b>64</b>	<b>64</b>	<b>64</b>

### NET ASSET VALUE

Net asset value is the total capital which the company manages on behalf of its owners. Based on this capital, we aim to generate returns and growth while maintaining a low risk. Net asset value can also be calculated on a long-term and short-term basis. Long-term NAV is based on the balance sheet after adjusting for items which involve no near-term outgoing payments, which refers, for example, to the fair value of financial instruments (derivatives) and deferred tax on temporary differences. The current net asset value consists of equity according to the balance sheet after adjusting for the market value of the deferred tax liability. EPRA NAV and EPRA NNNAV are designed to show the size of equity in case of a liquidation in the short and long term. These performance indicators can be compared with the company's share price to obtain a picture of how the shares are valued in relation to equity.

	2018 9 mths Jan-Sep	2017 9 months Jan-Sep	2017 12 mths Jan-Dec
<b>Net asset value</b>			
Equity as per balance sheet	7,388	6,631	6,887
Minority share of equity	-49	-46	-45
Reversal as per balance sheet			
Fair value of financial instruments	-1	22	16
Deferred tax on temporary differences	1,266	1,169	1,175
<b>EPRA NAV (long-term net asset value)</b>	<b>8,604</b>	<b>7,776</b>	<b>8,033</b>
<b>EPRA NAV (long-term net asset value) per share, SEK</b>	<b>64.0</b>	<b>57.8</b>	<b>59.7</b>
<b>Deductions</b>			
Fair value of financial instruments	1	-22	-16
Estimated actual deferred tax on temporary differences, approx. 4% <sup>1</sup>	-219	-208	-209
<b>EPRA NNNAV (short-term net asset value)</b>	<b>8,386</b>	<b>7,547</b>	<b>7,808</b>
<b>EPRA NNNAV (short-term net asset value) per share, SEK</b>	<b>62.3</b>	<b>56.1</b>	<b>58.0</b>

<sup>1</sup> Estimated actual deferred tax has been calculated at approx. 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 ten per cent of the portfolio being sold directly subject to a nominal tax rate of 20.6 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of six per cent. It is expected that it will be possible to use the tax losses during the year.



## FINANCIAL RISK

Our strategy is to own, develop and manage properties in a value-creating sustainable manner that promotes development while maintaining a stable financial risk. This is expressed in the ambition to ensure that the loan-to-value ratio does not exceed 60 per cent over extended periods and to maintain an equity/assets ratio in excess of 30 per cent. The loan-to-value ratio and equity ratio show financial stability while the interest coverage ratio is a measure of the ability to pay interest. These key ratios are deemed to be relevant for investors and analysts from a financial risk perspective. They also constitute covenants from the company's lenders and the Board has defined targets for these key ratios, which are used to govern the company's activities.

	2018 3 mths Jul-Sep	2017 3 mths Jul-Sep	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
<b>Loan-to-value ratio</b>					
Interest-bearing liabilities			11,026	11,133	11,104
Investment properties			20,178	19,260	19,457
<b>Loan-to-value ratio, %</b>			<b>54.6</b>	<b>57.8</b>	<b>57.1</b>
<b>Equity/assets ratio</b>					
Equity			7,388	6,631	6,887
Total assets			20,450	19,570	19,708
<b>Equity/assets ratio, %</b>			<b>36.1</b>	<b>33.9</b>	<b>34.9</b>
<b>Interest coverage ratio</b>					
Property management income	248	222	669	625	822
Reversal					
Financial costs	50	49	141	139	191
<b>Total</b>	<b>297</b>	<b>271</b>	<b>810</b>	<b>764</b>	<b>1,013</b>
Financial costs	50	49	141	139	191
<b>Interest coverage ratio, times</b>	<b>6.0</b>	<b>5.5</b>	<b>5.7</b>	<b>5.5</b>	<b>5.3</b>

