



*Diös*

19

DIÖS FASTIGHETER  
ANNUAL REPORT 2019



# Welcome to Diös

the market-leading property company  
in our cities.

Our strategy is urban development. Through strong relationships, a local presence and a responsible approach, we develop our properties. That enables us to create Sweden's most attractive places and build long-term value for our tenants, our owners and ourselves.



**SEK 23bn**

property value



**333**

properties



**1,483 sq.m**

leasable area



**98%**

non-fossil energy



**153**

employees

*#urbandevelopment*

## VISION

To create Sweden's most inspiring cities.



## How we create value

Our unique position and knowledge about our cities enable us to create attractive places that add value for our tenants, cities and shareholders.



### The tenants

Developed and fit-for-purpose premises are a foundation for successful business. Through our broad range of properties and expertise, we create attractive content and synergies that benefit our tenants.



### The city

A varied range of premises with the right growth prospects creates attractive cities and generates a flow of people. This helps to create safer environments, which is a good foundation for continued development. Our investments create employment and activity in the cities.



### The owners

Our urban development strategy highlights our value-adding role. Increase-revenue, an increased return and increased dividend are goals that we want to achieve. A sustainable, long-term business model drives the company's development.







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Diös' formal financial statements are found on pages 73–110 and have been audited by the company's auditors.

Diös' Sustainability Report in accordance with the GRI Standards, Core option has been reviewed by the company's auditors.

The pages containing the Sustainability Report are referenced in the GRI index on pages 122–123.

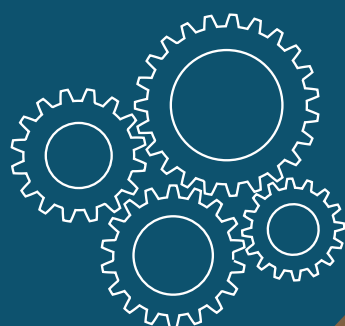


# How we create value

CORPORATE RESPONSIBILITY

## Assets

- > Employees
- > Capital
- > Properties
- > Relationships



## Value creation

### Global trends

Read more on page 16

### Market

Read more on pages 32–35

### Goals & strategy

Read more on pages 12–19

## Output

- > Urban development
- > Inspiring cities
- > Attractive homes
- > Sustainable cities
- > Economic return

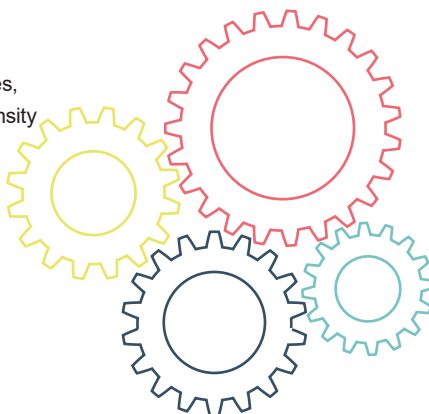


## Project development

New builds and projects create attractive new spaces, modern premises and housing. Increased urban density in our cities is sustainable as well as value-adding.

## Transactions

Diös engages in property transactions to achieve synergies and establish a position for future development.



## Property management

By placing the emphasis on relationships, our local business teams are making a difference for our existing and potential tenants.

## Financing

We operate in a capital-intensive industry where financial strength and strong cash flows are essential to continued expansion.

**Committee employees** Our success is in the hands of our 153 employees. We create stimulating and qualified jobs in a healthy and safe environment. Employee attendance was 96.9 per cent. In 2019, we paid SEK 128 million in salaries and remuneration.

**Satisfied tenants** By focusing on relationships we have further improved our dialogue with our tenants, and this is reflected in an increased customer satisfaction score. In 2019, we invested SEK 787 million in developing modern, energy-efficient premises for our tenants. We provide 3,000 tenants with fit-for-purpose premises in the right locations and offer housing to 1,750 residential tenants.

**Society** By running a responsible business we contribute to the tax system that finances public welfare. We paid SEK 79 million in income tax, SEK 101 million in property tax and SEK 43 million in value-added tax. We contribute to the local economy by being a major employer, which creates employment both directly and indirectly. Energy use was down by 3 per cent in 2019 and 17 per cent of the total floor space of our portfolio has now been environmentally certified. We sponsor sporting and cultural activities and offer traineeships and opportunities for degree projects.

**Suppliers** We work with a total of around 2,000 suppliers. We are continuously reviewing the quality of the work and products supplied in terms of business ethics, working conditions and working environment. Purchases for the year totalled SEK 506 million.

**Lenders** Access to capital is essential to our ability to run an expanding property business. Our financial strength and risk management ensure our creditworthiness. In 2019, we paid SEK 147 million in interest and principal to our lenders.

**Shareholders** We create value for our shareholders through continued growth and dividends. Our property management income per share increased by 7 percent to SEK 7.07, which exceeds our target of a 5 percent increase. Diös' dividend policy remains the same: to distribute around 50 per cent of the profit for the year to the shareholders. The proposed dividend of SEK 3.30 per share and the increase in Diös' share price over the year result in a total return of 58.1 per cent. The total dividend distribution will be SEK 444 million.



# Overview of the year



**SEK 952m**

property management income



**10%**

the value of the portfolio increased to SEK 22.9bn



**7%**

property management income increased to SEK 952m



**All**

financial targets were achieved



**SEK 7.74**

earnings per share



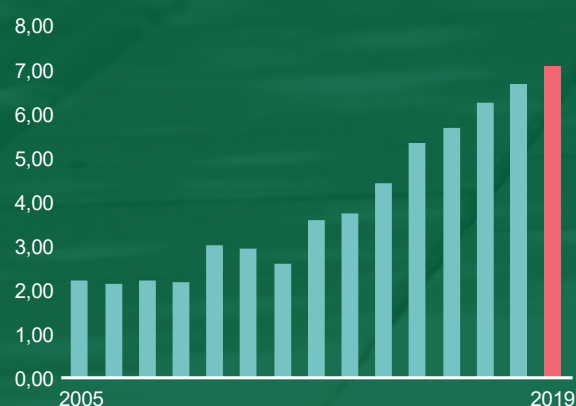
**SEK 3.30**

dividend per share is proposed, evenly split between two distributions

## Profit for the period, SEKm

	2019	2018
Income	1,854	1,810
Operating surplus	1,187	1,140
Property management income	952	894
Profit before tax	1,302	1,597
Profit after tax	1,050	1,341
Surplus ratio, %	65	64
Occupancy rate, %	90	91
Equity ratio, %	36.6	37.2
Property loan-to-value ratio, %	53.1	53.4
Equity per share, SEK	63.1	58.3
EPRA NAV per share, SEK	73.4	67.6

## Property management income, SEK per share



## Knut Rost CEO

"Our strong performance continues. Earnings are up, net leasing is strong and the Board proposes an increase in the dividend."

## Activities in 2019



## High level of letting activity

Net leasing for the year was SEK 42 million and the figure was positive in all quarters. This points to a strong underlying trend and high level of activity in all our cities. We have signed several contracts that lead to project development, which will have a positive impact on growth in our cities. Major leases signed during the year include those with the Transport Administration in Borlänge and Luleå, Webhelp in Östersund, the Police Authority in Umeå and WSP in Gävle.



Intagan 1, Borlänge.

## Construction starts and new projects

A natural part of our urban development activities is the creation of new spaces. In 2019, we initiated the construction phase of two hotel projects in Sundsvall and Umeå as well as the Söderbo residential project in Östersund. These three new build projects will add around 33,000 sq.m of centrally located floor space. We also signed agreements on the construction and development of a further 58,000 sq.m.



Visualisation of Gustav III:s torg, Östersund.

## Green properties and loans

Improving and raising the efficiency of our properties is integral to our business, and by obtaining environmental certification for our properties we receive confirmation of the value of our efforts. In 2019, Diös certified 20 properties, which means that 17 per cent of floor area of the portfolio has now been environmentally certified. Through our green properties and other green projects, we also open up the possibility of obtaining green loans. In the autumn, we established a green financing framework and issued SEK 300 million in green commercial bonds.



DoSpace, Gävle.

## Renewable energy

With access to large roof areas on our properties, we are in a good position to install solar panels. In 2019, we invested in several solar panel installations and now have 540 kWp of installed capacity. We are also joint owners of a wind turbine that generated 4.3 GWh in 2019. During the year, we produced 183 MWh of solar energy for our properties and thus helped to improve the supply of renewable electricity in the market.



Solar cells on the Åre Station building, Åre.



*Knut Rost, CEO*

# A new chapter – higher goals

Our strong performance continues. Earnings are up, net leasing is strong and the Board proposes an increase in the dividend to SEK 3.30 per share. We are raising our ambition for continued growth, with the goal of increasing our property management income per share by an average of 10 per cent annually over a three-year period.

## STRONG PERFORMANCE

We can proudly sum up 2019 as a year in which our income from property management increased by an impressive 7 per cent and in which we achieved our target of a surplus ratio of 65 per cent. We achieved all our operational targets for the year and made several important organisational changes to ensure continued success. It is also pleasing to note that the total annual return on our shares was a massive 58.1 per cent.

## MARKET

Growth rates and levels of economic activity in our cities have remained high. Population growth is positive in all our cities and turnover in the transaction market is high while required rates of return have continued to decline, especially for residential and office properties. The number of hotel nights is increasing, demand for offices is high and rents are going up. Northvolt's decision to establish operations in Skellefteå has already had a big impact on activity in the city, even though the first plant is not expected to be operational until 2021.

## HIGH LEVEL OF LETTING ACTIVITY

New leasing was good in 2019 as Diös signed many new contracts. Net leasing increased in all quarters and totalled SEK 42 million for the

year, which points to a strong underlying trend. It is also good to note that levels of activity are high in all our cities. One city that is undergoing many positive changes is Borlänge. We have signed a long green lease with our single largest tenant, the Swedish Transport Administration, which extends the existing lease, and concluded an agreement with Dalarna University for relocation of the university to the centre of Borlänge. Both these deals will boost growth and increase the attractiveness of Borlänge.

## EXCEEDING EXPECTATIONS

The key to long-term profitability is to meet, and preferably exceed, our tenants' expectations. During the year, we focused on improving and simplifying our delivery to our tenants by increasing our presence, creating clearer communication channels and providing faster feedback. It is therefore important, and satisfying, that our customers' rating of us, as measured by our customer satisfaction score, has gone up.

## INCREASED INVESTMENT RATE

Many new build projects are being initiated – our own as well as those of other property companies. We now have new builds in production or in the procurement stage with a total gross floor space of 100,000 sq.m. The new housing project in the Söderbo block in Östersund will be completed in the fourth quarter of 2020 and will be the first new build project in a row that will add to our continued growth.

We have continued to acquire centrally located properties and to sell properties outside the city centres. Net acquisitions in 2019 totalled SEK 480 million. There are interesting properties for sale in the market, and we intend to strengthen our portfolio further in 2020.

## HIGH CONFIDENCE, LOW INTEREST RATES

Banks and capital markets are showing strong confidence in Diös, as evidenced by the attractive financing terms we are able to obtain. Our average interest rate at year-end was a mere 1.2 per cent. After the end of the period, we have

signed agreements on approaching maturities of around SEK 5,100 million, extending our average loan maturity to about 3.3 years. Despite the extended maturities, the negotiations resulted in more favourable terms.

## SUSTAINABILITY

As a major property owner and market-leading player in our cities, we have a large responsibility for helping to promote sustainable development.

Climate change is a big challenge that will affect us both physically and economically. We need to future-proof our assets against extreme weather and temperature changes while reducing our own negative impact. We have adopted a target of net zero emissions of greenhouse gases by 2045 but are aiming to achieve the target sooner.

## HIGHER GROWTH GOING FORWARD

The year 2019 can be characterised as a strong and stable year. Through our ongoing new build projects, we are evolving into a more comprehensive property company. We provide efficient customer-facing property management services, conclude value-creating deals and engage in new build projects, all of which are key elements of our urban development strategy and crucial to our ability to continue to create growth. We see a big potential in our project portfolio and are therefore raising our target to deliver average annual growth in property management income of at least 10 per cent per share over a three-year period.

I am confident that our unique position, our knowledge about and our commitment to our cities will feed through into stronger growth. Diös is a company that is well equipped for the future and in a position to create Sweden's most inspiring cities – a company that continues to deliver value to its shareholders.



Knut Rost, CEO



"I am confident that our unique position, our knowledge about and our commitment to our cities will feed through into stronger growth."



# The foundation

# The city



## The city

A city has many stakeholders and thus many functions to fill. The requirements and needs of the various stakeholders are changing, and changing ever more rapidly, which means the services and content provided need to be developed continually. This development creates a living and safe city with a dynamic offering that appeals to everyone.



## The growth of the city

Creating opportunities for growth, both economic and demographic, is crucial to the continued success of a city. The population is increasing, as is the rate of urbanisation, which creates a need for housing and workplaces. Partnerships among property owners, businesses and the local authority can enable growth. New builds, increased urban density and redevelopment are needed to create attractive cities. Growth is needed to enable the city to grow and develop.

We take responsibility for creating **Sweden's most attractive places, with the right mix** of tenants. This enables us to drive **long-term growth in our cities**, by creating new contexts and promoting a **positive development that supports our vision**.



## The city is for everyone, round the clock

KNUT ROST, CEO



## The content of the city

Social meeting places are becoming an increasingly important element of our cities. The advent of e-commerce has changed our purchasing behaviour. Restaurants, cafés and other experiences are being added to retail spaces. The office market is becoming increasingly polarised as the right location becomes ever more important for the brand and the ability to attract the right people. The desire to be close to the services a city has to offer is a consequence of changing behaviours. Micro-locations and clusters are emerging where businesses, residents and visitors work together and benefit from each other. Urban density is increasing and thereby also the flow of people.



## Sustainable cities

Sustainable cities are the only choice we have. Reducing the environmental impact of properties, tenants and visitors, both directly and indirectly, is part of the day-to-day activities of a property owner. Ensuring that people feel safe is essential to creating attractive meeting places. Maintaining high standards of transparency, ethics and morals in our transactions and activities are of the utmost importance for our continued success.

# Strategy

# Urban development

Our view of urban development is to take an active and driving role in creating an inspiring and safe city where people want to live, work, shop and socialise, and where they have access to a wide mix of services. In brief: **We want to create Sweden's most inspiring cities.**

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## Business concept

By building good relationships, using our pool of knowledge and taking responsibility, we are developing our cities and creating sustainable long-term value for our tenants, ourselves and our owners.

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## Mission

To create **Sweden's most attractive places** with the right content, where people want to be, live, work and meet.

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## Our promise to tenants

*Everything  
is possible!*

We do more than we have to.

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## Core values

### Simple

We are clear, open and honest.

### Close

We are interested, listen and are available.

### Active

We are turning words into deeds, taking our responsibility and daring to make decisions.

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## Our 5 success factors

- #1 Committed employees
- #2 Satisfied tenants
- #3 Central locations
- #4 Projects and investments
- #5 Financing

Read more on pages 21–31.

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# Impact factors **A changing world**

Diös tenant Lounge in Stationshuset, Mörviken 2:102 in Åre.

Understanding the latest trends and global factors affecting our business is crucial to our ability to develop our offering and be proactive in our relations.

## **New behaviours and needs**

Changing behaviours in the form of new buying patterns, the transfer of the social living room to cafés, increased demands for mobility and closeness to local services as well as worries about the climate are creating new demands for property owners. Business models are being developed and new opportunities are arising. Increased flows, sustainability and flexibility have become key words regardless of segment and city.

**What we are doing.** Our properties, our knowledge and our relationships are tools for creating attractive places. A concrete example of this is Metropoli in Sundsvall, where office, co-working spaces, a nursery, gym and restaurant interact under the same roof.

## **Urbanisation**

According to the UN, 360 million more people will be living in cities within ten years. In Sweden, it is mainly young people who are moving to the cities in order to access a wider range of options and services. The labour market, culture and diversity are some of the key drivers. Continued urbanisation is creating opportunities for increased urban density, new builds and more sustainable approaches.

**What we are doing.** We create new opportunities for our cities to grow and welcome population growth. By building new commercial and residential properties, we enable growth and increase density. Our development activities are centred on the city, where existing infrastructure can be used, which is sustainable.

## **Climate change**

There are growing demands for sustainable business models which limit the negative climate impact. Businesses are increasingly expected to deliver other values than purely economic ones. The Paris Agreement's 1.5 degree target and the Agenda 2030 focus areas require new behaviours and new solutions.

**What we are doing.** Our business model is based on a responsible approach. Our business and our strategy are based on a responsible, long-term approach that we believe is crucial to our success. We have adopted a target of net zero emissions of greenhouse gases no later than 2045. We have also signed up to the UN Global Compact and report annually in accordance with GRI, GRESB, EPRA and the Swedish Annual Accounts Act, which creates transparency and builds knowledge.

## **Security and safety**

One of the most important concerns in society today is safety. Creating environments that people can enjoy at any time of day or night is a challenge. To be able to enjoy a city one must feel safe there, and this is an area where a property owner can have a positive impact.

**What we are doing.** We strive to ensure that the city is alive round the clock, every day of the week. By illuminating, building on and improving access to previously dark areas and courtyards, we can influence the flow of people, which in turn affects perceptions of safety. We also work with voluntary organisations, the police and other authorities and sponsor initiatives aimed at improving safety and social inclusion.

Time perspective

# The various stages of urban development

**We have captured a unique position in our cities.** We are a market leader in our cities, and our properties are centrally located and comprise all types of commercial premises as well as housing. We have local teams in each city who look after our tenants and understand the market

## Phase 3 **LONGER-TERM**

When the playing field is not ideal we create new spaces through new builds or major redevelopment projects aimed at creating modern, flexible and climate-smart buildings in central locations in our cities. Properties that create or fill a need for the city. By increasing urban density we ensure that facilities, logistical resources and infrastructure are used efficiently and enable our cities to grow.

## Phase 2 **A FEW YEARS FROM NOW**

Developing city blocks with the right mix of players and content adds another dimension to how the city is perceived. With a wide range of properties and premises, we have clear plans for how to build the content of different areas to meet the greatest possible demand. Here, tenants can work together in various ways to create synergies while sharing the use of facilities such as meeting rooms and storage spaces. We do this through a close and open dialogue with our tenants and other stakeholders to create the best conditions for growth.

## Phase 1 **IN THE SHORT TERM**

Existing properties make up the playing field for our cities. One way in which we directly add value is by creating attractive places where people want to be. We do this, for example, by converting existing spaces, creating moving chains, filling vacancies and developing and redeveloping properties as well as through new technical solutions. We acquire strategic properties and development rights while divesting assets that no longer fit into our strategy. In-house developed business concepts such as PickPack-Post make life easier for our tenants and local residents. By working to increase the flow of people through the city we improve the safety of residential areas and the city as a whole and increase the attractiveness of retail and office spaces.

Through a clear strategy, we create growth in our cities in the short, medium and long term. A growth that benefits all our stakeholders, not least our tenants. If our tenants thrive, this will create value for our shareholders in the form of capital appreciation and increased cash flows.

On the next page you can read more about urban development in practice.



Case: Sundsvall

# Genuine urban development

Sundsvall can serve as an example of “genuine urban development”. Here, out-of-town shopping centres have been pushing flows and commerce out of the city centre. This has affected the trading environment for retailers and rents for offices. New behaviours and needs are fuelling growing demand for a more experience-oriented and content-rich city centre, which we as the leading property owner are developing.



## Pick-Pack-Post

An entirely new business concept that testifies to activity and innovation. The new service will definitely benefit our tenants, the city and ourselves.

Pick-Pack-Post (PPP) is a modern parcel collection point and facility management concept that is designed to create a better, more modern and more efficient experience of par-

cel management, warehousing and store operation. The storage solution is based on a new flexible RFID<sup>1</sup> technology and extended warehouse concept. PPP set up shop in the In:gallerian shopping centre in the autumn and has proved highly successful. PostNord is linked to the concept and it is hoped that the concept will be expanded to include more service providers.

The outlet in In:gallerian is the first and we hope to be able to offer PPP in some of our other cities in 2020. In addition to an

improved customer experience for the service offered by PPP, the new service will increase the flow of people to the site and the surrounding area. New flows increase the attractiveness of the location for other businesses and have a positive impact on trade for existing tenants.

Pick-Pack-Post is owned and operated by Diös.

<sup>1</sup> Radio frequency identification is a technology for reading information at a distance from transponders and memories



“It is hugely inspiring to be able to create a modern delivery point and make life easier for the people of Sundsvall.

**Andreas Eriksson,**  
Business Developer Diös

## Increased flows!



## City blocks, experiences and flows

The In:gallerian shopping centre, which is spread across three buildings in the centre of Sundsvall, is undergoing a refurbishment. New concepts will be included and launched, access will be improved and the focus is on enhancing the experience. We are opening up and creating access to previously hidden spaces and creating new prime locations. Through colocation, synergies can be created.



## Increased density through new builds

In the very heart of town, in a previous car park, we are building a new hotel that will be run by Nordic Choice. The hotel will become a meeting place for visitors as well as local residents, with inspiring environments in the form of a restaurant, bar and spa. Planning permission also exists for an adjoining plot, where opportunities to further increase density are being explored.

We are confident that increased density, the right content and inspiring environments will increase the flow of people. This creates a safer city and a more attractive city centre as well as good prospects for growth.





# Growth targets



Our growth target is to achieve 10 per cent annual growth in property income per share over a three-year period. By setting a target for growth, we help our cities to grow, create a good return for our shareholders and ensure that our business model is sustainable.

## How will we achieve our targets?



### New build

Our new builds and major projects will start to generate returns from 2022 onwards.



### Transactions

Value-creating transactions will add to cash flows and create synergies.



### Relationships

Satisfied tenants stay for longer, develop their business and generate growth.



### Income

A more attractive offering increases revenue and reduces vacancies.