## OTHER KEY RATIOS

Other key ratios refer to a number of measures of return which are used to describe various aspects of the statement of financial position and to give investors and analysts further information about the operations. We report return on equity, equity per share and cash flow per share, as these performance indicators show the company's results and profitability, equity on a per share basis, and the company's ability to fulfil its obligations and pay dividends to the shareholders. These alternative performance indicators supplement the picture given of Diös' financial performance and enable investors and analysts to gain a better understanding of the company's return and results. Yield is a measure of the results generated by the properties in relation to their market value. It shows the profitability of the properties and is considered to provide supplementary information for investors and analysts concerning the risk in the portfolio. The debt/equity ratio is presented in order to supplement the picture of the company's financial situation. It shows the ratio of interest-bearing liabilities to equity. The measure is considered to enhance investors' and analysts' ability to assess our financial stability.

	2018 3 mths Jul-Sep	2017 3 mths Jul-Sep	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
Return on equity, %	4.2	2.9	12.4	14.1	18.3
Equity per share, SEK	54.9	49.3	54.9	49.3	51.2
Rental income, SEKm	443	431	1,330	1,263	1,700
<b>Cash flow per share, SEK</b>					
Profit before tax	364	272	1,021	993	1,261
Reversal					
Unrealised change in value, properties	-100	-33	-327	-335	-402
Unrealised change in value, derivatives	-4	-7	-16	-21	-27
Depreciation and amortisation	1	1	2	2	
Current tax	-38	-10	-77	-27	-43
<b>Total</b>	<b>223</b>	<b>223</b>	<b>604</b>	<b>612</b>	<b>791</b>
Average number of shares ('000)	134,512	134,512	134,512	131,208	132,041
<b>Cash flow per share, SEK</b>	<b>1.66</b>	<b>1.66</b>	<b>4.48</b>	<b>4.66</b>	<b>6.00</b>
Earnings per share, SEK	2.25	1.43	6.59	5.87	7.78
Debt/equity ratio, times			1.5	1.7	1.6

## OTHER INFORMATION

We also report data for economic occupancy and vacancy rate, as these performance indicators provide a more in-depth picture of the company's financial performance with regard to revenues in the properties and thus also in the company. These performance indicators are widely used in the industry, and enable investors and analysts to make comparisons between different property companies.

	2018 3 mths Jul-Sep	2017 3 mths Jul-Sep	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
Economic occupancy rate, %	91	91	91	91	91
<b>EPRA vacancy rate</b>					
Estimated market rent for vacant space			154	139	153
Annualised rental value for the whole portfolio			1,904	1,458	1,875
<b>EPRA vacancy rate, %</b>			<b>8.1</b>	<b>9.6</b>	<b>8.2</b>

# 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 127 million (128) and the profit after tax was SEK 614 million (326). Profit after tax includes dividends from Group companies in the amount of SEK 600 million (300). Net sales refer chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents at 30 September 2018 were SEK 0 million (16) and drawn overdraft

facilities were SEK 3 million (0). External interest-bearing liabilities, excluding overdraft facilities, totalled SEK 3,157 million (3,457) and outstanding commercial paper totalled SEK 800 million (0). The average annual interest rate at 30 September 2018 was 1.0 per cent (1.2). The parent company prepares its financial reports in compliance with RFR 2 Financial Reporting for Legal Entities.

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

	2018 9 mths Jan-Sep	2017 9 mths Jan-Sep	2017 12 mths Jan-Dec
<b>INCOME STATEMENT</b>			
Net revenue	127	128	170
Gross profit	127	128	170
Central administration	-150	-157	-214
Operating profit	-23	-29	-44
Income from interests in Group companies	599	300	454
Financial income	182	217	218
Financial costs	-141	-162	-192
Profit after financial items	618	326	436
Current tax	-4	-	-
Profit after tax	614	326	436
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Profit after tax	614	326	436
Comprehensive income for the year	614	326	436