## Profitability targets

Return on equity

**>12%**

By creating long-term value for our owners, we become more competitive, gain easier access to capital and create more interest in the company.

## Financial targets

Equity ratio

**>35%**

A sound capital structure reduces the financial risk in the company. It increases confidence in us and enables us to obtain better financing terms.

Loan-to-value ratio

**<55%**

The loan-to-value ratio for our properties is a risk-limiting factor. A sound debt level creates opportunities for new deals and is included as a covenant under our financing agreements.

## Sustainability targets

Climate neutrality

**Net zero**

We have set a target of achieving net zero emissions of greenhouse gases by 2045. Through the right focus and early action, we can assist the transition, which benefits the world and ourselves.

# Review of targets for 2019

	Outcome 2019	Target 2019	2018	Comments
Growth in property management income per share, %	6.6	>5	6.8	Increased net operating income and a reduced interest expense add to growth.
Surplus ratio, %	65	65	64	Increased revenue and good cost control help to ensure target achievement.
Energy savings, %	-3	-3	-3	Our climate impact is decreasing, resulting in better environments for our tenants.
Environmentally certified properties, % of total area	17	17	11	We have achieved our target for the year. Read more on page 26.
Employee satisfaction index	-	76	72	New measurement method in 2019, therefore no outcome. Read more on page 24.
Customer satisfaction index	68	67	62	The target was achieved, through the right focus and hard work. Read more on page 25.
Return on equity, %	12.8	>12	18.2	Increased cash flows and positive changes in value in our portfolio.
Loan-to-value ratio, %	53.1	<55	53.4	A sound debt level creates opportunities for new deals and is included as a covenant.
Equity ratio, %	36.6	>35	37.2	A sound capital structure reduces the financial risk in the company.



A man and a woman are standing in a plant shop, smiling at each other. The man is wearing a black hoodie and pants, and the woman is wearing a black long-sleeved shirt and pants. She is holding a bouquet of flowers in a brown paper bag. The shop is filled with various potted plants and flowers. The background shows a rustic wooden wall and a white shelf with more plants and decorative items. The floor is made of light-colored tiles.

# Our business

Dios tenant Hanna Larsson, owner of the Blomsterriket store, and Simon Åhlman, Building Maintenance Technician, at Falan 23 in Falun.

# The foundation for everything Responsibility for our environment...

Open relations marked by trust and credibility help to build a profitable, long-term business. With a well managed property portfolio, committed employees and satisfied tenants, we can drive the development of our cities and create long-term growth.

We want to create a company culture with sound values and committed employees. We want to instil a sense of pride and commitment among our employees by taking responsibility for how our business affects the world around us. Through a clear Code of Conduct, based on the UN Global Compact's ten principles on human rights, labour, environment and anti-corruption, we have defined a framework for this ambition. Using our employees as our ambassadors, we can spread good examples from our company to our cities, influence their development and help to increase their attraction and growth.

## SAFE CITIES

By helping to ensure that the city has an interesting and varied range of shops and services that appeal to a wide range of people, we can also help to create a greater sense of security. We believe one of our most important tools for building a safer city is precisely our ability to influence what it offers and our plan for developing shopping streets and meeting places. As a major player and market leader, we can be an enabler for others to also have a positive impact on the city. Together with many other players, we can drive a positive development.

## NET ZERO

Buildings currently account for around 30 per cent of Sweden's energy use and 20 per cent of the country's total emissions of greenhouse gases. The challenge of reducing energy

use is partly due to our current high expectations for energy supply and power loads, mainly with regard to electricity but also for heating and cooling. At the same time, we are also connecting more of our products, which increases the need for energy. Energy efficiency is becoming increasingly important and we also need to create opportunities for more renewable energy production. In construction, we need to continue to develop our projects so that new properties have a smaller carbon footprint than older ones. Our existing portfolio needs to be managed so that it can remain relevant for many years to come. We have also continued our efforts to enable the transition to increase the number of electrically chargeable vehicles in our cities and are exploring other mobility measures to help reduce the use of fossil fuels.

We also need to adapt to the changes that are already here. Using the global goals as our starting-point, we are focusing our attention

on achieving the national goal of net zero emissions of greenhouse gases by 2045. The drive to get there has been initiated but needs to be developed. Time is a crucial factor on the climate issue; we need to act now.

## OUR WELFARE

Part of running a responsible business is to contribute to the tax system that finances public welfare. It goes without saying that we need to comply with applicable tax regulations and pay the right amount of tax, while we also have a professional responsibility to operate the business in the interests of our shareholders. In cases where the tax rules do not provide clear guidance, we strive for caution and transparency. In addition to reported income tax, we pay property tax, non-tax-deductible VAT, social security contributions, energy tax, stamp duty and payroll tax.







## Kristina Grahn-Persson, Director of Business Support

“With the breadth that we have in our company today, we need to have clear goals and a clear purpose. For Diös, the goal is to make life in the city better for everyone, round the clock. To be clear, we try to encourage bold, hands-on leadership with a sense of responsibility for the employees and for the company’s development.

Committed and inspiring employees with the right focus, coupled with clear leadership, will help us achieve the level of growth we are striving for.

A clear purpose combined with well communicated policy documents on business ethics define clear limits for our employees and reduce the risk that deals or contracts will be concluded under dubious circumstances.”



All our policy documents cover the whole business and all employees. They are adopted by senior management and ultimate responsibility for ensuring compliance rests with the CEO. All new employees study our policy documents during their induction.

### Sustainability policy

Contains guidelines for the company based on economic, environmental and social sustainability aspects. Diös also has policies on the environment, construction, health and safety, anti-corruption and gender equality, which are linked to the sustainability policy.

### Code of Conduct

Describes the culture that we want to inspire in the company. Apart from abiding by applicable laws and regulations, we want to stand for honesty, transparency and a long-term approach in the society in which we operate. We also have a Code of Conduct for Suppliers, which is enclosed with all supplier contracts.

### Financial policy

Describes how Diös’ financial activities should be conducted and contains guidelines for financial risk and responsibilities. This policy is adopted by the Board.

### Communication policy

Contains clear guidelines for professional communication at the right times. The policy covers both internal and external communication.



#### OPEN AND CREDIBLE

By reporting our sustainability data in accordance with the GRI Standards, Core option we make it easier to compare Diös with other companies and increase transparency. In an annex we present key figures in accordance with the EPRA BPR Guidelines. We also report sustainability data to GRESB on an annual basis. Transparency and the ability to present relevant and quality-assured information on the company’s impact are becoming increasingly important.

To reduce risks related to human rights, health and safety, and corruption, we are training our staff in our Code of Conduct and enclose it with our supplier contracts. We also provide a safe and easy-to-access external whistleblower service via our website. Read more about sustainability risks in the risk section on pages 60–62.

#### SUPPLIERS

Today, we have around 2,000 suppliers, with construction services accounting for the largest costs. We work actively to strengthen our purchasing process and reduce the number of contracts in order to simplify quality assurance and reduce risks.



# ...and for the world

To illustrate the role played by the business sector in achieving the global sustainable development goals, we will describe a few examples of things we are doing that tie in with the global goals.



THE GLOBAL GOALS



## 7.2 INCREASE THE SHARE OF RENEWABLE ENERGY IN THE WORLD

By demanding that all electricity provided by our electricity supplier comes with a certificate of origin and from renewable sources, we hope to reduce the need for fossil fuels in electricity generation.

We are investing in solar panels on the roofs of our properties and now have 540 kWp installed.

## 7.3 DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY

In 2017, we strengthened our expertise in energy by doubling the number of energy optimisers. We have also changed our procedures for daily optimisation of operations and this has enabled us to achieve our energy targets for 2018 and 2019.

Together with Jämtkraft and Power2U, we are conducting a pilot project which involves using advanced algorithms and machine learning to improve the efficiency of heat control in properties.

## 7.A IMPROVE ACCESS TO RESEARCH AND TECHNOLOGY AND INVEST IN CLEAN ENERGY

In 2019, we chose to join an initiative in Jämtland County where a number of players joined forces to buy a large quantity of aviation biofuel that was then pumped into the aircraft at Åre/Östersund Airport. The object was to show the market that we are prepared to pay to make flying a sustainable option. The fuel that was pumped on behalf of Diös is estimated to save 27.7 tonnes of CO<sub>2</sub> emissions.



## 11.3 INCLUSIVE AND SUSTAINABLE URBANISATION

In developing the area around Gustav III:s torg in Östersund, we opened an information point together with the local authority and the Green Traffic project where local residents can go to take part in the dialogue on developing both the square and public transport services in the city. We did this to bring the dialogue on the project closer to the people in the city.

Through the Söderbo residential project, which covers 85 new apartments, we are offering housing closer to the centre of town. The building is Nordic Swan Ecolabel-certified and is close to a grocery store, local services, cycle paths and the city's transport hub. To make it easier for people not to own a car, residents also have access to a car pool.



## 13.1 STRENGTHEN RESILIENCE AND ADAPTIVE CAPACITY TO CLIMATE-RELATED NATURAL DISASTERS

Today, we know that climate change is already upon us, and we are aware that we are being affected both physically and economically. Our challenge today is to look at those scenarios that are likely, assess the risks and draw up action plans or working methods based on that. A first step is to understand the challenges and the next is to take action and identify the opportunities.



# Success factor #1

## Committed employees

We need to create an attractive workplace that inspires pride and commitment among our employees. Two key factors for achieving this are opportunities for training and a good work-life balance.

By creating an open and inspiring corporate culture that enables our employees to have fun at work, we create an attractive workplace and improve our chance of recruiting the right people. By engaging our employees, we ensure that they stay with us for longer and want to grow and develop in the company.

### HEALTH AND WELLBEING

Enjoying one's job is essential to creating a good work-life balance. We believe health and wellbeing go hand in hand and are therefore keen to promote physical activity for our employees. Through our sports club, Diös IF, the employees themselves can take the initiative to engage in healthy, fun and challenging activities.

We take a proactive approach to health and safety and have appointed a company-wide team that is tasked with developing and improving the work environment at our

workplaces. The team's mission is also to encourage participation and engagement among our employees.

Through our occupational health service, we are able to take early action to prevent sick leave. All permanent employees are offered private health insurance and sick leave remains low. Read more on page 120.

### THE TOOL

This year, we are changing our tool for monitoring our employees' wellbeing and engagement. Previously, we have looked at an annual employee satisfaction index, ESI. This year, we are switching to eNPS<sup>1</sup>, which measures ambassadorship. Using the new tool, we carry out measurements several times a year and thereby receive continuous feedback on team development and engagement. Using this more interactive tool, we are hoping to establish a stronger dialogue with employees while helping managers to take an increasingly hands-on approach. More frequent measurements allow us to identify trends during the year and see the effects of implemented measures. The measurement in December 2019 points to a high level of ambassadorship among Diös' employees, with an eNPS score of 43.

### ORGANISATION

	2019	2018
Number of employees 31 December	153	158
of which local property management	101	104
Number that left during the year	21	31
of which retirement	0	4
Number of new employees during the year	20	30
Staff turnover (%)	14	19

*The figures refer to permanent employees.*

### EQUALITY



<sup>1</sup> Employee Net Promoter Score is a measure of how likely the employees are to recommend their workplace to a friend or acquaintance. The lowest score is -100 and the highest 100.

## Inquisitive employees

We offer training to employees through Diös Academy, which is an important initiative for developing our employees and the company. Through a training council, we identify needs and coordinate training initiatives. Our focus on leadership in 2019 was aimed at training bold, hands-on leaders. Our training activities are also intended to encourage an inquisitive attitude among employees and thereby enable them to identify new opportunities and business openings. Another source of inspiration and engagement was our sustainability course, where all employees took part in a debate on the climate crisis and safe cities.



## 3,663 hours of training delivered

In 2019, Diös Academy provided a total of 3,663 (2,400) training hours, which equates to an average of 23.6 hours per employee.

Stefan Carlsson, Letting Agent Borlänge and Falun.



# Success factor #2

## Satisfied tenants

Satisfied tenants are fundamental to our ability to move closer to our vision and achieve our growth targets. The right tenant, with the right offer at the right place. This is a key factor for creating an inspiring city with a large flow of people.

### OUR PROMISE TO TENANTS – EVERYTHING IS POSSIBLE!

A deep understanding of the business and a proactive approach are the keys to our success in developing our business and relationships. A long-term relationship is based on presence; you need to see each other, show interest and be inquisitive. Equally important is the way you interact with people, in order to understand the tenant's technical requirements.

### MONITORING

We measure the success of our tenant relations partly through an annual customer survey (customer satisfaction index). The 2019 survey resulted in a higher CSI score, 68 (62), than in previous years and we achieved our target for the year. Our efforts to be more accessible and provide faster feedback had an effect, and this is reflected in the survey results. The survey was conducted using a new tool and the response rate was good. The respondents included a broad cross-section of new and existing tenants. In 2020, we will improve our survey procedure by carrying out a larger number of simpler checks to ensure that we detect tendencies at an early stage and to make it easier to identify trends over time. It is hoped that this will enable us to take an even more proactive approach and thus lead to improved relations with more satisfied tenants.

### PRESENCE

Our local presence is something that our existing and potential tenants value highly. And because of our ability and commitment to driving growth in our cities, we are the landlord of choice for many tenants and partners in discussions on new business openings and urban development. By operating closer to

our tenants and suppliers, we believe we can further improve the efficiency of our property management activities, sign more and better contracts, and establish further new partnerships.

### A MIX OF TENANTS

We have over 2,985 commercial leases and 1,745 residential leases spread across several segments and cities. This gives us a solid revenue base with low sensitivity to upturns and downturns in individual industries or cities. It also gives us a bird's eye view of the needs and circumstances of each city, which is of great value in our urban development activities.

### POLARISATION

In the office segment, there is still a high degree of polarisation. The location of a workplace is part of a company's brand, as it is perceived by customers and employees and in recruitment. We have noted a trend in all cities where certain streets or blocks are seeing ever stronger demand thanks to their attractive locations.

A challenge, but also an opportunity, in our efforts to change the content of a city is to convert spaces for new functions in a smooth and cost-effective manner.

### LEASING

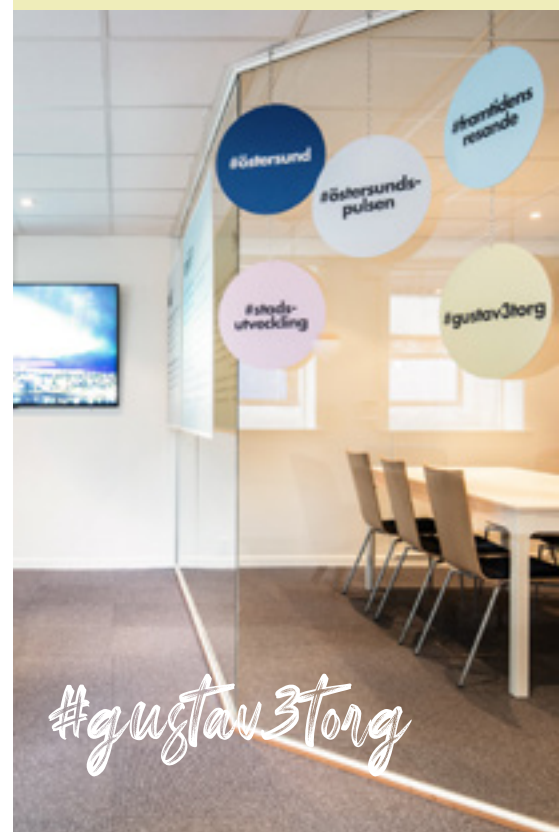
In 2019, we signed a new green lease with our largest tenant, the Swedish Transport Administration in Borlänge. The redevelopment of their existing premises will be carried out in stages and result in a modern, activity-based office of 31,000 sq.m. Of this, 2,000 sq.m is new space, and the building will be environmentally certified under BREEAM In-Use.

In Umeå, we will be working with the Swedish Police to build one of the country's most modern police stations, with a floor space of 10,000 sq.m. In connection with the modernisation, the Umeå Police Authority is expected to increase the number of employees and the new premises will meet the need for improved accessibility.

Net leasing for the year was SEK 42 million (10). Gross leasing for the year was SEK 192 million (220) while contracts worth a gross SEK 150 million (210) were terminated.

## Dialogue and ideas

In the Östersund Room, Östersundians can find information about the plans for one of the city's squares, Gustav III:s torg, ask questions and suggest ideas. The new square and sustainable travelling are key elements of our own and the local authority's strategies for urban development. The development of the city centre is essential if Östersund is to remain attractive as a city. We are living in a fast changing world where people communicate, work, shop, live and socialise in completely different ways compared with just ten years ago. As people change the city needs to keep up and adapt. The Östersund Room will also serve as a gathering-place for meetings, focus groups and workshops linked to the development of Gustav III:s torg.





# Success factor #3

## Central locations



**SEK 22.9bn**

Property value



**333**

No. of properties



**1,483,000 sq.m**

Leasable area

Our properties put us in a unique position. Centrally located properties with a good mix of premises where the emphasis is on offices.

### STRATEGY

Our focus is and has always been on concentrating our property portfolio to the central areas of our cities and to areas close to transport hubs. A strong position and increased concentration put us in a better position to influence decisions, new business openings and growth that are in line with our urban development strategy. Centrally located properties also create economies of scale from a management perspective and in our view also generate a higher and more stable total return than properties outside the city centre.

Geographically, our properties are concentrated to our ten cities, with other localities accounting for only 0.3 per cent of the total value of the portfolio.

The portfolio is well diversified both geographically and in terms of type of property, and the properties are located in growing markets with good prospects for the future.

### TRANSACTIONS

Diös buys and sells properties to achieve synergies, market presence and good capital growth, and to establish a foundation for future development. Properties outside the city centre and properties which offer limited potential to add further value may be divested. Sales create scope for new investments.

In 2019, Diös acquired nine properties and sold five.

### DUE DILIGENCE

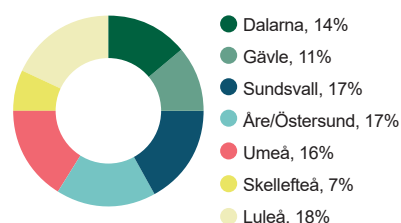
We carry out valuations and assessments of all properties, areas and districts on an ongoing basis to identify and take advantage of opportunities, through purchases as well as sales. Factors such as location, condition, the possibility of acquiring additional development rights, rent levels and vacancies determine the growth potential of a property. Through our local experts, we are in a strong position to assess the potential of individual properties as well as entire districts. We use a comprehensive checklist to assist our assessment of the condition, location and future potential of a property. Aspects such as environmental impact, exposure to natural disasters and the local authority's urban planning are key checkpoints. In addition to physical and technical inspections, we carry out a thorough

financial assessment of the property and of the company which owns the property. As a majority of all property transactions take the form of an acquisition of the company that owns the property, it is of the utmost importance to ensure that financial statements are correct and that taxes have been paid.

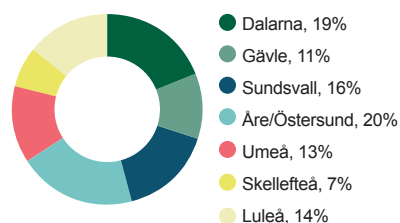
### ENVIRONMENT

We want to create a property portfolio with a small environmental footprint and inspiring environments where people can thrive. To quality-assure and improve the efficiency of our property management activities, we certify our existing properties on an ongoing basis. In 2019, 20 properties were certified under the Breeam In-Use scheme, which means that 17 per cent of the portfolio by floor space has now been environmentally certified. Our target for 2020 is to certify another 12 properties. Developed in Great Britain, BREEAM is one of the world's most widely used international certification systems, covering project management, energy use, indoor environment, water, waste, materials and surrounding area. BREEAM SE has been adapted to Swedish rules and BREEAM In-Use is used for existing buildings.

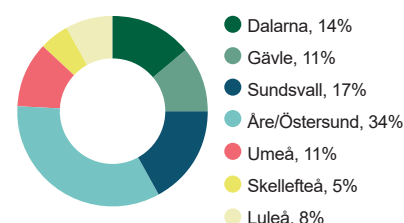
### SHARE OF TOTAL PROPERTY VALUE



### SHARE OF TOTAL LEASABLE AREA



### SHARE OF TOTAL NUMBER OF PROPERTIES



# Case: Types of premises

## Director of content

The city is a marketplace. A place for meetings, shopping, inspiration and productivity. How well this marketplace functions is a result of its participants. Local authorities,

businesses, investors, residents, visitors – all play an important role in raising the attractiveness of the city.

Few property owners are in the same unique position as Diös. A large property portfolio in the central areas of our cities with all types of

facilities and tenants. We are in a position to influence the content of the city, which is a rare privilege.

A local presence and good relations with our stakeholders give us an insight into what is happening in the city. With inquisitiveness, commitment and knowledge, we turn our insights into deeds that add value to the city.

### 1. Experience

The urban space is complex and is continually changing. Needs and behaviours evolve, businesses open and close, and the available spaces vary.

In our role as an urban developer, we want to help our tenants. We want to create an experience that makes people feel the city is attractive and safe and that it has ambitions for the future.

### 2. Round the clock

A varied range of premises creates a flow in the city at all times of day and night. As the sharing economy becomes established facilities can be shared, which is both sustainable and efficient.

Increasing flows in the city creates a more favourable environment for all types of new business openings and activities. Creating spaces that can be used by different players in the day and in the evening, without friction, brings more life to the city.

### 3. Knowledge

Businesses benefit in varying degrees depending on their micro-location. Colocation of similar activities can often create synergies just like changing the location of a retail outlet based on the “right” flows can improve profitability.

We have the premises, we have the knowledge and we have the will to enable our tenants and the city to grow. Through moving chains, a cluster approach and synergies, we seek to act as a director in creating living cities.