## CONDENSED PARENT COMPANY BALANCE SHEET, SEKM

	2018 30 Sep	2017 30 Sep	2017 31 Dec
<b>ASSETS</b>			
Investments in Group companies	2,124	2,124	2,124
Receivables from Group companies	11,076	11,223	11,439
Other assets	17	23	26
Cash and cash equivalents	-	16	29
TOTAL ASSETS	13,217	13,386	13,618
<b>EQUITY AND LIABILITIES</b>			
Equity	3,319	2,986	3,095
Interest-bearing liabilities	3,157	3,457	3,208
Liabilities to Group companies	6,515	6,908	7,277
Overdraft facilities	3	-	-
Other liabilities	223	35	38
TOTAL EQUITY AND LIABILITIES	13,217	13,386	13,618



# OTHER INFORMATION

## EMPLOYEES AND ORGANISATION

The number of employees at 30 September 2018 was 159 (155), of whom 64 were women (63). The majority of Diös' employees, 108 people (100), work in our local business units. In the third quarter, we strengthened our organisation centrally with a focus on urban development in all our growth cities.

## RISKS AND UNCERTAINTIES

Material risks and uncertainties affecting the business include market and business intelligence, the business model, the properties, cash flow, financing and sustainability.

Demand and prices in the Swedish property are influenced by the level of economic activity globally and in Sweden as well as by interest rates.

Our properties are measured at fair value on an ongoing basis, and changes in value are recognised in the income statement. The effects of changes in value affect the income statement and balance sheet and thus also the related performance measures. Any significant negative impact is managed through a diversified portfolio of centrally located properties in growth cities.

SENSITIVITY ANALYSIS, PROPERTY VALUE	Change in property value, %		
	-7.5	0.0	+7.5
Property value, SEKm	18,665	20,178	21,692
Equity/assets ratio, %	31.0	36.1	40.5
Loan-to-value ratio, %	59.1	54.6	50.8

Cash flow consists of income and expenses and is primarily attributable to rent levels, property costs, occupancy rates and interest rates. A change in these items affects cash flow and thus also earnings. Any significant negative impact is managed through a diversified tenant structure, good cost control and active interest rate risk management.

CASH FLOW SENSITIVITY ANALYSIS	Change	Impact on earnings, SEKm <sup>1</sup>
Contracted rental income	+/- 1%	+/-17
ECONOMIC OCCUPANCY RATE	+/- 1 percentage point	+/-19
Property costs	-/+ 1%	+/-7
Interest rate on interest-bearing liabilities	-/+ 1 percentage point	+/-27

<sup>1</sup> Annualised.

Access to financing is the biggest financial risk and is essential to running a property business. The risk is limited through good relations with banks, access to the capital market, and strong finances and KPIs.

A sustainable business model and sustainable behaviour are essential to creating long-term value. Through good internal control and procedures, we take responsibility for building a sustainable long-term business.

No material changes in the assessment of risks have been made after the publication of the annual report for 2017. For more information on risks and risk management, see Diös' annual report for 2017, pages 59–62.

## 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 POLICIES

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 Financial Reporting for Legal Entities and the Swedish Annual Accounts Act. Disclosures under IAS 34 are provided elsewhere in the interim report than in a note. All property-related transactions during the period have been recognised based on calculations of the preliminary consideration. The calculation of the final consideration will be completed in the fourth quarter of 2018. The accounting principles applied in the interim report are, with the exception of name changes to segments, consistent with the accounting principles applied in preparing the consolidated financial statements and Annual Report for 2017<sup>2</sup>, Note 1.

NEW OR AMENDED IFRS STANDARDS:

### IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The transition to IFRS 15 is applied from 1 January 2018 and refers to the recognition of revenue from contracts with customers broken down by rental income (including the passing-on of property tax) and service income such as the passing-on of costs for heating, electricity, etc. Revenue mainly comprises rental income, and it is considered that the service provided is subordinate to the lease. All payments are therefore accounted for as rent. The change is not expected to have a material impact on our financial statements and no comparative figures will be restated.

### IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 replaced IAS 39 on 1 January 2018. The standard introduces new principles for the classification of financial assets, hedge accounting and provisions for credit losses. Another change under IFRS 9 is that the principles for provisions for credit losses must be based on an estimate of expected losses. As Diös' credit losses are very small, the transition has not had a material impact on our financial statements and no comparative figures will be restated.