The Söderbo residential project, Kräften 8, Östersund.



The Noten hotel project, Sundsvall.



The office of the Swedish Transport Administration, Intagan 1, Borlänge.

## Success factor #4

# Projects and investments



## SEK 2,800m

Approved investment volume major projects



## SEK 1,273m

Investments in 2019



## 100,000 sq.m

Unused development rights

New production and projects create new attractive places and modern premises. Investments in our properties have enabled growth and created value for our tenants and our cities.

### CREATING ATTRACTIVE PLACES

To drive development and growth, you need courage, financial strength and a sustainable business model, but also a portfolio of properties that tick the right boxes. Our centrally located properties and development rights in our cities do just that.

Coupled with a strong cash flow and strong internal expertise, we can enhance our portfolio through projects and property development to create attractive places where people want to be.

Our cities are growing, as are the demands for increased urban density and enhancements to existing properties. We regularly review areas with development potential close to city centres and transport hubs in order to establish a position that will enable us to develop these places in the future. By increasing density we create new prime locations, which drives revenue and capital appreciation.

### RESIDENTIAL

Centrally located housing is a key ingredient for creating a city that is alive round the clock and which therefore feels safe and attractive. There is still a big need for new housing. The process of urbanisation continues and greater urban density is essential to ensuring a sustainable future. On our central residential building plots, we mainly intend to create new rental apartments.

### NEW BUILDS AND DEVELOPMENT RIGHTS

The number of projects increased in 2019, as did the investment volume. Investments

totalled SEK 339 million (16). Ongoing projects in premises with existing development rights cover a total floor area of around 100 000 sq.m. In addition to this, we have identified existing and potential development rights for a gross floor area of a further approximately 100,000 sq.m. The estimated investment volume for ongoing and identified projects is around SEK 5,000 million. We are working continually to create new potential development rights and make use of our existing development rights.

On the new build side, we initiated a hotel project in Umeå, on the Magne 4 property, and a hotel project in Sundsvall, on the Noten 3 property. The 85-apartment residential project on the Kräftan 8 property in Östersund in the Söderbo block was initiated in the summer and is expected to be completed in the final quarter of 2020. Another new build project was launched in 2019 on the Cisternen 4 property in Umeå.

### IMPROVEMENT

Improvements refer to conversion or extension work that materially affects the property's operating surplus or standard or changes the use of the premises. During the year, we invested SEK 147 million (174) in improvement projects. A notable project is that in the Wasahuset building in Gävle, which is undergoing a major redevelopment that is scheduled for completion in summer 2020. In October, Diös signed a contract with the Swedish Transport Administration for a revamp of their head office in Borlänge. The project covers 31,000 sq.m and will involve creating new space and redeveloping existing areas.

### TENANT IMPROVEMENTS

Adaptations to premises or a small part of a property for one or several tenants are called tenant improvements. In 2019, we invested around SEK 787 million (487) in tenant improvements requested by our tenants, which raised the standard of our premises as

well as the rents charged. These projects yield a good return. Our tenants' awareness that we have a strong cash flow that can be re-invested in their premises often results in a good dialogue during renegotiations and a decision by the tenant to remain in a Diös property.

### SUSTAINABLE CONSTRUCTION

We now choose to obtain environmental certification for all new builds and improvement projects. Through property certification, we quality-assure the finished product and the production project. Certification makes our buildings more attractive for our stakeholders, the quality of the management of the properties improves and operating costs are reduced.

For smaller investments, we try as far as possible to engage local contractors and to purchase goods locally in order to reduce the logistical footprint and benefit the local economy. In larger projects, we look for the most efficient process from an environmental as well as financial perspective. In our new build projects, for example, bathrooms are prefabricated and lifted into place, which has benefits from a quality, environmental and financial perspective.

We also factor in the impact of our investments in a wider sense, ensuring that they help build a more sustainable society. We determine how we can measure and monitor a property's impact from a lifecycle perspective, i.e. Scope 3. Today, the full data is often not provided by the supplier, and this is something that we are trying to influence in construction procurements.

### COMING INVESTMENTS

In 2020, we will commence construction of the Police Authority's new office in Umeå and the aforementioned refurbishment of the Transport Administration's head office in Borlänge. In Borlänge, the project to develop Dalarna University's new campus in the Mimer property will be initiated.



# Success factor #5

## Financing



### 53.1%

Loan-to-value ratio

The goal of our financing activities is to ensure an attractive long-term total return for our shareholders as well as the financial resilience and flexibility needed to maintain our creditworthiness.

#### CAPITAL STRUCTURE

The property market is capital-intensive and the availability of capital is therefore essential to continued development. The assets mainly comprise properties, which are financed primarily through equity and interest-bearing debt. The capital structure is determined by the financial risk that is considered acceptable and the owners' required rate of return.

#### FINANCIAL GOVERNANCE

Our financing activities are aimed at supporting our property business by meeting its capital requirements and managing the Group's financial risks. To be able to create long-term value, Diös strives to maintain a stable, well balanced and cost-effective financing structure. The guidelines in the Group's financial



### 6.6 times

Interest coverage ratio

policy are designed to secure the company's financial stability for our lenders.

The financial policy is reviewed and approved annually by the Board. Operationally, borrowing and risk management are handled by the finance department. Diös also has a Finance Committee, which prepares matters and advises the Board on financial matters.

#### INTEREST-BEARING LIABILITIES

At 31 December, Diös had interest-bearing liabilities in the form of bank loans, bonds and commercial paper of SEK 12,145 million (11,099). All loans are currently mortgage loans secured against properties. We have access to several sources of financing, which ensures a good spread of risks.

##### > Bank loans

The main source of financing is bank loans, and will remain so in the near term. Borrowing has been arranged with five Nordic banks and includes renewable credit, time-slice loans and undrawn credit facilities. Undrawn credit facilities give us the flexibility to obtain cash quickly when business opportunities arise. Our bank financing is based on close, long-term relations, which we think is important in



### 1.2%

Average annual interest rate

the event that market conditions and access to capital were to deteriorate.

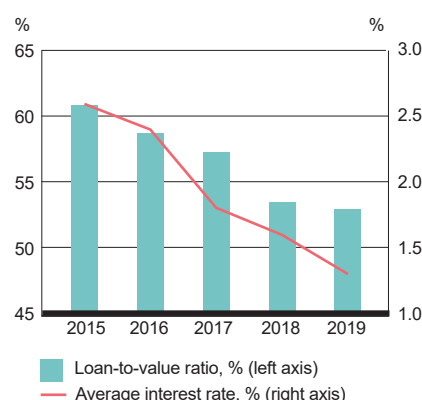
##### > Bonds

Bond financing has been done within the framework of the MTN programme of a jointly controlled company, Svensk Fastighets-Finansiering AB<sup>1</sup> (SFF). SFF is owned in equal parts by Diös Fastigheter AB, Catena AB, Fabeg AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB. The MTN programme, with property mortgage deeds as collateral, had a total outstanding loan volume of SEK 8,852 million (9,446) at year-end, of which our share was SEK 1,248 million (1,240).

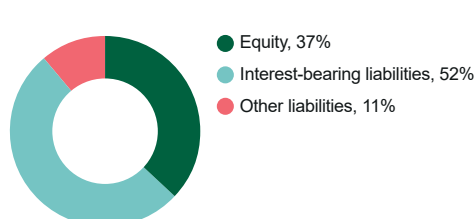
##### > Commercial paper programme

The commercial paper programme is a Swedish company's commercial paper programme with a limit of SEK 2,000 million. At 31 December, outstanding commercial paper totalled SEK 1,835 million (1,090) with maturities of up to 12 months. Of this amount, SEK 300 million refers to green commercial paper listed on Nasdaq Stockholm's list for sustainable debt instruments. In January 2020, the limit for the commercial paper programme was increased to SEK 3,500 million.

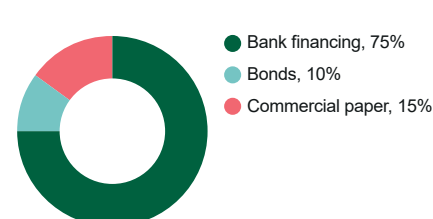
#### LOAN-TO-VALUE RATIO AND INTEREST



#### CAPITAL STRUCTURE



#### INTEREST-BEARING LIABILITIES



<sup>1</sup> In February 2020 Svensk FastighetsFinansiering AB received a credit rating of BBB+ from Nordic Credit Rating.



## Rolf Larsson CFO

“The fact that we are now able to finance our green initiatives under our new green framework is very satisfying. It strengthens our position as a responsible player and emphasises our comprehensive approach to sustainability.”

### SUSTAINABLE FINANCING

Our ability to finance our sustainable activities through “green” financing has improved, both in the capital market and through bank loans. In the autumn, we launched a green financing framework which defines terms for which assets we can borrow green funds against in the capital market. We have borrowed SEK 300 million under the framework by issuing commercial paper. Our ambition is to increase the share of green financing, both in the capital market and from banks, as our properties are environmentally certified and other assets and activities approved under the framework are implemented. Today green financing generally reduces the cost of borrowing.

### COVENANTS

The agreements with lenders contain limits for various financial key ratios, so-called covenants, which are designed to limit the counterparty risk for the company’s lenders. The Group’s covenants are the equity ratio, loan-to-value ratio and interest coverage ratio. The minimum equity ratio is 25 per cent, the loan-to-value ratio must not exceed 65 per cent and the interest coverage ratio must be greater than 1.8 times.

### FIXED-RATE TERMS AND LOAN MATURITIES

A well balanced fixed-rate and maturity structure affects the company’s financial risk as well as financial costs. We have over a period of time chosen to have relatively short fixed-rate terms, which has proved advantageous. The Group’s debt maturity profile shortened in 2019 as a result of loan maturities in 2020. After the end of the year, we have signed agreements on approaching maturities of around SEK 5,100 million. This has extended the average loan maturity, from 1.6 years at year-end to around 3.3 years. To manage fixed-rate terms, we use interest rate derivatives such as interest rate swaps and interest rate caps, in addition to fixed-rate loans. At

year-end, we had SEK 4,000 million in interest rate caps to hedge against a sharp rise in interest rates.

### CASH AND CASH EQUIVALENTS

Access to short-term and medium-term liquidity is crucial for a property company, partly to manage varying income and expense streams, and partly to be able to take advantage of business opportunities. We have revolving credit facilities and overdraft facilities that can be used quickly when required. At today’s low interest rates, there is no profitability in maintaining cash balances. Any excess liquidity is therefore used to pay off debts.

### FINANCIAL POLICY

Policy	Target	Outcome
Loan-to-value ratio	Capped at 65%	53.1%
Interest coverage ratio	At least 1.8 times	6.6 times
Currency risk	Not allowed	No exposure
Liquidity risk	Liquidity reserve to meet payment obligations	SEK 394 million in undrawn committed credit facilities
Equity ratio	At least 30%	36.6%

The financial policy is independent of the financial targets, which may result in certain deviations.

### INTEREST RATES AND LOAN MATURITY STRUCTURE

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate <sup>1</sup> , %	Credit agreements, SEKm	Drawn, SEKm
2020	9,572	1.2	6,411	5,911
2021	2,573	1.2	2,446	2,261
2022	-	-	3,315	2,165
2023	-	-	1,112	1,112
2027	-	-	697	697
<b>Drawn credit facilities</b>	<b>12,145</b>	<b>1.2</b>	<b>13,980</b>	<b>12,145</b>
Undrawn credit facilities <sup>2</sup>	1,835	0.1		
Financial instruments	4,000	0.0		
<b>TOTAL</b>		<b>1.2</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 31 December 2019..

<sup>2</sup> The cost of unutilised credit facilities affects the average annual interest rate by 0.06 percentage points.



A woman with blonde hair, wearing a black and white striped shirt and dark pants, is sitting cross-legged in a large, oval-shaped wicker hanging chair. She is smiling and looking towards the camera while using a silver laptop. The chair is suspended by thick ropes from the ceiling. In the background, there is a large window with a grid pattern, and a guitar is visible on the left. A yellow cushion is in the foreground on the right.

# Our market

Diös tenant Elin Bogren, Site Manager DoSpace, Norr 31:9 in Gävle.

# Market overview

## THE WORLD

Global growth has slowed and is expected to rise slowly over the coming years. Global GDP grew 2.9 per cent in 2019 and is expected by the IMF to be 3.3 per cent in 2020. The US central bank reduced its policy rate three times in 2019 to counter slowing growth while the European, British and Japanese central banks kept interest rates unchanged.

Trade conflicts, mainly that between the US and China, had a negative impact on the economy, resulting in reduced trade. Stock markets rose continuously over the year, interrupted only by a few sell-offs sparked by negative news related primarily to Brexit and the trade war. The situation in Hong Kong and around the Strait of Hormuz also had a negative impact on general risk appetite.

Geopolitical concerns came and went over the year, with North Korea-related tensions being the main focus in the first half. Towards the end of the year, the US-Iran conflict was ratcheted up. Heightened or spreading geopolitical tensions can have a direct impact on risk appetite in equity and bond markets.

Global debt levels have continued to rise, outpacing underlying economic growth by a wide margin. Central banks worldwide have expanded their balance sheets to encourage new lending in an effort to boost growth. The Riksbank is currently holding SEK 340 billion of Swedish government bonds and this volume is expected to remain relatively constant in 2020.

## SWEDEN

Sweden's population grew by 1 per cent, or 97,400, in 2019, to 10.3 million.

Swedish growth, measured as GDP, was modest, at 0.8 per cent. The National Institute of Economic Research (KI) forecasts 0.7 per cent GDP growth for Sweden in 2020.

Household spending is expected to have a positive impact on Swedish growth in 2020 while exports are forecast to have a smaller positive impact than in 2019.

Employment growth is slowing, which will lead to increased unemployment over the coming years, as the labour force is expected to continue growing. KI forecasts an unemployment rate of 7.2 per cent in 2020, up from 7.0 per cent in 2019. Muted demand growth in the economy over the coming years means that businesses will have little incentive to increase their workforces, especially in the industrial sector. At the same time, local authorities' negative financial savings are putting a lid on employment in the public sector, which is seen increasing only marginally over the period.

In December, Sweden's Riksbank increased its repo rate by 0.25 per cent to 0. The bank is signalling that the repo rate will remain at this level until 2022 and then gradually be raised. The raising of the repo rate has been accompanied by a rise in 3-month STIBOR. STIBOR is used as a base rate for variable loans and therefore has a direct impact on household and corporate interest expenses.

Inflation is forecast by the Riksbank to remain slightly below 2 per cent over the coming two years while KI has a more cautious view of inflation. Amid continued low wage growth and a decline in import prices and electricity prices, KI expects inflation to be 1.6 per cent measured as CPIF in 2020.

Commercial property values continued to rise during the year, albeit at a slower pace than previously. Low interest rates, reduced vacancies and rising rents continued to exert upward pressure on property values. In view of the forecast slower growth rate in the Swedish economy, demand for commercial premises is expected to slacken, resulting in slower rental growth.

House prices increased in 2019, both for apartments and single-family homes. Price rises were not concentrated to the big cities but were relatively uniform across the country. Due to generational shifts and new builds, debt levels are broadly outpacing house price rises, making Swedish households more sensitive to regulations and changes in interest rates that affect their disposable income.

## OUR MARKET

In aggregate, the population in our cities increased by 5,400 in 2019. This represents an increase of 0.8 per cent, which is in line with Sweden as a whole. The biggest increases were seen in Umeå and Gävle, whose populations increased by 1.4 and 1.0 per cent, respectively.

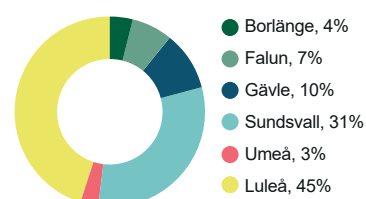
As in the rest of the country, economic growth in northern Sweden has slowed and is considered to be normal according to Norrlandsfonden's economic barometer from autumn 2019. The more subdued economic conditions are seen across nearly all industries, and it is expected that the normal situation will continue into 2020. The industrial sector has the biggest impact on economic growth in northern Sweden and is expected to remain stable. Growth in the IT sector is still strong and is expected to remain so. Access to labour



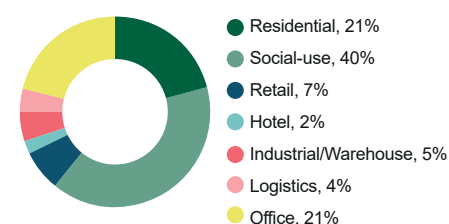
# 1 million people

labour market region around our cities

## TRANSACTION VOLUME BY MUNICIPALITY



## TRANSACTION VOLUME BY SEGMENT



Source: Pangea Research. Based on transactions over SEK 50 million.

is viewed as an obstacle to continued expansion.

Bookings in the visitor industry remain good and the industry is expected to see stronger growth going forward. The number of guest nights is rising in northern Sweden and hospitality is becoming an increasingly significant part of the economy. In 2019, two world championships were organised in Östersund, the FIS Alpine World Ski Championships and the Biathlon World Championships. These events had a tremendously positive impact, drawing a large number of visitors as well as having positive economic and social effects for the region.

The property market in our cities is marked by high total returns and low volatility in property values. The volatility in the total return on property was nearly 6 per cent lower than in Stockholm over the period 1996–2019, as illustrated in the graph below. The main reason for the lower volatility is the higher yield on the properties.

The transaction volume in Sweden reached

a new high in 2019, with properties worth SEK 253 billion changing hands according to Pangea. In 2019, properties worth SEK 16 billion changed hands in our market. By municipality, the transaction volume was highest in Luleå while social-use properties had the highest turnover segment-wise. The graph on the preceding spread shows a full breakdown.

Interest in property investments in Sweden was very strong during the year. Foreign investors have been showing a growing interest and accounted for around 35 per cent of the transaction volume, according to Savills. An increased interest from Asia was notable. In our market, the transaction volume from foreign capital totalled SEK [XX] million.

#### The rental market

The office market remained strong during the year. The polarisation of the market has increased as companies increasingly look for locations that match their brand, which pushes up rents in these locations. Office rents grew most in Skellefteå and Umeå, with top rents of

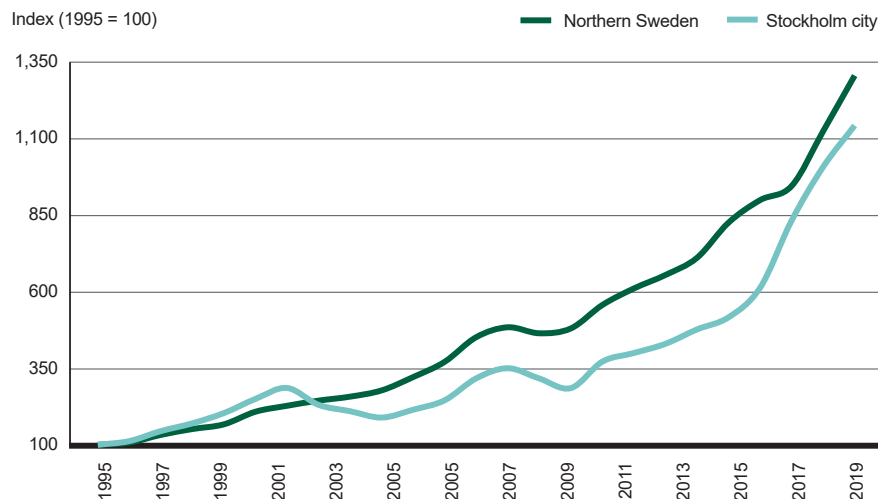
SEK 2,600 per sq.m. The share of public-sector tenants looking for central locations of a high standard has increased, pointing to the importance of the right location also for office tenants in central, regional and local government.

#### Retail

Rents for centrally located retail properties and shopping centres remained stable in 2019. Vacancies have remained largely flat although former retail spaces continue to be converted for other uses. Changing consumption patterns coupled with continued growth in e-commerce are creating uncertainty about returns for retailers, especially for shopping centres, and the risk premium in the valuation therefore increased slightly during the year. To increase the attractiveness of the city centre shopping areas, major changes in store concepts and offerings are being made, especially by the big, established chains. These players are launching new, updated concepts and solutions in the major cities.

#### TOTAL RETURN ON THE PROPERTIES

Index (1995 = 100)



Source: Pangea Research. The diagram shows a proxy for total return based on standardised assumptions. Total return refers to the yield on the properties plus unrealised changes in value.

#### POPULATION GROWTH FORECAST FOR 2027

Growth Current situation			Growth Current situation		
Falun	4%	59,400	Åre	14%	11,730
Borlänge	6%	52,600	Östersund	8%	63,800
Mora	6%	20,470	Umeå	11%	128,900
Gävle	7%	102,420	Skellefteå	8%	72,600
Sundsvall	4%	99,450	Luleå	7%	78,100

Source: Statistics Sweden, regional targets and forecasts (local authority websites).



forecast

## Population growth



# Market trends in depth

## Retail

A paradigm shift is taking place in the retail industry. Behaviours are changing, previous consumption patterns are being broken and business models are being challenged. In retail, there can be no doubt that power has shifted from the producer to the consumer. Traditional retailers in the centre of the town are struggling to remain relevant, especially with regard to products that are not unique or require expert knowledge.

With the advent of e-commerce, consumers have a vast range of choices and options, which has both positive and negative sides. A factor that is being highlighted as an increasingly important success factor for a physical store is the ability to help the consumer to choose, and also to turn the visit into an experience. This is where the staff can play a key role. By creating a unique and personalised experience, the store staff can increase the likelihood of a purchase as well as the probability of an increase in return visits, add-on sales and positive word of mouth advertising. Knowledge, a genuine attitude and personal touch are qualities that can in some cases outweigh the location of the store.