NEW STANDARDS AND INTERPRETATIONS WHICH HAVE NOT YET BECOME EFFECTIVE:

### IFRS 16 LEASES

IFRS 16 Leases applies for financial years beginning on 1 January 2019. The accounting treatment for lessors will remain essentially unchanged. For lessees, the standard will have the effect that most leases will be recognised in the balance sheet. For us, the main impact will be on the recognition of leasehold contracts and car leases, which will be recognised in the balance sheet and will thus have an impact on total assets. The



## »»» CONT. ACCOUNTING POLICIES

leasing cost will be recognised as amortisation of the usufruct and as an interest expense, and will thus no longer be included in operating surplus. As the number of contracts is limited, the impact on the financial statements is not expected to be material. Other changed and new IFRS standards entering into force during the coming periods are not assessed as having any significant impact on the Group's financial reporting.

## »»» SEASONAL VARIATIONS

Costs for operations and maintenance are subject to seasonal variations. Cold weather and snow affect the costs for heating, snow clearance and roof snow removal. The costs are normally higher in the first and fourth quarters.

## »»» SUMMARY OF QUARTERLY RESULTS

	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue, SEKm	467	446	450	443	436	435	405	337
Operating surplus, SEKm	312	295	250	266	287	286	241	195
Property management income, SEKm	248	234	187	197	222	224	179	132
Profit for the period, SEKm	303	358	229	256	192	255	326	266
Surplus ratio, %	70	67	61	61	67	66	60	59
Economic occupancy rate, %	91	91	92	91	91	91	90	90
Return on equity, %	4.2	5.0	3.3	3.8	2.9	3.9	6.0	6.4
Equity/assets ratio, %	36.1	34.8	35.3	34.9	33.9	33.3	33.5	31.0
Property loan-to-value ratio, %	54.6	55.8	56.7	57.1	57.8	58.3	59.1	58.6
Average interest rate at end of period, % <sup>1</sup>	1.3	1.5	1.5	1.5	1.6	1.6	1.6	2.0
Interest coverage ratio, times	6.0	6.3	4.9	4.8	5.5	5.8	5.2	3.9
Property management income per share, SEK	1.84	1.74	1.38	1.46	1.65	1.67	1.44	1.39
Earnings per share after tax, SEK	2.25	2.64	1.70	1.91	1.43	1.88	2.60	2.79
Equity per share, SEK	54.9	52.7	52.9	51.2	49.3	47.9	48.0	45.3
Market price per share, SEK	56.9	53.8	56.4	55.8	52.0	46.6	44.0	47.1

<sup>1</sup> Includes expenses relating to commitment fees and derivatives.

## »»» TARGETS

OPERATIONAL TARGETS	Targets 2018	Outcome Jan-Sep 2018
Economic occupancy rate, %	92	91
Surplus ratio, %	64	64
Energy use, %	-3	-1.8
Carbon dioxide emissions,%	-2	1
Employee satisfaction index	76	-
Customer satisfaction index	70	-

FINANCIAL TARGETS	Targets 2018	Outcome Jan-Sep 2018
Return on equity <sup>1</sup> , %	>12	16.5
Distribution of profit for the year <sup>2</sup> ,%	~50	-
Loan-to-value ratio, %	< 60	54.6
Equity/assets ratio, %	> 30	36.1

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

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







> David Nygren and Sara Bergh, letting agents at Diös Umeå.



# SHARE INFORMATION

## SHARE PERFORMANCE

Diös' share price at the end of the period was SEK 56.9 (52.0), which represents a market capitalisation of SEK 7,654 million (6,995), and the return for the past 12 months was 9.4 per cent (-2.4). If the dividend is included, the total return on the shares for the period was 12.2 per cent (7.0). The graph on the next page shows share prices for the past 12 months for both Diös and the indexes. The return on the OMX Stockholm 30 Index was -1.5 per cent (13.8) and the return on the OMX Stockholm Real Estate PI index 11.0 per cent (3.9).