The retail experience is not isolated to an individual store but affects entire city blocks, streets, shopping centres and cities. Here, the social experience is the key factor. By combining different experiences such as shopping, culture, work environments, food and events, it is possible to add value and generate flows that attract today's consumers. Adapted, of course, to each city's particular circumstances. Shopping is an integral part of urban development and will remain so also in future.

Through our centrally located property portfolio, which covers all types of premises, we are in a unique position to influence and change the experience in our cities. Ensuring that our cities live and grow requires a balanced and varied mix of facilities. Drawing on our knowledge and by building partnerships, we are working to create the right conditions for international and national retail chains as well as local entrepreneurs so that retailing in our cities remains profitable and attracts more visitors.

## Polarisation

Location has always been a key word in the property industry. The right locations are seeing stronger demand and thus also higher prices. That said, price has also acted as a divider; when prices rise too far some tenants look for a slightly less attractive location. A shift that is becoming increasingly clear is the polarisation of the office market, where less attractive locations are no longer seen as an option.

The office has become more important from a brand perspective and is affected by the surroundings of the chosen location. Existing and potential employees are looking for particular features in the area around the workplace, and this can affect the attractiveness of the employer. Services, infrastructure, restaurants, other companies and gyms are key considerations when employees choose an employer today. The identity of the surrounding area is important. The effects of a successfully chosen workplace are evident in factors such as proud employees, improved customer relations and a strong brand.

The central areas of cities can often offer these desired characteristics. This is leading to increased competition and rising rents. Another consequence is that less attractive office locations become candidates for conversion to other uses.

This trend has been ongoing in the private sector for some time. Due to the continued strong economic and labour market conditions, competition for labour has stiffened. As a result, the public sector has also started to put a higher premium on the location of office properties in order to improve their ability to attract people with the right skills.

We have continued to concentrate our portfolio with the aim of expanding our offering. A deeper dialogue with a number of selected tenants has enabled us to broaden our understanding of how to add value. Through research and business intelligence, we are leveraging our unique position and expertise to create attractive locations.



**59,400**

Population of  
the municipality

**0.8%**

Population growth in  
the municipality 2019

**5.1%**

Unemployment in  
the municipality

Source: Statistics Sweden and the Swedish Public Employment Service

The Årummet residential property, Falun.

# Falun

Falun is a city with a vibrant centre, an attractive shopping district and a flourishing cultural scene. The Lugnet national ski stadium and Falun Copper Mine are two of the city's best known attractions.

Here, we are renovating the town hall, developing a new office concept and planning for new centrally located apartments.



**17**

properties



**108,000 sq.m**

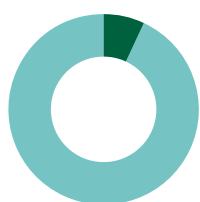
leasable area



**SEK 1,577m**

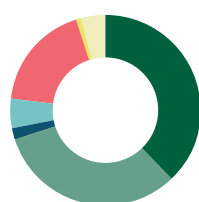
property value

## SHARE OF TOTAL PROPERTY VALUE



● Falun, 7%  
● Other business areas, 93%

## RENTAL VALUE BY TYPE OF PREMISES



● Office, 38%  
● Retail, 32%  
● Residential, 2%  
● Hotel/Restaurant, 5%  
● Care/Education, 18%  
● Industrial/Warehouse, 1%  
● Other, 4%

**36**



Mikael Hedh on...

# The Falun market



Mikael Hedh, Head of Operations for Falun/Borlänge/Mora.

## WHAT MAKES FALUN AN ATTRACTIVE CITY FOR DIÖS?

“The centre of Falun has a wonderful mix of stores, water, green areas, housing and big employers. We are seeing positive inward migration and all property owners have a shared ambition to increase density in the centre of town through housing. Together, we are aiming to double the number of apartments in five years!”

## WHAT MAKES FALUN AN ATTRACTIVE LOCALITY FOR BUSINESSES AND RETAILERS?

“Falun has a lively central shopping district, a thriving cultural scene and well-known visitor

attractions that draw people from across the whole of Sweden. Both we and the local authority are working hard to develop the city centre, and we are well aware that we need to stay on our toes and respond to the changes that are taking place in e-commerce to keep the brick-and-mortar stores alive. It is also a concentrated city where everything is nearby.”

## HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

We have close and good relationships with several different players in the locality that are active, want to push the agenda forward and have the same goals as us. We have, for example, partnered with Falu P, a joint parking company for the local authority and private companies, to ensure good access and easy parking. Centrala Stadsrum, which is working to develop the city centre, is another important forum for us.

## WHAT WERE DIÖS' FOCUS AREAS IN FALUN IN 2019?

“A lot of things happened in 2019. We completed the redevelopment of Bergströms Galleria that has been going on for several years.

We developed our G:a Bergsskolan property by welcoming several new tenants, including Everytime Fitness and Pressbyrån, and by creating a waiting room for public transport. We also redeveloped Åhléns' premises and welcomed

Restaurangskolan in the former premises of the Etage nightclub. Restaurangskolan was previously outside the city but now has premises in the centre of town with their own skyview. We also acquired a large, central property with several attractive tenants, extended our contract with the County Administrative Board of Dalarna and renovated their premises, developed two new cinema auditoria for Svenska Bio, and the owners of our new apartments in the Falan 20 residential building have moved in!”

## WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

“We will, for example, be developing a new office concept in Holmen 8. We have received enquiries from several attractive office tenants that we hope to sign contracts with. The complete renovation of the town hall will go on until the end of the year – this is a joint project with the Falun Local Authority. We are also planning to increase density further by creating new centrally located apartments.”

## MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	1,450	6.75
Retail	2,500	6.25
Residential	1,712	3.75

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES





**52,590**

Population of the municipality

**0.7%**

Population growth in the municipality 2019

**7.5%**

Unemployment in the municipality

Source: Statistics Sweden and the Swedish Public Employment Service



The Dalarna University project in Borlänge.

# BORLÄNGE

Borlänge wants to take the step from traditional market town to events city. There is a desire to arrange more big events, such as the Dalecarlia Cup and the Peace & Love festival, and to develop the city's retail and restaurant services to meet the inhabitants' changing shopping habits and needs.

We are developing tomorrow's campus – bang in the centre of town – together with Dalarna University and look forward to receiving major new tenants as a result of the university's move.



**15**  
properties

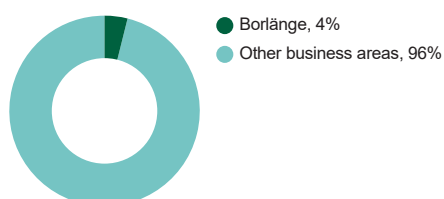


**104,000 sq.m**  
leasable area

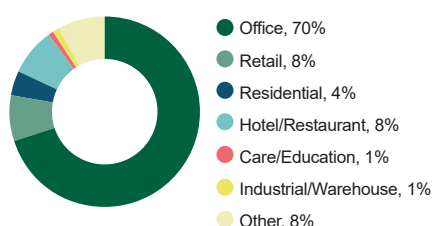


**SEK 996m**  
property value

## SHARE OF TOTAL PROPERTY VALUE



## RENTAL VALUE BY TYPE OF PREMISES



Mikael Hedh on...

# The Borlänge market



Mikael Hedh, Head of Operations for Falun/Borlänge/Mora.

## WHAT MAKES BORLÄNGE AN ATTRACTIVE CITY FOR DIÖS?

“Borlänge is a traditional market town that is taking a giant leap into becoming an event city. Good transport connections, a strong local economy and a drive to arrange big events are some of the city’s strengths.

Right now, Borlänge is one of Diös’ most happening cities. We are building tomorrow’s office for the Swedish Transport Administration and the new campus for the university; we are seeing good demand for our office premises and we had a good 2019 with several successful examples of conversions of retail space.”

## WHAT MAKES BORLÄNGE AN ATTRACTIVE LOCALITY FOR BUSINESSES AND RETAILERS?

“In addition to the big project that Diös is running, the local authority is planning for a new cultural centre. Our industry colleagues also have several housing projects running in the centre, which means that more people will be living and moving about.

The city’s good transport connections are important for the companies that operate here. There are also many large, stable companies in the city, which creates good demand for and job opportunities for local service-sector companies.

## HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

We have a very good relationship with the business and enterprise team at the local authority and with other property owners. We are also involved in the “Händelsestaden Borlänge” project, which is aiming to transform Borlänge from a traditional market town into an events city – a big and important step for the development of the city.

## WHAT WERE DIÖS’ FOCUS AREAS IN BORLÄNGE IN 2019?

“By far the biggest event in 2019 was Dalarna University’s decision to establish its new campus in the centre of Borlänge, on the Mimer property, which is also known as Liljanhuset. Together, we

will be developing tomorrow’s campus, an attractive fit-for-purpose campus with a focus on entirely new learning environments and opportunities for advanced activities. The future central location is close to a developed transport hub and enables a close partnership with the local business sector.

During the year, we also had several tenants who expanded their space and grew with us, which is always satisfying.”

## WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

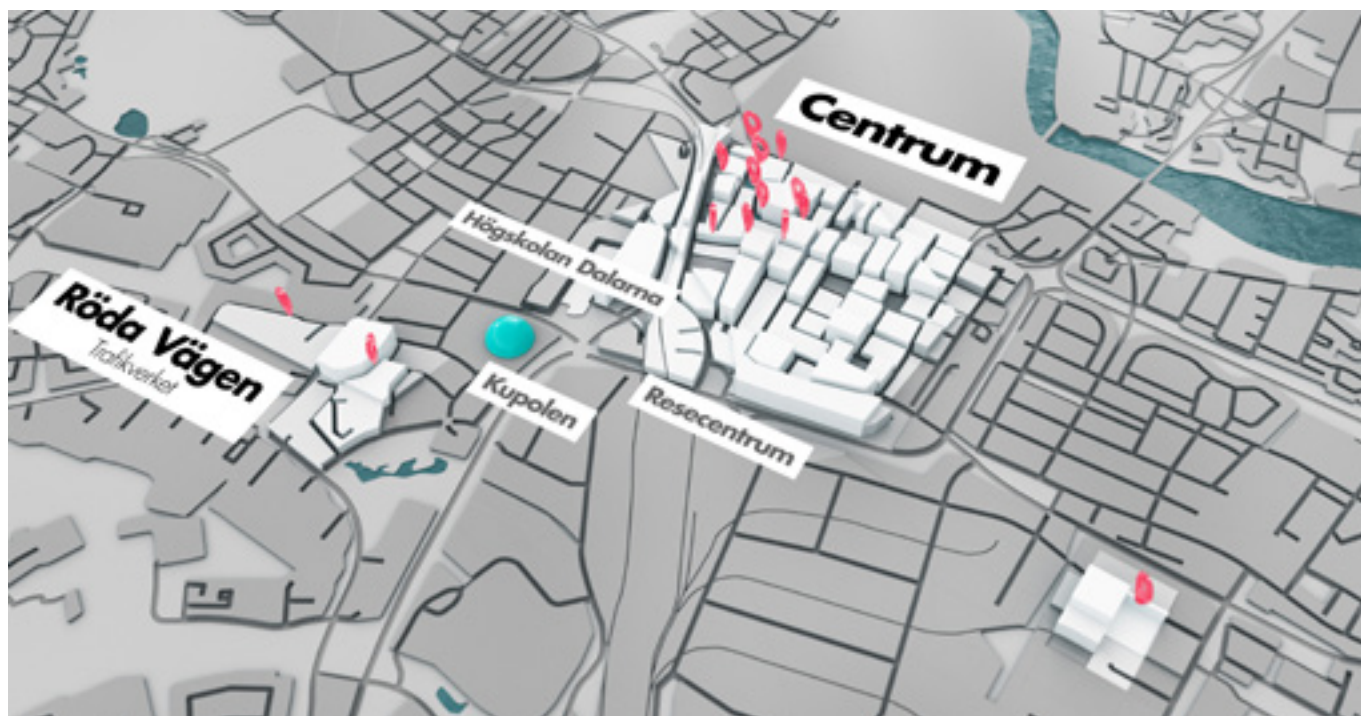
“We will be focusing on the relocation of the university and are already looking forward to several new business openings in the centre, which is a natural consequence of the increased need for related services that the move will give rise to.

## MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	1,550	6.25
Retail	2,300	6.50
Residential	1,663	4.25

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES





# 20,470

Population of the municipality

# 0.4%

Population growth in the municipality 2019

# 3.9%

Unemployment in the municipality

Source: Statistics Sweden and the Swedish Public Employment Service



Diös tenant: Gray's in Mora Ellinor Sparrman, shop assistant, Mikael Hedh, Business Manager Falun/Borlänge/Mora.

## Mora

Mora is the strong tourist destination that keeps growing, with a good mix of shops, services and experiences. It is home to several big sporting events that put the city on the map and attract businesses and visitors from across the world, not least the Vasaloppet ski race. There is a strong entrepreneurial spirit, with brands like Dalahästen (Dalecarlian horse) and Morakniv (Mora knife).

We are continuing our important efforts to bring in more residents and increase the flow of people in the central areas and are also planning some new builds.



# 13

properties



# 41,000 sq.m

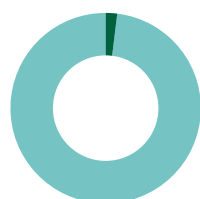
leasable area



# SEK 490m

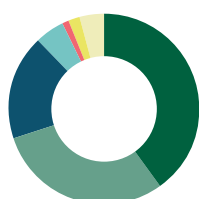
property value

### SHARE OF TOTAL PROPERTY VALUE



- Mora, 2%
- Other business areas, 98%

### RENTAL VALUE BY TYPE OF PREMISES



- Office, 40%
- Retail, 30%
- Residential, 18%
- Hotel/Restaurant, 5%
- Care/Education, 1%
- Industrial/Warehouse, 2%
- Other, 4%

# 40



Mikael Hedh on...

# The Mora market



Mikael Hedh, Head of Operations for Falun/Borlänge/Mora.

## WHAT MAKES MORA AN ATTRACTIVE CITY FOR DIÖS?

Mora is a strong tourist destination that keeps growing, with a good mix of shops, services and experiences. This is the regional capital of northern Dalarna and the gateway to the county's mountains. The city's constant growth is partly due to the tourist industry, which attracts a large number of visitors in both summer and winter.

Mora has a wide range of sports facilities and hosts sporting events that put the city on the map, foremost of which is the enormous Vasa-

loppet ski race.

The city's proximity to Norway is a boon to local retailers and Mora has become a meeting place and centre of trade for many people.

## WHAT MAKES MORA AN ATTRACTIVE LOCALITY FOR BUSINESSES AND RETAILERS?

"Mora has a large catchment area and a good mix of local players and major companies. We also have strong entrepreneurship. Everyone that is active in Mora tries to do their bit to maintain an attractive range of services and to continually develop the city.

## HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

"We have a good interaction and dialogue with the local authority, politicians, government officials, other property owners in the centre and Visit Dalarna. We have regular meetings in a property team with representatives of city centre businesses and activities. We are also active in Regionstad Mora, where we hold a directorship.

As the largest private property owner, we of course want to be driver and leader in increasing the attractiveness of central Mora."

## WHAT WERE DIÖS' FOCUS AREAS IN MORA IN 2019?

"All significant vacancies have been filled with

attractive tenants, which increases the flow in the centre of town. We have provided premises for a 1,400 sq.m gym (Actic) in a central location, redeveloped the 760 sq.m premises for Lantmäteriet and provided premises for Jeansbolaget. We have also initiated work on adapting premises for a new restaurant, Käk & Plock."

## WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

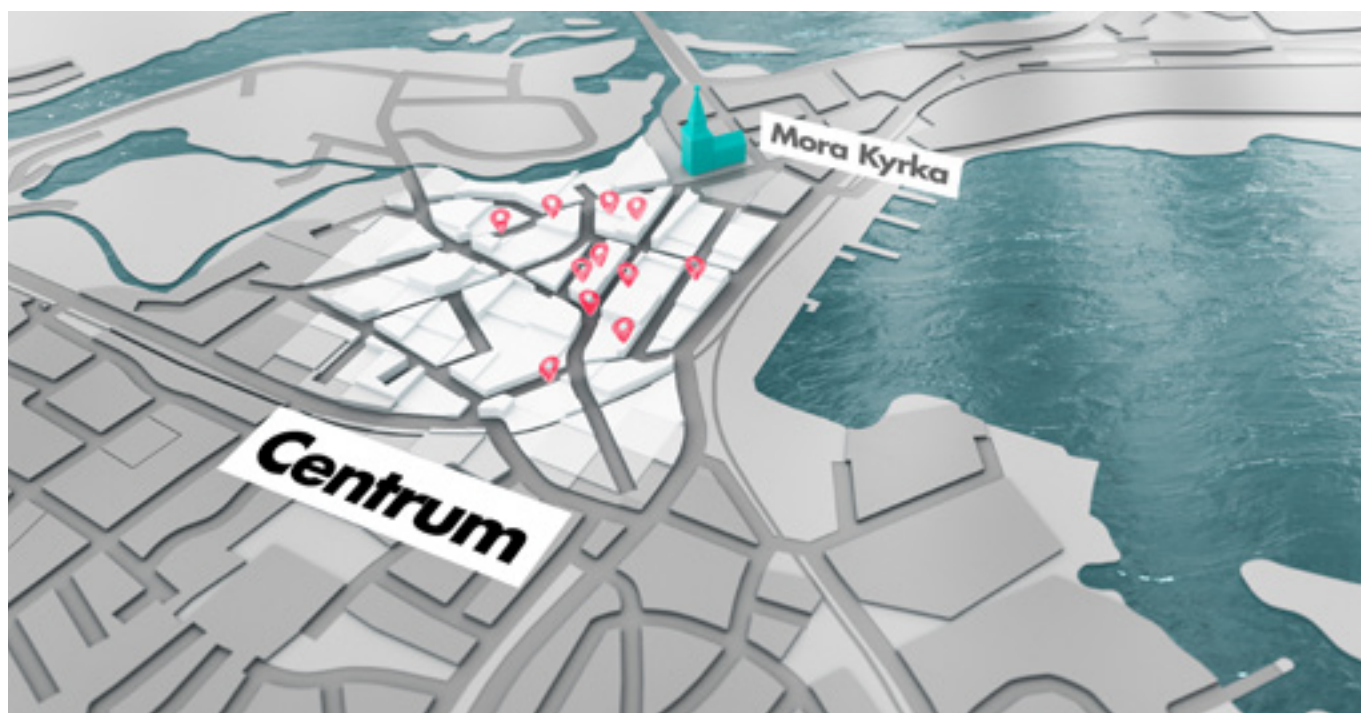
"We will continue our important efforts to bring in more residents and increase the flow of people in the central areas. We will ensure that vacancies receive new tenants who fill gaps in the city's existing range of services, so that we can maintain and develop a living city centre at a time of ever increasing competition from online retailers. We are also planning some new builds.

## MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	1,100	7.25
Retail	1,200	7.50
Residential	1,283	5.00

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES



# 102,420

Population of the municipality

# 1.0%

Population growth in the municipality 2019

# 9.6%

Unemployment in the municipality

Source: Statistics Sweden and the Swedish Public Employment Service



# Gävle

Gävle has an ever expanding port and is in a perfect location for commuting. The local businesses are expert networkers and the growing population is continually creating new flows. The local authority is planning to build a cultural centre as well as new housing.

We have continued to develop Wasa, are focusing on lettings in Åhuset and are working with other property owners to develop Stortorget into the best possible meeting place for the city's residents.



**34**  
properties

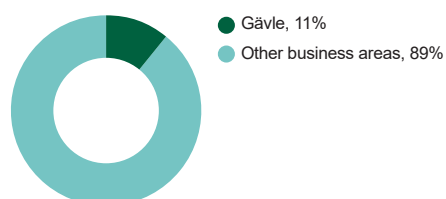


**161,000 sq.m**  
leasable area

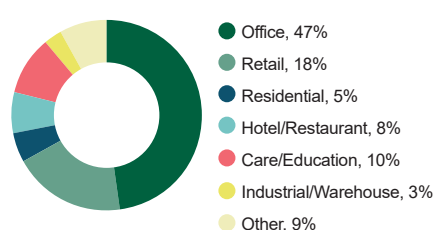


**SEK 2,468m**  
property value

## SHARE OF TOTAL PROPERTY VALUE



## RENTAL VALUE BY TYPE OF PREMISES



# 42



Jennie Järverud on...

# The Gävle market



Jennie Järverud, Business Area Manager Gävle.

## WHAT MAKES GÄVLE AN ATTRACTIVE CITY FOR DIÖS?

“Gävle is a port city that is in a perfect location for commuting. We have a modern university, an expanding port and a population that is growing steadily. The local authority is planning to increase the density of the centre of town with new housing and to build several new housing areas close to the city. There is also a strong spirit of collaboration in the centre of town. The businesses here are professional networkers and partnerships are high on the agenda.”

## WHAT MAKES GÄVLE AN ATTRACTIVE CITY FOR BUSINESSES AND RETAILERS?

“Gävle is a growth city in the region and big companies see the city as a good logistics hub. As the saying goes, “All roads lead to Gävle” – the E4, the East Coast Line, the Northern Main Line, the E16, the Bergslagen Line, the Port of Gävle and the No. 56 national road. All this makes Gävle a good place for commuting. The local authority is also planning to expand the transport network to the city centre to make it even easier for travellers.”

## HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

We have a really good relations with other players and take part in a variety forums, such as Market-place Gävle, a joint initiative between the local authority and several big companies, and the City Renewal Group, which includes politicians and town planners. I am also on the board of Gävle City, which coordinates activities relating to the city centre and has representatives from the retail sector and the local authority. One of the issues that we are addressing is how to make Gävle even more attractive for new business openings.

Gävle is just the right size, so in the industry we all know each other very well.”

## WHAT WERE DIÖS' FOCUS AREAS IN GÄVLE IN 2019?

“We have continued to develop Wasa and started the redevelopment of Åhuset, which is set to become one of Gävle's most modern office

buildings. We have continued to work together on the area around Alderholmen, and even more property owners are now involved, with the aim of agreeing on shared goals. The renovation of the Konvaljen multi-storey car park has also been completed.”

## WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

“We have continued to work on several projects that began in 2019. Wasa will be completed in spring 2021, we will focus on lettings in Åhuset in order to fill the building completely, and we will be building new glass sections on Konvaljen, facing Stortorget.

We will also be sponsoring Hitta Ut, a health and wellness initiative that offers an exciting new way to find your way around, even in the centre of town.

Last but not least, we will continue to work with property owners around Stortorget to see how we can raise the level of activity and make it an even better meeting place for the city's residents.”

## MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	1,600	5.40
Retail	3,500	6.00
Residential	1,771	4.00

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES





# 99,450

Population of the municipality

# 0.6%

Population growth in the municipality 2019

# 7.5%

Unemployment in the municipality

Source: Statistics Sweden and the Swedish Public Employment Service



Sundsvall.

## Sundsvall

Sundsvall is the city between the hills, with Sweden's most beautiful city centre, Stenstaden. Here, the football arena occupies a central place and there is a wide range of restaurants. New areas of town are being created and old ones are growing, all with the ambition of increasing density and linking up the city centre. Sundsvall never stands still.

We have continued to develop the new block around the IN:gallerian shopping centre, are developing our PickPackPost concept, seeing the hotel take shape and increasing density in the centre through new apartments.



### 53

properties



### 233,000 sq.m

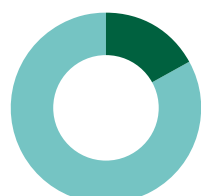
leasable area



### SEK 3,803m

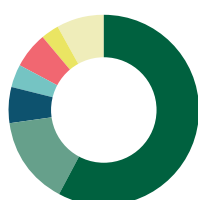
property value

#### SHARE OF TOTAL PROPERTY VALUE



● Sundsvall, 17%  
● Other business areas, 83%

#### RENTAL VALUE BY TYPE OF PREMISES



● Office, 58%  
● Retail, 15%  
● Residential, 6%  
● Hotel/Restaurant, 4%  
● Care/Education, 6%  
● Industrial/Warehouse, 3%  
● Other, 8%

# 44

Sofie Stark on...

# The Sundsvall market



Sofie Stark, Business Area Manager Sundsvall.

## WHAT MAKES SUNDSVALL AN ATTRACTIVE CITY FOR DIÖS?

"Sundsvall is in a fantastic location in the centre of Sweden. Around 200,000 people live and work in the region and the proximity to Stockholm creates opportunities for growth. House building has really taken off, but there is a lot still to do. Our city centre, Stenstaden, has an unexploited potential for which the proximity of the university is the key. All this coupled with the local authority's and Transport Administration's major infrastructure projects encourage us to continue to invest in Sundsvall."

## WHAT MAKES SUNDSVALL AN ATTRACTIVE CITY FOR BUSINESSES AND RETAILERS?

"The fact that things are really moving in the city. We are building a hotel and new housing and developing our central properties. The local authority is making big investments in trains, roads and a completely new travel hub. Sundsvall has many big employers and it is precisely the mix of the university, government agencies and private businesses that is attracting tomorrow's workers."

## HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

"We have a very good partnership with the local authority, university and local businesses. Several property owners in Sundsvall have teamed up to form an economic association which together with local retailers owns the city's urban development company. The company will be driving important development issues, for Sundsvall at large and for the city centre."

## WHAT WERE DIÖS' FOCUS AREAS IN 2019?

"A major event in 2019 was the turning of the first sod on our new city block. The new block will link up the hotel with Stenstaden. Two exciting elements of the new block are the Naturaj restaurant, which is run by Chef of the Year 2017 Johan Backeus, and our new Pick-PackPost concept, a modern parcel collection

point in the middle of the shopping centre.

The Metropol business centre was updated during the year into a modern office building with a new restaurant, gym and nursery. House Be, a co-working concept, has also established a presence there."

## WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

"We are continuing to build the new city block. The hotel is starting to take shape and it will be hugely exciting to see it emerge. We have also continued to increase density by creating more apartments in the centre.

To maintain and increase the flow of people in the city, we will be developing PickPackPost and establishing other exciting new concepts that will expand the services available to residents.

We have also continued to develop new co-working spaces in Stenstaden, to meet demand from our customers.

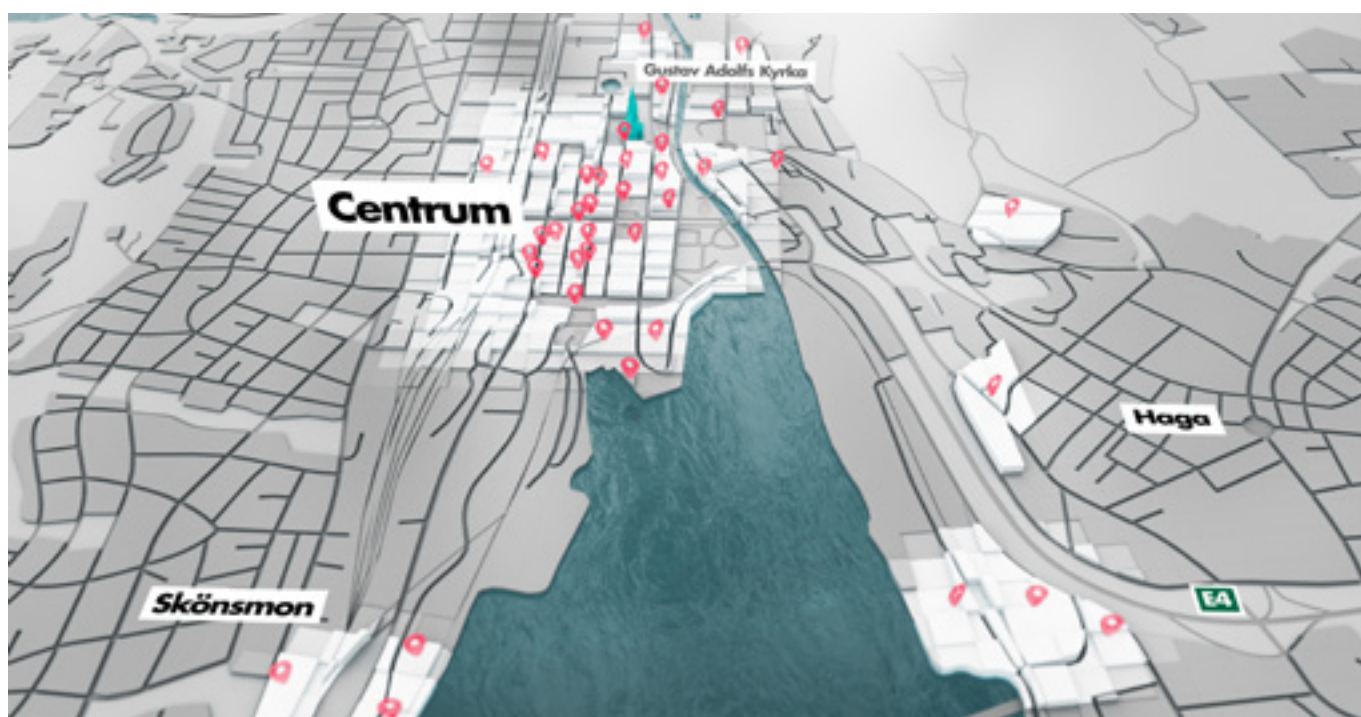
Together with our tenants and partners, we want to continue our efforts to make Sundsvall into one of Sweden's most inspiring cities."

## MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	2,000	5.00
Retail	3,500	6.00
Residential	1,825	3.50

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES







**63,800**

Population of the municipality

Source: Statistics Sweden and the Swedish Public Employment Service

**0.9%**

Population growth in the municipality 2019

**5.7%**

Unemployment in the municipality

Henrik Sjöstrand, Letting Agent, and Emma Widegren, Property Manager, in the office of Diös tenant Grand North, Gästgivaren 3 in Östersund.

# Östersund

Östersund is a city where there is a strong drive for development – among the skiing elite as well as the business sector. The proximity to the mountains, lakeside setting and vibrant city centre are a big draw for many people, and businesses here attract new staff with promises of a richer life at the foothills of the mountains.

We have continued to develop our new city block with restaurants, offices, apartments, a hotel and meeting places. We are lowering the threshold for new business openings in the centre to create diverse and exciting content.



**83**

properties



**258,000 sq.m**

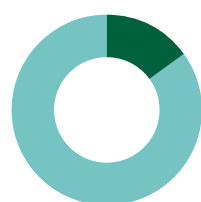
leasable area



**SEK 3,305m**

property value

## SHARE OF TOTAL PROPERTY VALUE



- Östersund, 15%
- Other business areas, 85%

## RENTAL VALUE BY TYPE OF PREMISES



- Office, 39%
- Retail, 16%
- Residential, 19%
- Hotel/Restaurant, 6%
- Care/Education, 8%
- Industrial/Warehouse, 6%
- Other, 6%

**46**

Johan Fryksborn on...

# The Östersund market



Johan Fryksborn, Business Area Manager Östersund/Åre.

## WHAT MAKES ÖSTERSUND AN ATTRACTIVE CITY FOR DIÖS?

“Östersund has an incredible drive for development, a belief in the future and development potential. The city is the hub of the region and the people here really know how to “live life”. It is a city with a big heart!

The fact that Östersund time and again draws the attention of the world in connection with big sporting events has also turned the city into a strong and attractive brand.

## WHAT MAKES ÖSTERSUND AN ATTRACTIVE CITY FOR BUSINESSES AND RETAILERS?

“There is a genuine will here to work together and businesses find it easy to recruit. The big sports events and high-class gastronomy attract visitors from across the world. Our strength in retailing, tourism as well as industry creates synergies, both in the form of producers such as Hilleberg and Woolpower and in the form of a city centre that remains attractive. The fact that Östersund was named City Centre of the Year 2019 points to a high level of ambition and a will to develop!”

## HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

“We have good relationships with the local authority, local businesses and other property owners. We are engaged in a close dialogue with both public- and private-sector players in our striving to create a safe and living city.”

## WHAT WERE DIÖS' FOCUS AREAS IN ÖSTERSUND IN 2019?

“We have, for example, continued to develop Söder through the Söderbo housing project and by creating more tasteful offices in an industrial style. We have also continued to develop Frösö Strand and developed the city centre by intro-

ducing new tenants and concepts.”

## WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

“By far our largest project, the development of the GIII block (“the bus station square”), will really get going. We are creating an entirely new block with restaurants, offices, apartments, a hotel and meeting places. We will also continue to work on increasing the density of services on Prästgatan. We are doing so by lowering the threshold for new business openings and thus creating exciting and diverse content. New service providers will open up shop in the Söder district and we are preparing the ground for further new housing.”

## MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	1,650	6.00
Retail	2,400	6.00
Residential	1,717	3.75

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES





# 11,730

Population of the municipality

Source: Statistics Sweden and the Swedish Public Employment Service

# 1.8%

Population growth in the municipality 2018

# 6.3%

Unemployment in the municipality



Diös tenant Stellar Equipment, Åre Prästbord 1:76 in Åre.

## Åre

Åre has taken the step from ski resort to popular year-round destination, especially for cycle tourism. The locality is also one of the country's hottest places for business start-ups, networking and gastronomy. Events such as Åre Business Forum, Åre Session and Åre Autumn Fair attract residents as well as visitors of all ages.

We are providing premises for a new restaurant at Årekompaniet and making additional floor space available for the successful House Be co-working space.



**6**  
properties

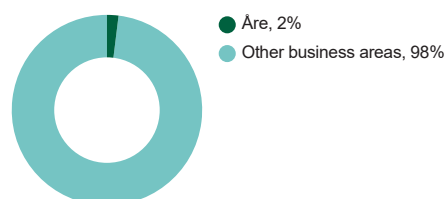


**30,000 sq.m**  
leasable area

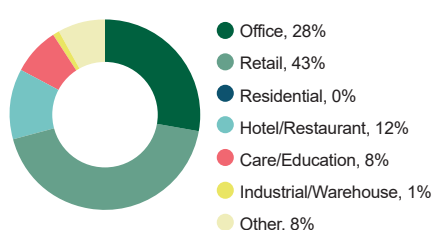


**SEK 506m**  
property value

### SHARE OF TOTAL PROPERTY VALUE



### RENTAL VALUE BY TYPE OF PREMISES



Johan Fryksborn on...

## The Åre market



Johan Fryksborn, Business Area Manager Östersund/Åre.

### WHAT MAKES ÅRE AN ATTRACTIVE LOCALITY FOR DIÖS?

“Åre has gone from being purely a ski resort to a popular year-round destination. The locality is now one of the country’s hottest places for business start-ups, networking and gastronomy.

It has something for –everyone, at all times of year – whether you are looking for Åre’s throbbing nightlife or early-morning skiing, or live and work in the village. It is an attractive place that is teeming with entrepreneurs, especially in tourism, gastronomy and the start-up sector.”

### WHAT MAKES ÅRE AN ATTRACTIVE LOCALITY FOR BUSINESSES AND RETAILERS?

“The combination of the active outdoor life and state-of-the-art premises in central properties is encouraging many businesses to establish a presence here. There are a lot of people moving about here and the concept of low season hardly exists any more, which creates a good basis for a thriving retail sector.”

### HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

“We have a good relationship local businesses and the Åre Local Authority through Åre Destination and House Be. This opens up for new business openings, both large and small.”

### WHAT WERE DIÖS’ FOCUS AREAS IN ÅRE IN 2019?

“We have, for example, developed some ultra-modern office premises on Åre Torg, expanded House Be with stage 3 and established the Pinchos restaurant and Hotel Åre Torg in an attractive ski-in location.”

### WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

“We will be providing premises for a new restaurant at Årekompaniet, which is something we know the 300 people who work there on a

daily basis have been looking forward to. Årekompaniet was already home to Campus, the local health centre, the Police and STC Gym as well as the House Be co-working space, which in the spring will expand its floor space by another 500 sq.m, having already outgrown its existing premises.

Otherwise, we will continue to be active in our tenant relations, in order to pick up ideas and wishes that can enable us to continue to meet the wishes and requirements of the modern Åre resident.”

### MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	1,200	7.25
Retail	1,200	6.50
Residential	1,287	4.75

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES





# 128,900

Population of the municipality

# 1.4%

Population growth in the municipality 2019

# 5.1%

Unemployment in the municipality

Source: Statistics Sweden and the Swedish Public Employment Service



The Magne 4 hotel project in Umeå.

## Umeå

Umeå is buzzing with students, music, culture and idealism. "Umeå wants more" is the city's slogan, and this is evident not least in the ambition to grow the population to 200,000 by 2050. The city has one of Sweden's biggest universities and a large pool of qualified labour. Businesses view Umeå as a safe place to set up shop, and the city's environmental profile is crystal-clear: everything should be within reach without a car.

We have continued to develop the Vale block with a new 11-storey building and an attractive mix of apartments, restaurants and offices.



# 34

properties



# 178,000 sq.m

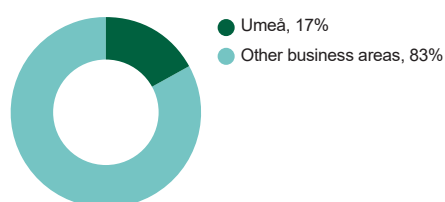
leasable area



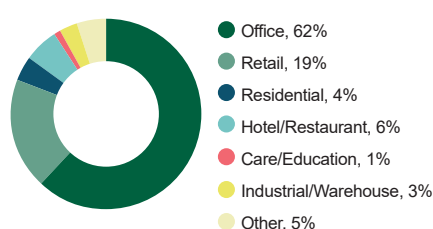
# SEK 3,758m

property value

### SHARE OF TOTAL PROPERTY VALUE



### RENTAL VALUE BY TYPE OF PREMISES



# 50

Göran Fonzén on...

# The Umeå market



Göran Fonzén, Business Area Manager Umeå.

## WHAT MAKES UMEÅ AN ATTRACTIVE CITY FOR DIÖS?

“Umeå’s brisk growth has continued and there is a strong will to invest, on the part of Diös as well as other players in the region. The local authority’s ambition to increase the number of residents in the centre, a living city centre and that residents should be able to reach everything within a five kilometre radius is completely in line with our view on urban development and our focus on increased density.

## WHAT MAKES UMEÅ AN ATTRACTIVE CITY FOR BUSINESSES AND RETAILERS?

– Umeå is a young city with stable population growth, and this is particularly evident among local retailers, restaurants and entertainment venues. We have also noted that elderly people are moving into the central parts of town and contributing to the evening economy. There is tremendous demand for qualified labour, which is attracting both people and businesses to the city and creating a positive feedback loop with a strong emphasis on recruitment.”

## HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

That’s why we engage in a continuous dialogue with the local authority, university, other big property owners and other players. The open climate in Umeå contributes to common solutions for promoting urban development.”

## WHAT WERE DIÖS’ FOCUS AREAS IN UMEÅ IN 2019?

– “An exciting new let is that to machine hire company Lambertsson at ÖstTeg. We are demolishing an old office building in order to build a new, state-of-the-art facility for them.

We have signed a contract with the Police Authority under which we will produce one of the country’s most modern police stations, with a completely unique architecture. The property

will be more welcoming and accessible for the public as well as the staff.

We have also made extensive tenant improvements for the district court, modernising their premises.

Our hotel project was ongoing during the year, although so far it has mainly involved demolishing the existing structures.

Apart from this, we have focused on achieving a closer relationship with our tenants and our market through a proactive approach.”

## WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

“In 2020, our focus will be on getting started on developing the Vale block by Vasaplan, which will involve building a new 11-storey building with an attractive mix of restaurants, offices and apartments.

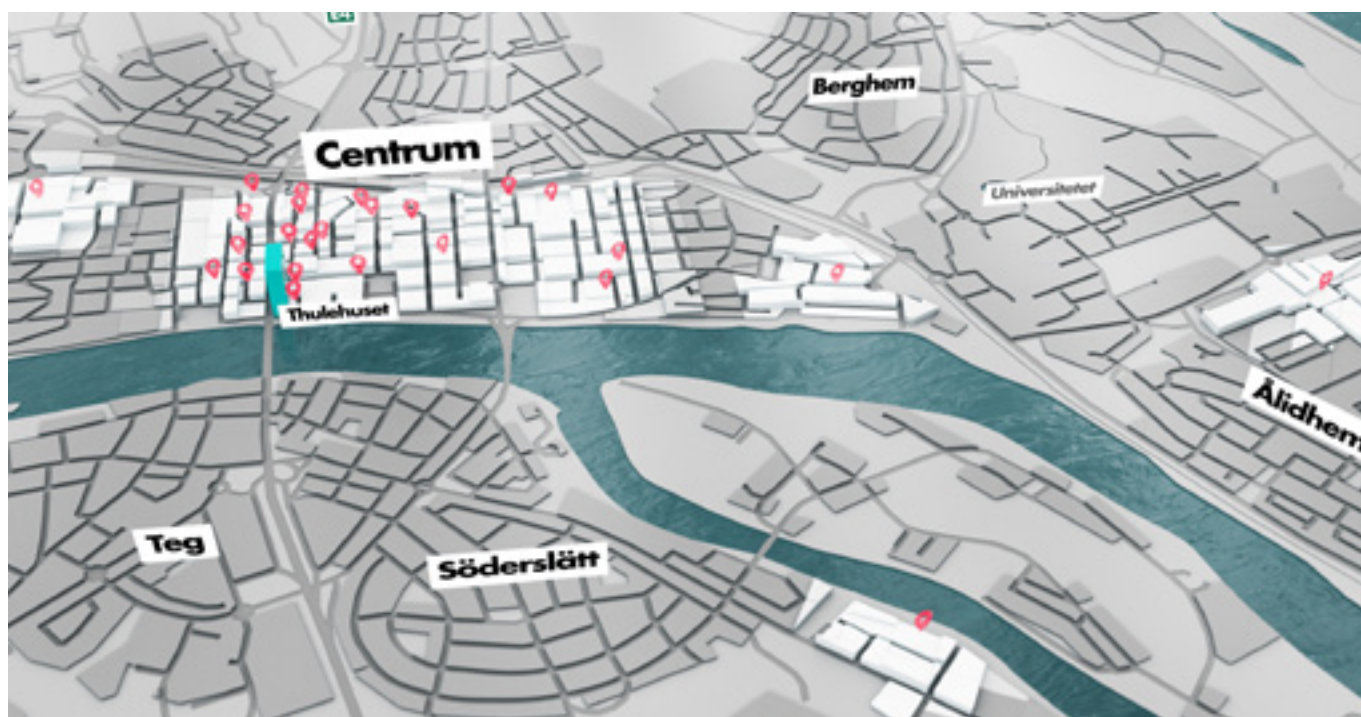
We are continuing our constant efforts to develop our properties and find new business that will help to take our city forward.”

## MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	2,000	5.00
Retail	4,000	5.90
Residential	1,825	3.50

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES





# 72,600

Population of the municipality

# 0.2%

Population growth in the municipality 2019

# 5.3%

Unemployment in the municipality

Source: Statistics Sweden and the Swedish Public Employment Service

Elin Almqvist, Property Manager, with Diös tenant Markus Richtmann, owner of Stadskällaren, Lekatten 9, Skellefteå.

## Skellefteå

Skellefteå is a city that is known for its many authors and deeply rooted ice hockey culture. The city's traditional industrial sector is stable, but services and tourism and hospitality are expanding, and Europe's largest battery factory is also set to be built here. Skellefteå believes in the future.