At 30 September, Diös Fastigheter AB had 14,270 shareholders (15,409). The share of foreign-owned shares was 20.2 per cent (20.5) while the total number of shares during the period remained unchanged at 134,512,438 (134,512,438). The single largest shareholder was AB Persson Invest, with 15.4 per cent (15.4) of the shares. The ten largest shareholders accounted for 56.6 per cent (56.2) of the total number of shares and votes.

The Annual General Meeting 2018 resolved to authorise us to buy back ten per cent of the total number of outstanding shares of the company. No repurchases were made during the period.

During the period, Nordstjernan AB flagged a holding exceeding 10 per cent (call option included) of the total number of shares while Bengtssons Tidnings AB flagged a holding of less than 10 per cent. The ten largest shareholders of Diös Fastigheter AB according to Euroclear Sweden AB are shown in the table 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 goal is to generate a return on equity in excess of the risk-free rate plus 12 per cent. On an annualised basis, the return for the period

was 17 per cent (19). Equity at the end of the third quarter was SEK 7,388 million (6,631) and the long-term net asset value, EPRA NAV, was SEK 8,604 million (7,776). On a per share basis, EPRA NAV was SEK 64.0 (57.8), which means that the share price at 30 September represented 89 per cent (90) of the long-term net asset value. The net asset value per share for the period, expressed as EPRA NNNAV, was SEK 62.3 (56.1).

## EARNINGS

Earnings per share for the period were SEK 6.59 (5.87) while long-term earnings per share, expressed as EPRA EPS, were SEK 4.48 (4.15). EPRA EPS, which is designed to show an entity's long-term earnings per share, is calculated as property management income after deducting 22 per cent corporation tax attributable to property management income less minority share of earnings.

## LARGEST SHAREHOLDERS

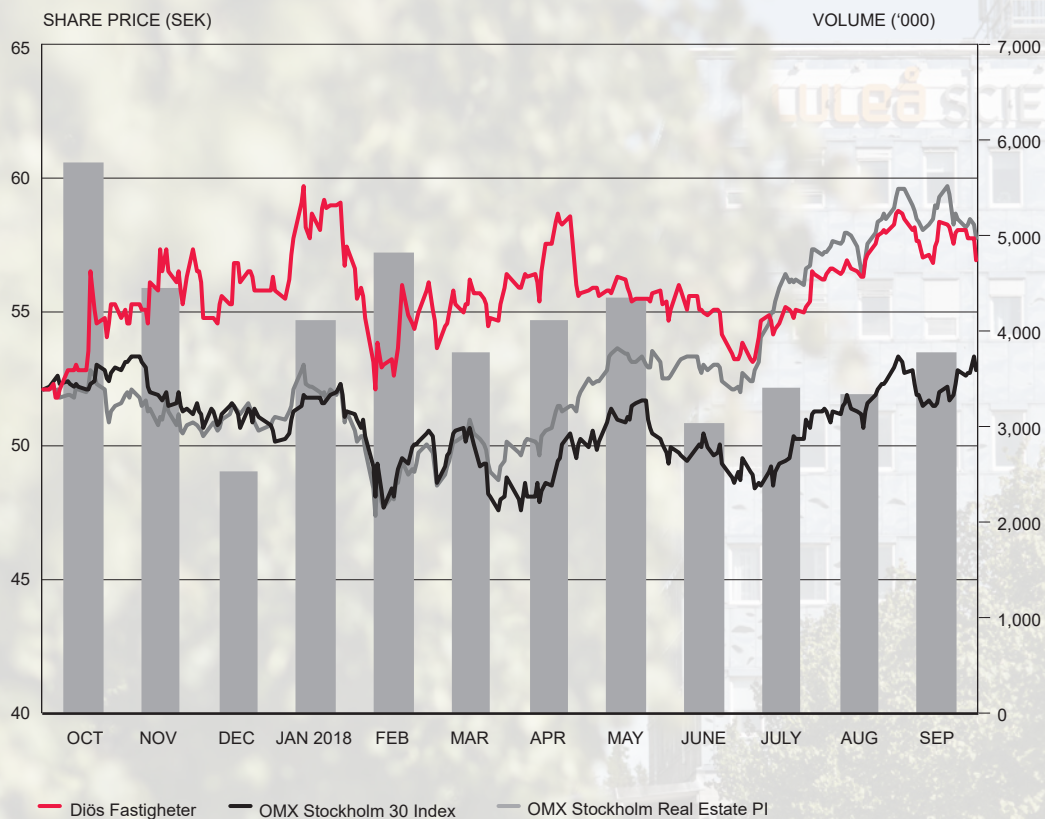
OF DIÖS FASTIGHETER AB AT 30 SEPTEMBER 2018