We have continued to invest in our strong existing property portfolio, notably by developing the Hjorten 5 property across all segments. We are also placing even greater weight on deepening our relations with our tenants.



**17**  
properties

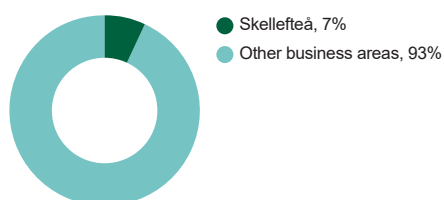


**113,000 sq.m**  
leasable area

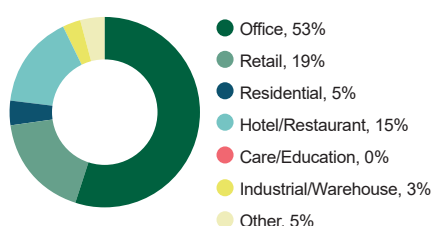


**SEK 1,569m**  
property value

### SHARE OF TOTAL PROPERTY VALUE



### RENTAL VALUE BY TYPE OF PREMISES



# 52

## Maria Fjellström on... The Skellefteå market



Maria Fjellström, Business Area Manager Skellefteå.

### WHAT MAKES SKELLEFTEÅ AN ATTRACTIVE CITY FOR DIÖS?

“Skellefteå is a city under development. An entirely new city is taking shape, with housing, workplaces, transports and infrastructure. The expansion of the city is based on the assumption that Skellefteå will have a population of 100,000 in the future.

Work on Northvolt, Europe’s largest battery plant, began in August and the plant is expected to up and running in 2021. This is a unique industrial project that will generate up to 3,000 new jobs and is also a positive catalyst in the

growth process that puts Skellefteå on the map and draws attention to what is happening here.”

### WHAT MAKES SKELLEFTEÅ AN ATTRACTIVE CITY FOR BUSINESSES AND RETAILERS?

“In the near future, many people will live and work here. Our city therefore needs more of everything to meet the needs of new and existing residents. One construction project is a new cultural centre, Sara. “The city has an unswerving belief in the future and a will to develop, and there is a clear focus on working together to meet the population growth at all levels.”

### HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

“To successfully develop a city at this pace, we need to do it together. We of course participate in all forums where we can help to develop and create a more living and safe central district as the city grows.”

### WHAT WERE DIÖS’ FOCUS AREAS IN SKELLEFTEÅ IN 2019?

“We are at the detailed development plan stage with Polaris, a planned new build comprising residential and commercial premises. In the autumn, we also acquired Mimer 4 and 7. We have made several attractive tenant improvements for our office tenants, with the project for

Swedbank being the most extensive. We have provided premises for a new tenant, the Italian restaurant La Cena, in Orion 8 and Houdinis Hideout, an escape room concept, has opened in the basement of Hjorten 5.”

### WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

“There are a lot of exciting things happening in terms of the development and content of our existing properties. We will, for example, be developing the Hjorten 5 property across all segments.

We are working continuously to become an even better property owner and landlord. Relationships are the foundation for everything we do.

We will continue to invest in our strong property portfolio in the city in order to play an even greater role in urban development. We will help to make Skellefteå one of Sweden’s most inspiring cities!”

### MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	1,400	6.75
Retail	2,300	6.25
Residential	1,658	4.00

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES





Source: Statistics Sweden and the Swedish Public Employment Service

**78,100**

Population of the municipality

**0.4%**

Population growth in the municipality 2019

**6.2%**

Unemployment in the municipality



The Smedjan Galleria shopping centre, Luleå.

# Luleå

Luleå, the modern coastal city in the north, has a fantastic archipelago in summertime and a host of activities on the ice in wintertime. This is a city with a steadily growing population, a university of technology that attracts the very brightest, and a growing tourism and hospitality industry.

We have continued to increase density in the central district and are developing the retail sector with a focus on the Shopping galleria. We have also continued to develop our Biet and Tjädern properties to create additional housing, improved services and more smart offices.



**28**

properties



**205,000 sq.m**

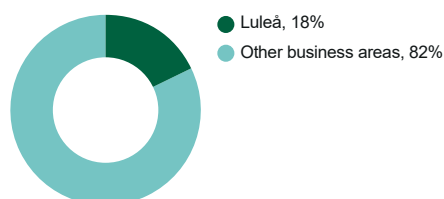
leasable area



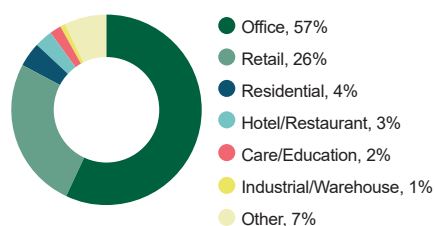
**SEK 4,207m**

property value

## SHARE OF TOTAL PROPERTY VALUE



## RENTAL VALUE BY TYPE OF PREMISES



**54**

Johan Lång on...

# The Luleå market



Johan Lång, Business Area Manager Luleå.

## WHAT MAKES LULEÅ AN ATTRACTIVE CITY FOR DIÖS?

Luleå is an incredibly beautiful coastal city, surrounded by water and with a unique archipelago. It is also a modern, conscious city that is seeing a steady influx of new residents.

Thanks to frequent flights and train connections, Luleå is highly accessible."

## WHAT MAKES LULEÅ AN ATTRACTIVE CITY FOR BUSINESSES AND RETAILERS?

"Luleå has a living centre with many natural meeting places. We have three shopping centres

with a good mix of stores and top-notch restaurants as well as a university of technology that attracts the very best.

The city has an explicit strategy for the breakdown between out-of-town and city-centre shopping centres, ensuring that they complement each other. That's how we ensure that Luleå will have a living city centre also in future, despite the residents' changing consumption patterns.

Last but not least, Luleå is a fantastic sports city, with women's and men's basket and ice hockey teams that compete for gold every year."

## HOW ARE YOU COLLABORATING WITH OTHER PLAYERS IN THE LOCALITY?

In Luleå, there is a successful partnership among businesses, the local authority and the university (Triple Helix). Diös is also a member of a number of forums, trade councils and governing bodies which are working to develop and strengthen Luleå and the region."

## WHAT WERE DIÖS' FOCUS AREAS IN LULEÅ IN 2019?

"In 2019, we continued to work on developing the Biet and Tjädern properties. These are important elements for urban development in Luleå, as they will help to create more housing, new services and more smart offices in the centre

of town.

We have also initiated a major adaptation of the Stören property in the South Harbour, for the local authority and the city's planning committee.

In 2019, we also initiated a development project for the Shopping galleria, where we defined the orientation and concepts for how we want to develop the shopping centre going forward. The Bastard Burgers lease is a part of this project."

## WHAT WILL YOU BE DOING IN 2020 AND GOING FORWARD?

For us, the coming years are very much about continuing to increase density, which is something that is very important for us in view of our position in the city. We will continue our efforts to develop the retail sector, focusing on the Shopping galleria, and our development properties Biet and Tjädern."

## MARKET RENTS AND YIELD

	Rent, SEK/sq.m	Yield, %
Office	1,850	5.25
Retail	3,400	5.90
Residential	1,775	3.25

Source: Pangea Research. The figures refer to the average for properties in prime locations.

## OUR PROPERTIES





A woman with blonde hair, wearing a grey blazer over a red top, is seated at a light-colored wooden conference table, facing a man. The man has short brown hair, wears glasses and a light blue button-down shirt, and is also seated at the table. They appear to be in a professional meeting. In the background, a large abstract painting with arched, stained-glass-like patterns in shades of green, brown, and blue is mounted on a dark wall. A white, cloud-shaped light fixture hangs from the ceiling. On the table, there are papers, a pen, and some electronic equipment.

# Financial report

Cecilia Östlund, Property Manager, with Diös tenant Per Bäckström, editor-in-chief of Gäfle Dagblad/Mittmedia, Brynäs 12:1 in Gävle.

# Directors' Report

The Board of Directors and CEO of Diös Fastigheter AB (publ), company registration number 556501-1771, hereby present their annual report for the Group and parent company for the financial year 2019.

The Board's report on internal control concerning financial reporting, the Corporate Governance Report, covers both the parent company and the Group and has been prepared in accordance with the Swedish Annual Accounts Act, see pages 65–72. In accordance with Chapter 6, Section 11 of the Act, the company has opted to draw up the statutory Sustainability Report separately from the Directors' Report. An index for the Sustainability Report is presented on page 123.

## OPERATIONS

We are one of northern Sweden's leading private property companies with a total property value of SEK 22,885 million (20,802). The property portfolio is spread across ten cities and consists of commercial premises and residential properties in central locations.

Our strategy is urban development. That means that we want to create Sweden's most attractive places. We do this by managing and improving our existing properties and by building new properties in a sustainable manner. Operations were organised into seven business units in 2019: Dalarna, Gävle, Sundsvall, Åre/Östersund, Skellefteå, Umeå and Luleå. The head office is located in Östersund. Our portfolio is spread across several segments with a strong emphasis on office,

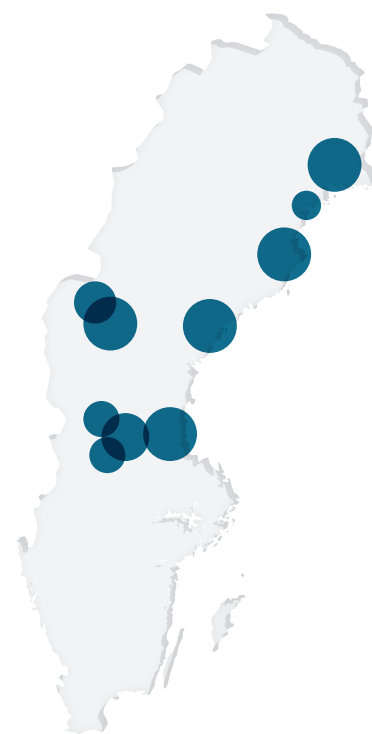
retail and residential properties. We are affected in various ways by the Swedish economy, the property and rental market, the financial market, and each sub-market and segment. For further information on our markets, see pages 32–55.

In 2019, we acquired 9 properties (11) with a total value of SEK 602 million (420) and sold 5 properties (20) worth a total of SEK 129 million (450). Diös' property transactions are aimed at enhancing our portfolio and strengthening our tenant offering in line with our strategy. At 31 December 2019, Diös had potential and existing development rights for a gross floor area of 100 000 sq.m with a potential investment volume of around SEK 5 000 million. These rights constitute the core of the project portfolio. In 2019, investments in new builds were concentrated to Noten 3 in Sundsvall, Magne 4 in Umeå and Kräftan 8 in Östersund. In the first half of 2020, we will initiate a new build for the Swedish Police Authority in the Stigbygeln 2 property in Umeå and the development of the head office of the Swedish Transport Administration in the Intagan 1 property in Borlänge. We also expect to initiate the Dalarna University project in the Mimer 1 property in Borlänge. Leases have been signed for all projects.

In addition to the project portfolio, we invest continually in our existing portfolio through conversions and redevelopment 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.

## Financial targets

The financial targets for the Group are



designed to ensure the company's financial stability. The measurable and risk-limiting financial targets for 2019 were:

- An equity ratio of at least 35 per cent.
- A loan-to-value ratio of no more than 55 per cent.
- Return on equity in excess of 12 per cent (annualised based on quarterly figures).

We achieved our financial targets for 2019 and the company is comfortably meeting the financial stability requirements defined by the banks. The equity ratio was 36.6 per cent (37.2) in the Group, and 19.0 per cent (24.8) in the parent company. After the proposed dividend of SEK 3.30 per share (3.00), the equity ratio at 31 December 2019 will be 34.7 per cent (35.3) in the Group and 16.2 per cent (21.7) in the parent company.

## Employees, guidelines and remuneration

Diös operates almost exclusively with in-house staff. The number of employees as at 31 December 2019 was 153 (158), of whom

PROPERTY PORTFOLIO BY BUSINESS UNIT	Dalarna	Gävle	Sundsvall	Åre/ Östersund	Umeå	Skellefteå	Luleå	Diös the group
Balance sheet items and key ratios								
No. of properties	45	35	56	114	38	17	28	333
Leasable area, thousand sq.m	278	161	233	291	201	113	205	1,483
Investments, SEKm	201	208	282	170	214	57	141	1,273
Fair value, SEKm	3,197	2,468	3,803	3,828	3,789	1,590	4,210	22,885
Rental value, SEKm	327	214	337	371	285	143	342	2,018
Surplus ratio, %	65	70	64	60	66	68	68	65
Economic occupancy rate, %	91	84	87	92	89	95	94	90

Columns/rows may not add up due to rounding.



67 were women (63). The majority of the employees, 101 people (104), are engaged in physical property management at our business units. The remaining members of staff work at our head office in Östersund. For more information, see page 24.

For decisions on remuneration for senior executives and the latest approved guidelines, see Note 5 and the Corporate Governance Report. All employees are covered by our profit-sharing foundation, Grunden, into which payments are made based on a combination of the profit for the year, required rates of return and dividends to the shareholders. Annual transfers to the profit-sharing foundation are capped at SEK 30,000 per employee. For 2019, this provision came to SEK 2,045,000 (2,026,000). At year-end, Diös' profit-sharing foundation owned 242,250 Diös shares. For more information, see the Corporate Governance Report on pages 65–72.

### Sustainability Report

For Diös, responsible business is about taking a comprehensive approach to economic, social and environmental aspects. We are making a concerted effort to change our own behaviour, which is having a positive impact and will ultimately inspire and encourage our stakeholders to do the same. Sustainability management is therefore integrated in the reporting process for all aspects of the business. We have produced a separate Sustainability Report in accordance with the Swedish Annual Accounts Act, which covers Diös Fastigheter AB (publ) and all subsidiaries. What is new for 2019 is that the report has been subject to a more comprehensive audit. The contents of the Sustainability Report are presented on page 116. In addition to the statutory report, Diös has prepared a Sustainability Report in accordance with GRI

standards. The GRI index is presented on pages 116–123.

### Dividend

Approximately 50 per cent of the net profit after tax excluding unrealised changes in value and deferred should be paid out in dividends to the shareholders unless investments or the company's financial position warrant a deviation from the policy. For 2019, a dividend of SEK 3.30 per share (3.00) is proposed, which represents 49.8 per cent of distributable earnings (49.7). For more information, see Appropriation of retained earnings and dividend on page 105.

### OUTLOOK

The focus of operations in 2020 will be the same as before. Our continued strategy is urban development, which means that we are developing our properties in a sustainable manner to allow for growth. A key element of our urban development strategy and our ability to generate growth is new builds, which really took off in 2019 and will be a prominent part of our business going forward. We are therefore raising our target for property management income and are now aiming to achieve average annual growth in property management income per share of 10 per cent over a three-year period.

### PARENT COMPANY

Parent company operations are made up of shared corporate functions, such as IT, economy and finance, HR, rent administration, communications, and ownership and operation of the Group's subsidiaries. Income totalled SEK 171 million (164) and the profit after tax was SEK 111 million (602). Profit after tax includes SEK 20 million (600) in dividends from Group companies, SEK 92 million (11) in Group contributions received

and SEK 20 million (0) in Group contribution paid. The tax expense for the year was SEK 5 million (0). Revenue refers chiefly to services sold to subsidiaries.

### SHARE INFORMATION AND SHAREHOLDERS

Our shares are listed on NASDAQ OMX Stockholm. The share capital is SEK 269,024,276 (269,024,276) and the number of shares is 134,512,438 (134,512,438). Each share carries one vote at the Annual General Meeting. The largest shareholders are AB Persson Invest with 15.4 per cent of the shares and voting rights, Backahill Inter AB with 10.5 per cent and Nordstjernan AB with 10.1 per cent. The 2019 AGM authorised the company to buy back shares of the company, subject to a limit of 10 per cent of all outstanding shares. No share buybacks were made during the year. For more information on the resolutions adopted by the AGM, see the Corporate Governance Report on pages 65–72.

### CHANGED REGULATIONS/CHANGED TAX RULES

The new law limiting interest deductibility for businesses entered into force 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. In view of our 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).

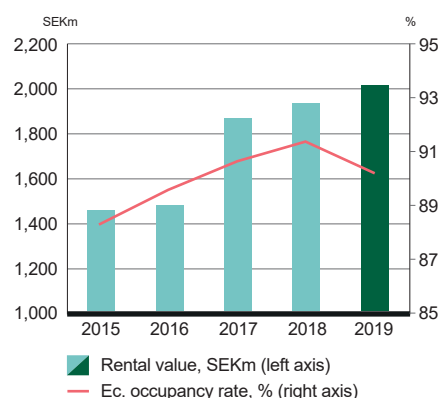
### SIGNIFICANT EVENTS DURING THE YEAR

For significant events during the year, see page 59.

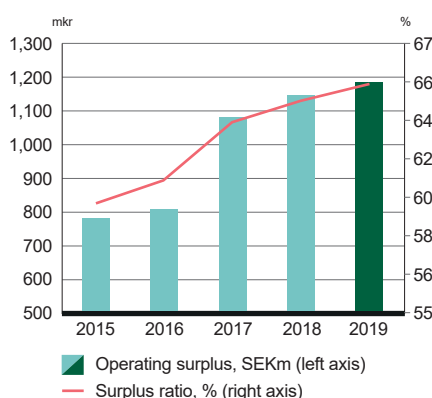
### EVENTS AFTER THE REPORTING PERIOD

For a description of events after the end of the financial year, see Note 29 on page 103.

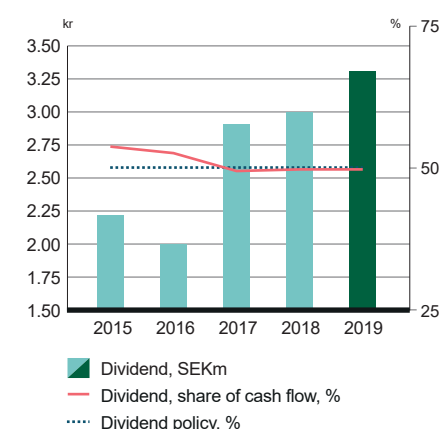
### RENTAL VALUE AND OCCUPANCY



### OPERATING SURPLUS AND SURPLUS RATIO



### DIVIDEND AND DIVIDEND POLICY



# Highlights of 2019

## Q1

- Diös acquires three centrally located properties in Gävle, Borlänge and Mora with a completion date of 15 February.
- Diös acquires a centrally located property in Östersund with a completion date of 4 March.
- We complete on the sale of four industrial properties in Östersund and one property in Falun.
- The Östersund City Council grants Diös sole negotiating rights in respect of the exploitation of Gustav III:s torg, a square in the centre of town.

## Q3

- We sign a contract with the Umeå Police Authority for construction of a new, modern police station. The lease runs over a long period and has a preliminary occupancy date of autumn 2022.
- We start work on the construction of the new Söderbo residential block on the Kräftan 8 property in Östersund.
- We acquire two commercial properties in central Skellefteå with a completion date of 1 October 2019.
- We issue SEK 300 million in green commercial paper under a recently agreed green financing framework.

## Q2

- We initiate the construction phase of our hotel projects in Sundsvall and Umeå. The projects are scheduled for completion in Q2 2021 and Q3 2022, respectively.
- We sign a contract with El av Sol Nordic on solar panel installations. The first installation will be in Gävle.
- We receive planning permission for 85 new apartments in the Kräftan 8 property in Östersund. The new block will be called Söderbo.
- The Service Administration at the Municipality of Falun signs a five-year lease for 12,985 sq.m of space in the Falan 23 property.

## Q4

- Diös and the Transport Administration sign a lease for tomorrow's office in Borlänge. The contract covers redevelopment of the 31,000 sq.m premises, which are expected to be ready in summer 2022.
- Changes to senior management. Lars-Göran Dahl, previously Director of Projects and Transactions, is being given an expanded remit to become Director of Property Management and Transactions. Former Director of Property Management Henrik Lundmark leaves the company.
- Diös acquires a commercial property in central Falun. The property has a value of SEK 97 million and occupancy will be in November 2019.





Jennie Järverud, Business Area Manager Gävle.

# Risks and risk management

Effective prevention, identification and management of risks is crucial to our ability to generate the greatest possible value for our stakeholders. Risks can arise in other areas of the business and can be due to internal as well as external factors. Ultimate responsibility for the company's risk management rests with the Board of Directors. The CEO and senior management are responsible for ensuring that the Board's instructions are executed, and that procedures and processes exist and are complied with. Our risk universe is divided into three categories: strategic, operational and financial risks. A presentation of risks (to the left) that are considered to have the greatest impact on the Group and how they are managed (to the right) is given below.

## Strategic risks

Strategic risks can affect our ability to implement our business strategies, achieve our long-term goals and create value for our stakeholders. Strategic risks include external as well as internal factors. These risks are identified and managed by the Board of Board members and senior management, and are normally discussed at Board meetings.

### External risks

Political and macroeconomic events can have a direct or indirect impact on our market and on the property industry. Global trends can lead to changed needs and behaviours among tenants.

A decentralised organisation with a local presence can adapt the business to new circumstances in an effective manner. A strong cash flow enables the company to invest capital when the need arises. A close relationship with our tenants enables us to quickly identify new behaviours and changes in demand.

## Competition and offer

We operate in a competitive market. There is a risk that our offer viewed in relation to the tenant, rent level, quality and content will become obsolete compared with other property owners/landlords.

A property portfolio that is concentrated to central areas where the potential to create new space is limited reduces the risk of competition from new builds. A high-quality portfolio, good knowledge of the local market and high investment capacity strengthen our competitiveness. Our size enables us to take a leading role in new initiatives in all our cities.

## Sustainable business

Our business model and strategy need to be sustainable to ensure that we conduct our business in a responsible manner. The sustainability aspects for ensuring that our external offer is relevant and competitive as well as in recruitments and from a long-term financing perspective.

The business model and business plan are followed up on an ongoing basis by the Board of Directors and senior management. Through an active approach to sustainability in priority areas, such as green properties and social responsibility, we are taking our responsibility for global and national sustainability goals.

## Operational risks

Operational risks include risks that can have a direct negative impact on the Group's results and financial position and on the business, in the short and long term. These risks are identified and managed on an ongoing basis by the Board of Directors, management and the business units.

## THE PROPERTY PORTFOLIO, INCOME AND EXPENSES

### Property portfolio composition

The properties' geographic location, the breakdown by type of premises in the portfolio and the properties' technical status constitute risks. Properties in localities with limited prospects for the future can pose an exit risk.

A key element of our urban development strategy is to concentrate our property portfolio to central locations in growth cities. The result is reduced fluctuations in value and a low vacancy rate on the back of stable demand. Properties in attractive locations attract higher demand, which limits the exit risk.

### Acquisitions and investments

A misguided acquisition and investment strategy or failure to add value on top of the consideration as well as incorrect assessments of added values, synergies and the technical status constitute a risk. Investments that do not improve the quality of the property portfolio, increase energy efficiency and raise occupancy and thereby generate higher cash flows and increase the value of the portfolio constitute a risk.

In connection with each acquisition, extensive financial, legal and property inspections are performed in order to analyse and discover hidden risks and opportunities. We carry out macro- and micro-analyses on an ongoing basis. Quality assurance of contractors ensures a predictable and safe execution. All procurements are subject to competitive bidding. Signing leases before the start of production reduces the risk of non-recoverable costs.

### Human capital

Our employees are important. Being unable to offer reasonable, equal and non-discriminatory employment conditions, as well as a safe and secure working environment, constitutes a risk. Our subcontractors and partners' working conditions can also represent a risk that may affect us, whether directly or indirectly. Any deficiencies in our ability to attract, develop and retain the right competence in order to operate the business effectively and sustainably in the long term represent a risk.

Mandatory instruction on guidelines and policies helps to clarify the desired corporate culture and manage working conditions throughout the value chain. Annual employee satisfaction index (ESI) surveys are carried out to identify and manage areas of improvement and development. Regular working environment checks are carried out by an internal work environment group. A clear vision and active efforts to create a values-driven corporate culture help to ensure greater transparency and engagement. Diös Academy offers continuous skills development to our employees. The aim of the profit-sharing foundation is to increase loyalty and create a sense of involvement in the company's success. Benefits are also provided to promote physical activity and good health.



## Environment

Property management and exploitation have an impact on the environment and leave ecological footprints. Under the Swedish Environmental Code, an entity which has engaged in operations or taken measures that have caused pollution or serious environmental damage is obliged to bear the cost of remedial measures. Direct or indirect emissions and waste can affect the brand, local environment and climate.

Extensive analyses and investments are made to uncover any environmental risks before an acquisition is made. The precautionary principle is applied when there is a risk of damage to the environment and surrounding area. Any negative environmental impacts are addressed in accordance with internal procedures and external expertise is brought in when the need arises. We are not currently aware of any significant environmental claims that could be brought against the company.

## Climate change

Climate change poses a risk of damage to property caused by changing weather conditions that physically affect the properties. This could increase the need for investments in exposed properties or areas. The risk of climate change and awareness of this risk increases the risk of new regulations or laws that could affect the company through unforeseen costs, taxes or demands for investments to meet more stringent requirements.

Active efforts to reduce emissions and resource use help to mitigate the impact on the environment and climate. Through ongoing risk assessments concerning the status and locations of the properties, proactive measures can be taken to reduce damage.

## Business ethics

All deals and agreements shall be concluded without ethical uncertainties such as threats, bribes or other unreasonable or unhealthy requirements. Corruption is unacceptable. Even if clear guidelines and policies have been set up and accepted by all employees and suppliers, there is a risk that decisions are taken contrary to these. Procurements often take the form of a multi-stage process, which can affect Diös' ability to get an overview of all activities of subcontractors.

Through the use of clear conditions and continuous follow-up of compliance with our internal regulations and policies, we manage the risk of inappropriate conduct by employees and suppliers.

## Legislation and administration

Operations are subject to changes in legislation and regulations in several different areas. Errors and deficiencies in documentation and agreements represent obvious risks. Inadequate or inappropriate procedures, poor reporting or control, human error and skills deficiencies as well as a poorly defined division of responsibilities represent risks that may prevent business from being conducted effectively.

Diös monitors changes to and new laws and regulations on an ongoing basis. External experts in specific fields will be consulted in the event of inadequate internal expertise. Clear procedures, guidelines and processes are established in order to prevent errors and deficiencies.

## IT security and systems

Well functioning IT systems are essential to Diös' day-to-day operations, to meet regulatory and legal reporting requirements and for the operation and optimisation of our properties. There is a risk of data breaches, information leakage, outages and other interference risks if critical IT systems are improperly handled.

Continuous assessment and updating of the IT policy allows us to manage and limit risks in the IT structure. The company only uses standardised IT systems from stable suppliers with a good reputation. In the same vein, effective processes for preventing and managing potential threats are also developed.

Risks in areas that can have direct impact on earnings are addressed in the comments to the income statement and balance sheet on pages 74–83.

## Financial risks

For a property company, financial risk management is of fundamental importance for long-term value creation and financial performance. The management of financial risks is governed by the Group's financial policy, and risks are identified and managed by the Board of Directors, senior management and the finance department. Material financial risks, comprising liquidity and refinancing risk, interest rate risk, capital structure and credit risk, are addressed in the comments to the income statement and balance sheet on pages 74–83.







Stefan Ellingsson, Building Maintenance Technician at Köpmannen 3 in Falun.

# Corporate governance report

Diös Fastigheter AB (publ) is a Swedish property company listed on the Mid Cap list of the Nasdaq OMX Stockholm exchange. The company's corporate governance report describes the structure and processes for Diös' governance, management and control in 2019.

## SWEDISH CORPORATE GOVERNANCE CODE

Diös applies the Swedish Corporate Governance Code. It covers, among other things, formalities for appointing the Board of Directors and auditors, the composition of the Board, financial reporting and information disclosure concerning corporate governance and internal control. Responsibility for the governance, management and control of Diös' operations is distributed between shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer. Some governance issues are regulated in the Articles of Association. Corporate governance describes how Diös' owners directly and indirectly govern the company and how risks are managed. The company's governance is based on external and internal regulations which are developed and improved continually. Diös deviates from the Code on several points:

- The Audit Committee consists of the entire Board which will establish an audit committee. The Board of Directors consists of six members, all of whom perform the Audit Committee's tasks. The review process of financial reports, as well as its internal controls, are therefore both managed by the entire Board of Directors.

- Independent Nomination Committee. The Nomination Committee is represented by the four largest shareholders and must consist of at least three members appointed by the Annual General Meeting. The majority of the members must be independent from the company. Diös' Nomination Committee consists of four members representing the company's four largest shareholders.

In addition to this, it is the Board's opinion that Diös has in all respects followed the Code in 2019 and has no deviations to report.

## External regulations

- The Swedish Companies Act
- NASDAQ OMX Stockholm's rules for issuers
- The Swedish Corporate Governance Code
- Applicable accounting legislation

## Internal regulations

- The Articles of Association
- Terms of reference and rules of procedure for the Board and CEO
- Internal guidelines, policies and handbooks

## ANNUAL GENERAL MEETING

Diös' highest decision-making body is the Annual General Meeting, which, along with any extraordinary general meetings, gives the shareholders an opportunity to govern the company by exercising their decision-making power. The AGM appoints the Board of Directors and Chairman of the Board, and adopts principles for the composition of the Nomination Committee and for remuneration of senior executives. The AGM also appoints auditors for the auditing of the consolidated financial statements and the Board of Directors' and CEO's management. The Board appoints the CEO as well as representatives to the Remuneration Committee and Audit Committee.

## ARTICLES OF ASSOCIATION

In accordance with the Articles of Association, Diös is a public limited company with its registered office in Östersund. The company's business is to own and manage properties, either directly or indirectly through subsidiaries, and engage in related business activities. The Board of Directors is elected each year at the AGM and must consist of no less than three and no more than ten members, with a maximum of ten deputies. Diös is required to maintain share capital of at least SEK 149 million and no more than SEK 596 million. The number of shares may amount to no less than 74,000,000 and no more than 296,000,000 shares.

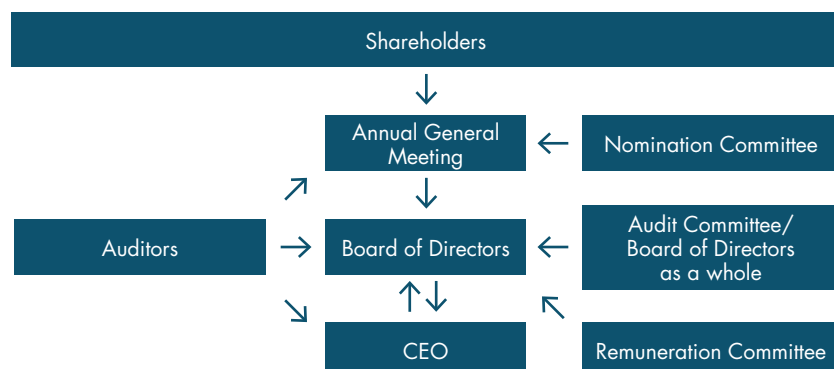
The full text of the Articles of Association is available at [www.dios.se](http://www.dios.se).

## SHARE CAPITAL AND SHAREHOLDERS

At year-end, Diös had 14,688 shareholders (13,921) holding a total of 134,512,438 shares (134,512,438). Each share has a face value of SEK 2. The proportion of foreign shareholders was 24.8 per cent (20.6). The largest individual shareholders at 31 December 2019 were AB Persson Invest with 15.4 per cent (15.4) of the voting rights and capital, Backahill Inter AB with 10.5 per cent (10.5), Nordstjernan AB with 10.1 per cent (5) and Pensionskassan SHB Försäkringsförening with 6.0 per cent (6.0). The company's ten largest shareholders together owned 53.4 per cent (54.1) of the voting rights and capital. Diös is required to maintain share capital of at least SEK 149 million and no more than SEK 596 million. The number of shares must be at least 74,000,000 and no more than 296,000,000. Each share entitles the holder to one vote and refers to a portion of Diös' share capital.

## ANNUAL GENERAL MEETING 2019

The 2019 Annual General Meeting (AGM) was held on 23 April in Östersund. At the AGM, 72 shareholders (186) participated, in person or by proxy. The number of shares represented was 77,882,702 (73,908,233), which is approximately 58 per cent (55) of the total number of shares. The AGM adopted the consolidated balance sheet and income statement for 2018 and discharged the Board of Directors and CEO from liability in respect of their management of the company in 2018. The AGM resolved:





- to reappoint Bob Persson, Ragnhild Backman, Anders Nelson and Eva Nygren to the Board and to appoint Peter Strand as a new member.
- to appoint Bob Persson as Chairman of the Board.
- to approve a dividend payment of SEK 3.00 per share to the shareholders, to be distributed in two separate payments. The proposed record dates are 25 April 2019 for the first dividend payment and 30 October 2019 for the second dividend payment.
- to approve the Board's proposed policies for remuneration and other terms of employment for the company's senior executives.
- To ensure the same principles apply in relation to appointing the Nomination Committee before the 2020 AGM.
- to authorise the Board to acquire and transfer treasury shares in accordance with the Board's proposal during a period ending no later than the next Annual General Meeting.
- to authorise the Board of Directors to decide on a new share issue in accordance with the Board's proposal during a period ending no later than the next Annual General Meeting.

#### NOMINATION COMMITTEE

The Nomination Committee has been appointed under a resolution of the AGM and its composition and activities have been based on the report submitted by the committee. The terms of reference state that the Nomination Committee must be appointed annually and consist of the Chairman of the Board and one representative for each of the four largest shareholders. The members of the committee jointly represent around 42 per cent (37) of the shares and voting rights of the company as at 31 December 2019. The chairman of the Nomination Committee may not be a member of the Board. If a member of the Nomination Committee steps down from the committee during the course of the year, he or she must be replaced by another representative of the same shareholder. A member who no longer represents one of the four largest shareholders

must be replaced by a representative of a new shareholder. If the applicable principles result in a Nomination Committee consisting of fewer than three members, a representative of the Swedish Shareholders' Association should be offered a seat on the committee.

#### Duties of the Nomination Committee

All members of the Nomination Committee have carefully considered and established that there is no conflict of interest in accepting the duty as a member of the Diös Nomination Committee. Ahead of the 2020 Annual General Meeting, the Nomination Committee held three minuted meetings at which all matters were dealt with in accordance with the Swedish Corporate Governance Code. The Nomination Committee has, among other things, discussed and considered:

- the degree to which the current members of the Board of Directors, individually and as a group, satisfy the requirements that will be imposed on the Board of Directors as a result of Diös' operations and development,
- the size of the Board of Directors,
- which areas of expertise are and should be represented within the Board of Directors,
- the composition of the Board with regards to experience, gender and background,
- fees for Board members,
- proposals for the election of auditors,
- which model for the composition of a new Nomination Committee for the 2021 Annual General Meeting will be applied.

The Nomination Committee also prepared a proposal for electing auditors to the Board of Directors and the Annual General Meeting in accordance with the European Audit Regulation (537/2014/EU) and issues regarding remuneration to the auditor.

The Nomination Committee's work is based on the Chairman's report for the evaluation of the work of the Board over the past year and of the members' knowledge and experience. The CEO's presentations on the company's operations and strategic focus also

constitute an important basis. In accordance with the terms of reference for the Nomination Committee, the members of the Committee, and the shareholders they represent, are announced no later than six months before the AGM. The election of representatives to the Nomination Committee is based on known shareholdings as at 31 August 2019.

#### Composition of the Nomination Committee

In accordance with the principles adopted at the Annual General Meeting 2019, Diös' Nomination Committee consists of representatives for the company's four largest shareholders: Bob Persson (AB Persson Invest), Magnus Swärdh, (Backahill Inter AB), Carl Engström (Nordstjernan AB) and Stefan Nilsson (Pensionskassan SHB Försäkringsförening), chairman of the Nomination Committee. Shareholders who wish to submit proposals to the Nomination Committee may do so by e-mail to [valberedningen@dios.se](mailto:valberedningen@dios.se) or by post to: Diös Fastigheter AB, Nomination Committee, PO Box 188, SE-831 22 Östersund, Sweden.

#### BOARD OF DIRECTORS

##### Responsibilities of the Board and CEO

The Board of Directors consists of five members and one employee representative with no deputies. The members are elected annually by the Annual General Meeting for the period until the next Annual General Meeting. The Board has overall responsibility for the company's organisation and management and represents all shareholders. This is done by ensuring that the guidelines for the company's management are properly formulated. This includes a responsibility for developing and following up the company's strategies and goals, and for adopting the business plan and annual financial statements. Other responsibilities include deciding on the acquisition and sale of operations, major investments or appointments and remuneration of senior management. The Chairman's responsibilities include ensuring that the Board of Directors fulfils its duties through well organised and effective work.

*Cont. on page 68*

#### BOARD OF DIRECTORS

	Age	Elected	Dependent/independent	Attendance, out of total no. of meetings				Fees, SEK '000
				Board meetings	Remuneration Committee	Audit Committee		
Bob Persson, Chairman	69	2007	Dependent in relation to owners	13/13	1/1	3/3		300
Peter Strand, Board member <sup>1</sup>	48	2019	Independent	8/8	-	2/2		165
Eva Nygren, Board member	64	2018	Independent	13/13	-	3/3		165
Ragnhild Backman, Board member	56	2012	Independent	13/13	1/1	3/3		165
Anders Nelson, Board Member	50	2017	Dependent in relation to owners	13/13	-	3/3		165
Tomas Mellberg, employee representative	61	2012	Dependent in relation to company	13/13	-	-		-
Anders Bengtsson, Board member <sup>1</sup>	56	2012	Dependent in relation to owners	5/5	-	1/1		150

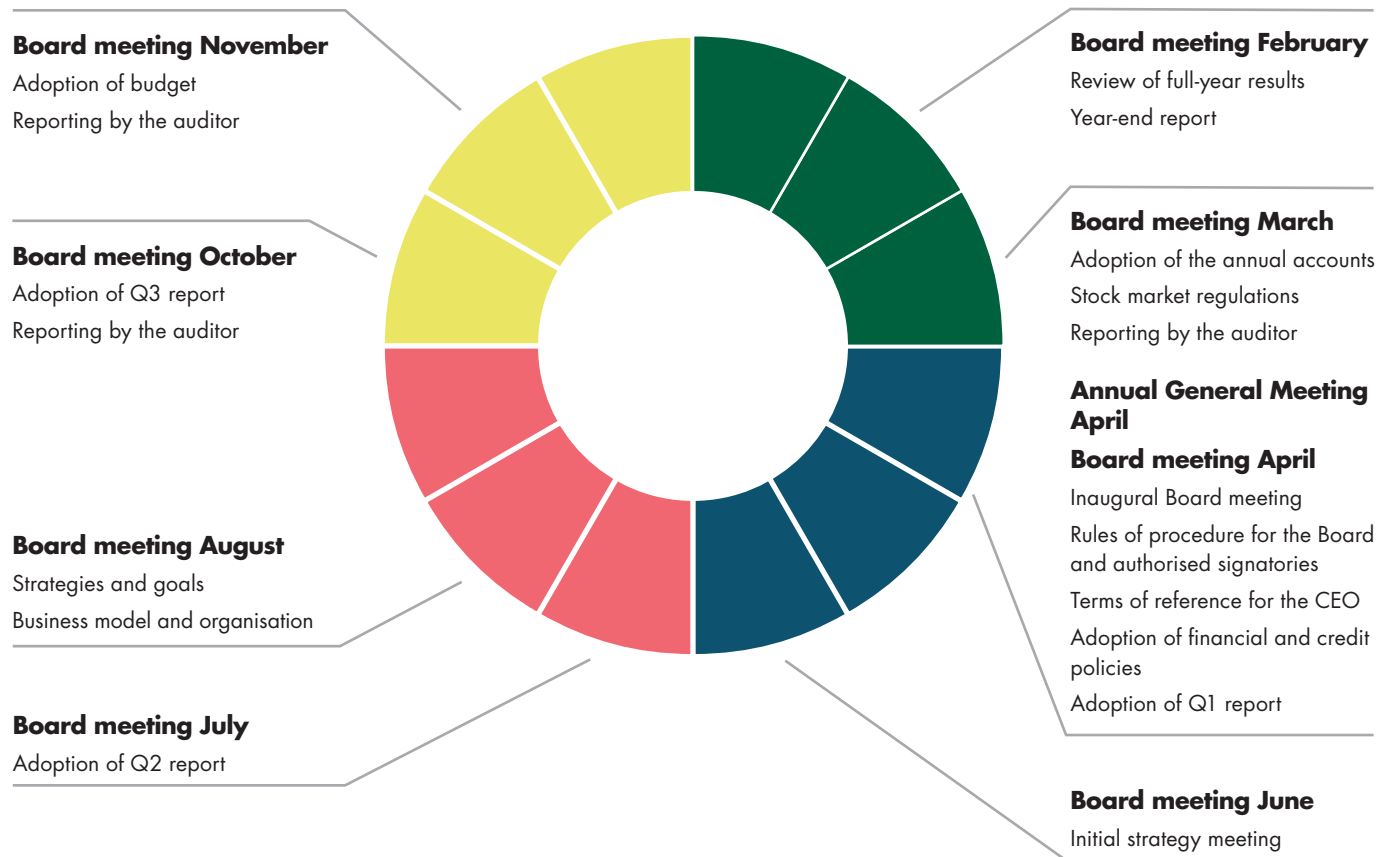
<sup>1</sup> Peter Strand was elected and Anders Bengtsson stepped down in connection with the AGM on 23 April 2019.

The number of Board meetings in 2019 refers to nine regular meetings, one constituent meeting and three conference calls.



Eva Nygren, Board member.

## The Board's annual schedule





### The work of the Board

The basis for the Board's work is the Chairman's dialogue with the CEO, along with documents provided to the members of the Board as a basis for discussion and resolutions. The Board's rules of procedure are drawn up annually at the inaugural Board meeting and are revised when necessary. The rules of procedure specify the responsibilities and duties of the Board, the duties of the Chairman and audit issues, and include the instructions for the CEO. They also specify which reports and financial information the Board should receive prior to each scheduled Board meeting. The most recent rules of procedure were adopted at the inaugural Board meeting on 23 April 2019 (and are available at [dios.se](http://dios.se)). In 2019, 13 minuted Board meetings were held. Regular items of business at the Board meetings this year included company-wide policies, overall strategies, rules of procedure for the Board of Directors, capital structure and financing needs, transactions, raising of capital through share issues, sustainability, our business model and organisational issues, and the process for related party transactions. Forward-looking issues about market assessments, the focus of the company's commercial activities, gender equality and organisational issues were also discussed.

### Evaluation of the work of the Board

In accordance with the company's rules of procedure, the Chairman has ensured that the work of the Board has been evaluated and that the Chairman of the Nomination Committee has been informed of the results of the evaluation prior to the nominating process of the Nomination Committee. The evaluation comprises a number of pre-defined and open questions, which each Board member answers individually.

### Audit Committee

The Board of Directors has resolved that the Board as a whole should constitute the Audit Committee. The Committee's work is defined in the rules of procedure for the Board. The Audit Committee's duty includes quality-assuring the company's financial reporting as well as the effectiveness of the company's internal control and risk management. The Committee is also required to keep itself informed on the auditing of the Annual Report and consolidated financial statements. The Audit Committee ensures that the auditor is impartial and independent, evaluates the audit work and reports the results of the evaluation to the company's Nomination Committee. The company's auditor attended three meetings during the

year to report their audit findings and assessment of the company's internal control concerning financial reporting. In addition to this, the Audit Committee assists the Nomination Committee in the organisation of elections for auditors and remuneration for them, with the remit of ensuring that the auditors' mandate period does not violate applicable regulations, procuring an audit and providing a justified recommendation in accordance with article 16 of the EU Audit Regulation.