SHAREHOLDER	No. of shares	Capital and votes, %
AB Persson Invest	20,699,443	15.4
Backahill Inter AB	14,095,354	10.5
Pensionskassan SHB Försäkringsförening	8,096,827	6.0
Nordstjernan AB	6,787,374	5.0
Bengtssons Tidnings AB	6,787,374	5.0
Handelsbankens Fonder	5,500,000	4.1
Avanza Pension	5,417,009	4.0
SEB Fonder	3,928,217	2.9
Thompson, Siegel & Walmsley LLC	2,553,479	1.9
Fourth Swedish National Pension Fund (AP4)	2,465,773	1.8
<b>Total, largest shareholders</b>	<b>76,330,850</b>	<b>56.6</b>
Other shareholders	58,181,588	43.4
<b>TOTAL</b>	<b>134,512,438</b>	<b>100.0</b>

## SHARE CAPITAL HISTORY

Date	Event	Increase in number of shares	Increase in share capital, SEK	Total number of shares	Total share capital, SEK	Face value, SEK
1 Jan 2005	At the start of the period	-	-	10,000	100,000	10.00
21 Jun 2005	Share split	990,000	-	1,000,000	100,000	0.10
21 Jun 2005	Issue of new shares	1,489,903	148,990	2,489,903	248,990	0.10
14 Sep 2005	Non-cash issue	1,503,760	150,376	3,993,663	399,366	0.10
2 Jan 2006	Bonus issue	-	39,537,264	3,993,663	39,936,630	10.00
2 Jan 2006	Share split	15,974,652	-	19,968,315	39,936,630	2.00
18 May 2006	Issue of new shares	8,333,400	16,666,800	28,301,715	56,603,430	2.00
11 Jul 2006	Non-cash issue	5,000,000	10,000,000	33,301,715	66,603,430	2.00
19 Apr 2007	Non-cash issue	666,250	1,332,500	33,967,965	67,935,930	2.00
29 Oct 2010	Non-cash issue	99,729	199,458	34,067,694	68,135,388	2.00
14 Dec 2010	Issue of new shares	3,285,466	6,570,332	37,353,160	74,705,720	2.00
17 Dec 2010	Issue of new shares	11,407	22,814	37,364,567	74,728,534	2.00
5 Dec 2011	Issue of new shares	22,854,136	45,708,272	60,218,703	120,436,806	2.00
14 Dec 2011	Issue of new shares	14,510,431	29,020,862	74,729,134	149,457,668	2.00
27 Jan 2017	Issue of new shares	59,629,748	119,259,496	134,358,882	268,717,164	2.00
31 Jan 2017	Issue of new shares	153,556	307,112	134,512,438	269,024,276	2.00

## > SHARE PRICE PERFORMANCE



## > THREE REASONS TO INVEST IN DIÖS



### DIVERSIFIED PROPERTY PORTFOLIO

A comprehensive and diversified property portfolio ensures risk distribution between different markets, tenants and industries. The profit equalises over time. Our wide offering also provides us with great opportunities to offer our tenants new premises whenever their needs or business change.



### ATTRACTIVE YIELD

Since 2013, the yield has amounted to 4.8 per cent on average, which is among the highest in the industry. According to the dividend policy, approx. 50 per cent of the profit for the year after tax, excluding unrealised changes in value and deferred tax, should be passed onto the shareholders as a dividend.



### VALUE GROWTH THROUGH INCREASED CASH FLOW

Since 2013, the cash flow per share has increased by 66 per cent. This is the result of effective management, energy-saving measures, profitable investments and a tenant-focused organisation.

## »»» REVIEW OF THE REPORT

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

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

Östersund, 25 October 2018

Bob Persson  
*Chairman*

Eva Nygren  
*Board member*

Ragnhild Backman  
*Board member*

Anders Nelson  
*Board member*

Anders Bengtsson  
*Board member*

Tomas Mellberg  
*Board member*  
*Employee representative*

Knut Rost  
*Chief Executive Officer*

## »»» AUDITOR'S REVIEW REPORT

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

### INTRODUCTION

We have conducted a review of the interim report of Diös Fastigheter AB (publ) for the period 1 January 2018 to 30 September 2018. Responsibility for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express a conclusion on the interim report based on our review.

### FOCUS AND SCOPE OF THE REVIEW

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

A review has a different focus and significantly smaller scope than an audit in accordance with ISA and generally accepted auditing standards. The procedures taken when conducting a review do not enable us to obtain a degree of certainty that would make us aware of all material circumstances that would have been identified if an audit had been performed. The conclusion expressed on the basis of a review therefore does not have the same level of certainty as a conclusion expressed on the basis of an audit.

### CONCLUSION

Based on our review, no circumstances have come to light that would give us reason to believe that the interim report has not, in all material respects, been prepared, in respect of the Group, in accordance with IAS 34 and the Annual Accounts Act, and in respect of the parent company, in accordance with the Swedish Annual Accounts Act.

Östersund, 25 October 2018

Deloitte AB  
Richard Peters, Authorised Public Accountant

## »»» FINANCIAL CALENDAR

Year-end Report January-December 2018	14 February 2019
Annual Report 2018	Week 13, 2019
Q1 Interim Report January-March 2019	23 April 2019
Annual General Meeting 2019	23 April 2019
Q2 Interim Report January-June 2019	5 July 2019
Q3 Interim Report January-September 2019	25 October 2019

## »»» EVENTS AFTER THE REPORTING DATE

As of October 19th Diös communicated via a pressrelease that the nominating committee on the upcoming AGM 2019 has been formed as follows; Bo Forsén (Chairman), Bob Persson, Stefan Nillson and Carl Engström.





# 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 defined 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 of the properties 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

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

## ECONOMIC OCCUPANCY RATE

Estimated market rent for unused premises divided by total rental value.

## 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 redevelopments.

## 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 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.

## EPRA VACANCY RATE

Estimated market rent for vacant space divided by the annual rental value of the whole property portfolio.

## 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 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.

## RENTAL INCOME

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

## RENTAL VALUE

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

## COMPARABLE PROPERTIES

Comparable properties refer to properties which have been owned throughout the period and the whole comparative period. The term is used to highlight growth in rental income, excluding one-off effects resulting from early vacating of properties, and property costs as well as acquired and sold properties.

## CASH FLOW PER SHARE

Profit before tax, adjusted for unrealised changes in value plus depreciation/amortisation 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. The length of contracts is not taken into account.

## EARNINGS PER SHARE

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

## INTEREST COVERAGE RATIO

Income from property management after reversal of financial costs, divided by financial costs for the period.

## DEBT/EQUITY RATIO

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

## EQUITY/ASSETS 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.

## ➤ FOR FURTHER INFORMATION, PLEASE CONTACT:

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Rolf Larsson, CFO, +46 (0)770-33 22 00, +46 (0)70-666 14 83, rolf.larsson@dios.se

*This constitutes information which Diös Fastigheter AB is required to publish under the EU's Market Abuse Regulation. The information was submitted for publication through the above contact person on 25 October 2018, at 07:00 CEST.*



**DIÖS FASTIGHETER AB (PUBL)**

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CRN: 556501-1771. REGISTERED OFFICE ÖSTERSUND. WWW.DIOS.SE

DIÖS KOMMUNIKATION 2018. PHOTOGRAPHS: TINA STÅFÉN