### Remuneration Committee

The Remuneration Committee consists of two Board representatives, namely Bob Persson and Ragnhild Backman. Its duties include preparing a proposal for remuneration of the CEO subject to the guidelines adopted by the 2019 AGM. The Remuneration Committee held one meeting in 2019, at which guidelines for remuneration of senior executives were reviewed.

### Finance Committee

Diös has established a Finance Committee with the task of monitoring developments in the credit market and drafting matters of a financial nature. The Finance Committee submits proposals to the Board of Directors on an ongoing basis but has no decision-making powers on financial matters. The Committee consists of the board representatives Bob Persson and Anders Nelson, as well as CEO Knut Rost, CFO Rolf Larsson and Finance Manager Andreas Stattin Berg.

### AUDITORS

The Annual General Meeting appoints one or two auditors and, at most, two deputies to audit the company's Annual Report, its accounts and the Board of Directors' and CEO's management of the company. At the 2019 AGM, Deloitte AB was appointed with Richard Peters as auditor-in-charge for the period until the 2020 AGM. Remuneration for auditors is specified in Note 6.

### SENIOR MANAGEMENT

#### Responsibilities of senior management and the CEO

In 2019, senior management consisted of CEO Knut Rust, CFO Rolf Larsson, Director of Business Support Kristina Grahn-Persson, Director of Property Management and Transactions Lars-Göran Dahl and Director of Communications Mia Forsgren. The former Director of Property Management and member of senior management Henrik Lundmark stepped down in November. The team's work is led by the CEO in accordance with the applicable terms of reference.

The senior management team's duties include presenting relevant information and decision guidance documents prior to Board meetings as well as the reasoning behind their proposed resolutions. The Chairman of the Board annually conducts a performance appraisal with the CEO in accordance with the applicable instructions and the current requirements specification. The senior management team holds meetings at least once a month at which strategic and operational issues are discussed. Additionally, the senior management produces a business plan each year. This is followed up through monthly reports where the review focuses on the earnings trends, sustainability, improvement, new investments and growth.

### Principles of remuneration

The 2019 Annual General Meeting approved the following principles for remuneration to senior executives:

- Remuneration and benefits of the CEO are decided by the Board of Directors.
- Remuneration to other senior executives is decided by the CEO in consultation with the Board of Directors.
- As of 2012 an incentive plan has been in place, under which the CEO and senior executives have the potential to earn variable remuneration. There is no share-based payment.
- The variable remuneration for the CEO and senior executives is capped at one month's salary.
- During their term of employment the CEO and other members of the senior management team are entitled to a company car and receive insurance and retirement benefits in accordance with the applicable ITP plan. Individual investment options are available. Insurance and pension premiums are based on cash salary only.
- The retirement age for the CEO is 65 years. The period of notice given by the company to the CEO is twelve months. The period of notice given by the CEO to the company is four months.
- The contracts of other members of senior management are terminable by either party with three to six months' notice.
- Diös has a profit-sharing foundation for all its employees. Provision for the profit-sharing foundation is based on a combination of Diös results, required return and dividend for shareholders and shall be a maximum of SEK 30,000 per year per employee.

*Cont. on page 70*



Diös tenant Andreas Skog in Stationshuset, Mörviken 2:102 in Åre.



## Remuneration for 2019

The CEO received fixed remuneration of SEK 3,643,000, other benefits worth SEK 376,000 and pension plan contributions of SEK 972,000. Other members of the senior management team received total fixed remuneration of SEK 6,842,000, variable remuneration of SEK 310,000, other benefits of SEK 434,000 and pension plan contributions of SEK 1,865,000. Other members of senior management comprised a group of five persons. For more information, see Note 5.

## THE BOARD ON INTERNAL CONTROL

The Board of Directors is responsible for ensuring that Diös has effective internal control procedures in place. The Board fulfils this quality assurance duty by reviewing critical accounting issues as well as the financial reports prepared by the company. This means that the Board assesses compliance with applicable laws and regulations, material uncertainties in the carrying amounts, any irregularities or errors which are not corrected, events after the balance sheet date, changes in estimates and judgements, any noted inconsistencies and inaccuracies, and other circumstances that affect the quality of the financial statements. The internal control complies with the regulatory guidance, Internal Control – Integrated Framework, COSO. The framework comprises the components: control environment, risk assessment, control activities, information and communication, and follow-up.

### Control environment

Effective work by the Board of Directors is the basis for good internal control. The Board has therefore adopted rules of procedure along with defined work processes with the aim of creating clear guidelines for its work. The Board's responsibilities include formulating and adopting a number of fundamental policies, guidelines and frameworks relating to the company's financial reporting activities. The Company's main policy documents are the terms of reference for the CEO, the financial policy and the credit policy. The instructions are monitored and reviewed on a regular basis and findings are communicated to all employees who are involved in the financial reporting process, all for the purpose of establishing a platform for good internal control. The Board conducts regular evaluations of the company's performance and results, using a reporting package, which includes an income statement, projected key ratios and other material operational and financial information. In its role as Audit Committee, the Board has monitored the risk

management and internal control systems during the year. This is to ensure that the company's operations are conducted in compliance with relevant legislation and regulations, that they are efficient and that financial reporting is reliable. The Board has familiarised itself with and assessed the procedures for accounting and financial reporting, and has followed up and assessed the work, qualifications and independence of the external auditors. In 2019, the Board conducted a review with, and received a written report from, the company's external auditors.

### Risk assessment

Diös works continuously and pro-actively with risk assessment and risk management activities to ensure that identified risks are managed in an appropriate manner subject to the defined criteria. Diös' senior management conducts an annual analysis which involves the analysis and assessment of the risks according to a risk scale. Risk assessment considers factors such as the company's administrative procedures for invoicing and contract management. Balance sheet and income statement items are also reviewed regularly wherever there is a risk of material misstatement.

### Control activities

Control activities are performed at all stages of the accounting and reporting process in order to manage the risks that the Board considers may materially affect the internal control of financial reporting. Examples of control activities include reporting of processes and procedures for making critical decisions, such as decisions on major new tenants, major investments, financing agreements and current contracts. Reviewing submitted financial statements is another control activity. An organisation with a clear division of responsibilities and clearly defined procedures and roles constitute the basis for company's control structure.

### Information and communication

The company's general governing documents, including policies, guidelines and manuals, are updated continually and can be accessed through the company's Intranet. The company has developed a new Intranet with the aim of promoting increased transparency and employee participation through an improved structure, search function and new communication functions. The company's external communications are formulated in accordance with Diös' communication policy, which sets out guidelines aimed at ensuring that the company meets its disclosure obligations.

## Long-term value creation

A prerequisite for creating value over the long term is that the business is operated based on a focus on sustainability. The sustainability work involves environmental considerations such as reduced use of resources and good management of properties, as well as corporate social responsibility by contributing to the development of the communities in which Diös operates. This work also entails providing our employees with a good working environment. The sustainability work is carried out in partnership with customers and other stakeholders, a feature which is a prerequisite for success. Diös reports this work in accordance with GRI G4. See page 116 for more information. Guidelines for how sustainability work to create value should take place appear, among other places, in the company's sustainability policy and Code of Conduct. Feedback on the work is given regularly to Diös' Board of Directors.

### Monitoring

Internal control is monitored continuously at individual property, subsidiary company and Group level. The Board reviews the current situation with the company's auditor at least once a year. This is done without the presence of the CEO or any other member of senior management. The Board also ensures that the company's auditors conduct a general review of the third quarter interim report. The need to appoint a separate internal audit function is assessed each year. So far, the need has been deemed to be small. Diös' financing operations, as well as financial and rent administration, is run from its head office, which means that routines and processes are standardised. This also provides opportunities for different sections of the operations to review each other's processes to enhance and improve the company's internal control. The company's balance sheets and income statements are reviewed quarterly by accounts staff as well as by the senior management team and Board of Directors. The Board of Directors reviews interim reports and annual reports before publication. The Board of Directors is also continuously informed of risk management, internal control and financial reporting by the auditors. Diös has also introduced a whistleblower service, Doing the right thing, which is accessible on the Group's website. The whistleblower service is an early warning system which enables employees as well as external stakeholders to report anonymously any deviations from Diös' values and code of business ethics. The service is administered by an external party to ensure anonymity and professionalism.

# Board of Directors



Tomas Mellberg, Peter Strand, Eva Nygren, Bob Persson, Ragnhild Backman och Anders Nelson.

## > Bob Persson

*Chairman of the Board since 2011, Board member since 2007, born 1950.*

Current function: Chairman of the Board and partner in AB Persson Invest.

Previous experience: CEO and other positions at Persson Invest.

Other directorships: Board member of NHP Eiendom AS and Bergvik Skog AB.

Education: Economics degree, Umeå University.

Shareholding in Diös Fastigheter: 200,000 directly owned shares.

Indirect ownership of 20,699,443 shares via AB Persson Invest.

## > Peter Strand

*Board member since 2019, born 1971.*

Current function: Acting Chairman of the property companies

Swedish Logistic Property AB and Mandiri AB.

Previous experience: CEO of the property companies Victoria Park AB, Annehem Fastigheter AB and Tribona AB and senior positions at the property companies Drott and Akelius.

Other directorships: Chairman of Swedish Logistic Property AB and Mandiri AB and Director of Victoria Park AB, Fridam AB, BrainLit AB and Rosengård Fastighets AB.

Education: M.Sc. in Engineering, Faculty of Engineering at Lund University.

Shareholding in Diös Fastigheter: None.

## > Anders Nelson

*Board member since 2017, born 1969.*

Current function: Business Development Director Backahill AB.

Other directorships: External CEO of Båstadtennis & Hotell AB and a majority directorship in the Backahill Group.

Education: BBA Management, University of Arkansas at Little Rock, USA.

Shareholding in Diös Fastigheter: 2,100 directly owned shares. Indirect ownership of 14,095,354 shares through Backahill Inter AB.

## > Ragnhild Backman

*Board member since 2012, born 1963.*

Current function: CEO of Backmans Fastighetsutveckling AB.

Previous experience: Property Management Director, Piren.

Other directorships: Chairman Almi Företagspartner Mitt AB, and Board member of AB Övikshem, Castanum Förvaltning AB, Malux AB and Fastighetsägarna Sverige.

Education: M.Sc. Engineering, KTH Royal Institute of Technology.

Shareholding in Diös Fastigheter: Indirect ownership of 10,000 shares through a company.

## > Eva Nygren

*Board member since 2018, born 1955.*

Current function: Senior Advisor.

Previous experience: Director of Investments at the Swedish Transport Administration, President and CEO of Rejlers, CEO of Sweco Sverige.

Other directorships: Chairman of Brandkonsulten AB, Director of Uponor OY, JM AB, Troax Group AB, Ballingslöv International AB, Nye Veier AS, Tyréns AB and NRC Group ASA.

Education: Architect, Chalmers University of Technology.

Shareholding in Diös Fastigheter: 350 directly owned shares.

Indirect ownership of 1,150 shares through a company.

## > Tomas Mellberg

*Board member (employee representative) since 2012, born 1959.*

Current function: Project Controller, Diös Fastigheter AB.

Previous experience: Internal Auditor and Accounts Manager, Skanska.

Accounts Officer at Hallström & Nisses Fastigheter and Norrvidden Fastigheter.

Other directorships: None.

Education: Economics degree, Umeå University.

Shareholding in Diös Fastigheter: 1,800 directly owned shares.

*All figures and shareholdings refer to 31 December 2019.*



# Executive management



Mia Forsgren, Rolf Larsson, Knut Rost, Lars-Göran Dahl and Kristina Grahm-Persson.

## › Knut Rost

*CEO since 2014, born 1959.*

Previous experience: Various positions within ICA Fastigheter in Västerås and at Castellum.

Other posts: Member of the Board of Biathlon Events i Sverige AB and Destination Östersund AB.

Education: Master of Science in Engineering with a degree from the Royal Institute of Technology.

Shareholding in Diös: 15,540 directly owned shares.

## › Rolf Larsson

*CFO since 2005, born 1964.*

Previous experience: Acting CEO of Inlandsbanan AB, Administrative Director of Haninge Bostäder and Director of Accounting at Haninge AB.

Education: MBA and Executive MBA, Stockholm University.

Shareholding in Diös: 7,774 directly owned shares.

## › Kristina Grahm-Persson

*Director of Business Support since 2016, HR and Sustainability Director since 2013 and employed since 2011, born 1973.*

Previous experience: Manpower Experis and McKinsey & Company.

Education: Degree in Human Resources and Labour Relations and Executive MBA, Lund University School of Economics and Management.

Shareholding in Diös: 1,008 directly owned shares.

## › Lars-Göran Dahl

*Director of Property Management and Transactions since 2019, previously Business Development Director in 2016, Director of Property Management since 2014, born 1961.*

Previous experience: Responsible for Riksbbyggen's commercial activities in Sweden.

Education: M.Sc. in Economics and Business.

Shareholding in Diös: 2,805 directly owned shares.

## › Mia Forsgren

*Director of Communications since 2016, member of senior management since 2018, born 1969.*

Previous experience: 25 years' experience of communication and marketing.

15 years in the music industry, most recently as Marketing Director at Universal Music.

CEO of Tre Kronor Media, own consulting firm in PR and communication, and

CEO of the Ogilvy Destination advertising agency. Education: Marketing, Institute of

International Education, Stockholm University.

Shareholding in Diös: None.

All shareholdings as at 31 December 2019.





# Financial statements



# Consolidated income statement

Differences due to rounding off may arise in the following statements and notes.

INCOME STATEMENT, SEKm	Note	2019	2018
Rental income	3	1,482	1,436
Service income	3	372	374
<b>Total income</b>		<b>1,854</b>	<b>1,810</b>
Property costs	4	-667	-670
<b>Operating surplus</b>		<b>1,187</b>	<b>1,140</b>
Central administration	5, 6	-73	-71
Financial income	7	8	8
Financial costs	8	-170	-183
<b>Property management income</b>		<b>952</b>	<b>894</b>
Change in value, properties	9	350	687
Change in value of derivative instruments	8, 22	0	16
<b>Profit before tax</b>		<b>1,302</b>	<b>1,597</b>
Current tax	10	-79	-90
Deferred tax	10	-173	-166
<b>PROFIT FOR THE YEAR</b>		<b>1,050</b>	<b>1,341</b>
Profit attributable to shareholders of the parent company		1,041	1,338
Profit attributable to non-controlling interests		9	3
<b>Total</b>		<b>1,050</b>	<b>1,341</b>

STATEMENT OF COMPREHENSIVE INCOME, SEKm	2019	2018
Profit for the year	1,050	1,341
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,050</b>	<b>1,341</b>
Comprehensive income attributable to shareholders of the parent company	1,041	1,338
Comprehensive income attributable to non-controlling interests	9	3
<b>Total</b>	<b>1,050</b>	<b>1,341</b>

DATA PER SHARE <sup>1</sup>	2019	2018
Earnings per share after tax, SEK	7.74	9.94
Average number of shares, thousands	134,512	134,512
Number of shares at end of period, thousands	134,512	134,512
Average number of treasury shares	-	-
Number of treasury shares at end of period	-	-
Dividend per share, SEK	3.30 <sup>2</sup>	3.00

<sup>1</sup> There is no dilutive effect, as no potential shares (such as convertibles) exist.

<sup>2</sup> The Board's proposal.

## ➤ Comments on the consolidated statement of comprehensive income

### RENTAL VALUE, RENTAL INCOME AND LEASING

The total rental value of the property portfolio amounted to SEK 2,018 million (1,936), while the estimated rental value of vacant premises was SEK 182 million (151). Total revenues were SEK 1,854 million (1,810) and for comparable properties contracted rental income increased by 2.5 per cent year on year. This represented an economic occupancy rate of 90 per cent (91). Vacancies increased slightly, to 9 per cent (8) on an economic basis by 14 per cent (13) on a physical basis. Net leasing for the year was SEK 42 million (10).

### SERVICE INCOME

Service income totalled SEK 372 million (374) and consisted of income from tariff-based services (excluding property tax) and care and upkeep of properties as well as pass-through of costs for works in rented premises to tenants.

### PROPERTY COSTS

Total property costs were SEK 667 million (670). Of total property costs, SEK 15 million (13) refers to work in leased premises for which the costs are passed on to tenants. Bad debts remained low and totalled SEK 7 million (8), representing 0.4 per cent (0.4) of total revenues.

### OPERATING SURPLUS AND SURPLUS RATIO

The operating surplus was SEK 1,187 million (1,140), representing a surplus ratio of 65 per cent (64). The main explanation for the

improved operating surplus is an improvement in the occupancy rate, completed transactions and good cost control. For comparable properties, our operating surplus increased by 3.3 per cent compared with the previous year.

### CENTRAL ADMINISTRATION AND NET FINANCIAL ITEMS

The central administration expense was SEK 73 million (71). Net financial items for the year totalled SEK -162 million (-175). The financial costs decreased to SEK -170 million (-183) despite a higher volume of interest-bearing liabilities once the average interest rate fell to 1.3 per cent (1.6). Financial income was SEK 8 million (8).

### PROPERTY MANAGEMENT INCOME

Property management income for the year was SEK 952 million (894), which is an increase of 6 per cent. For comparable properties, property management income grew by 5.5 per cent.

### CHANGES IN VALUE, PROPERTIES

The positive change in value of SEK 350 million (687) consisted of unrealised changes in value of SEK 331 million (678) and realised changes in value of SEK 19 million (9). The positive unrealised change in value is explained mainly by an improvement in net operating income. The average valuation yield at year-end was 5.89 per cent (5.97). The change in value represented 1.4 per cent (3.3) of market value. During the year, 9 properties (11) were acquired, while 5 properties (20) were disposed of.

### CHANGES IN VALUE, DERIVATIVES

The portfolio of financial instruments has been measured at fair value. Unrealised

changes in value for financial instruments were positive, at SEK 0 million (16), and have been fully recognised in the income statement.

### PROFIT BEFORE TAX

The profit before tax was SEK 1,302 million (1,597). The reduced profit is mainly due to smaller gains in property values compared with the previous year.

### TAX

Current tax was SEK -79 million (-90) and is mainly attributable to tax in subsidiaries, which were prevented from offsetting losses against profits through Group contributions during the year. Deferred tax was SEK -173 million (-166), including a positive effect of SEK 8 million from restatement of deferred tax after the corporate tax rate was changed from 22 per cent to 20.6 per cent.

The new law limiting interest deductibility for businesses entered into force on 1 January 2019. The new law restricts the right to deduct interest expenses while gradually lowering the income tax rate. In view of our strong cash flow coupled with historically low interest rates, the new law will have only a minor impact on tax paid provided that Diös is able to offset net interest income and expenses across the Group effectively. However, rising interest rates will increase the negative impact (given an otherwise unchanged cash flow).

### PROFIT AFTER TAX

The profit after tax was SEK 1,050 million (1,341).



# Risk management

## RENTAL INCOME

Contracted rental income is dependent on the ability of tenants to pay. Deficient internal processes and commitments may result in dissatisfied tenants and increased vacancies. Global and local economic growth, new builds, competitors and demand affect occupancy and thereby also rental income. A large and diversified property portfolio with a well-balanced tenant structure reduces the risk of lower rental income if a particular tenant, industry or area should face economic setbacks. The majority of all leases include index compensation. The risk of default is in some cases managed through a parent company or bank guarantee.

## PROPERTY COSTS

Tariff-based costs that are not regulated in the lease and unexpected or seasonal repair and maintenance costs represent obvious risks. The risk of increased costs is managed by conducting reviews of the ability to pass on costs and/or perform lease indexation. An active management of electricity prices takes place through short and long term procurement. Our local presence gives the possibility of a proactive and cost-efficient administration. The properties follow multi-year maintenance plans and are insured based on assessed needs.

## INTEREST RATE RISK

A change in the underlying interest rate is a risk, as it may negatively affect the value of the company and/or cash flow. By striving to

maintain a diversified maturity structure and fixed-rate terms, the Group reduces the risk that changes in individual interest rates will have a significant impact on earnings and property values.

## TAXES, REGULATIONS AND CONTRIBUTIONS

Changes that affect corporation, property and value added tax, housing benefit and interest deduction may result in additional costs. In order to comply with relevant legislation and regulations, external tax experts and legal advisers are consulted in order to round out our internal expertise. The leases contain provisions governing unforeseen costs as a result of decisions taken by Swedish Parliament, a local authority or government agency.

## SENSITIVITY ANALYSIS RESULTS

	Change	Impact on earnings, SEKm
Total contracted revenue	+/- 1%	+/-18
Economic occupancy rate	+/- 1 percentage point	+/-20
Property costs	-/+ 1%	+/-7
Interest rate on interest-bearing liabilities	-/+ 1 percentage point	+/-53

# Consolidated balance sheet

ASSETS, SEKm	Note	2019	2018
<b>Non-current assets</b>			
<b>Property, plant and equipment and intangible assets</b>			
Investment properties	11	22,885	20,802
Intangible assets	12	0	1
Other property, plant and equipment	13	2	3
<b>Total property, plant and equipment and intangible assets</b>		<b>22,887</b>	<b>20,806</b>
<b>Non-current financial assets</b>			
Interests in associates	15	7	6
Other non-current securities	16	1	5
Promissory notes		18	39
Right-of-use asset	18	53	-
<b>Total non-current financial assets</b>		<b>79</b>	<b>50</b>
<b>Total non-current assets</b>		<b>22,966</b>	<b>20,856</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Trade receivables	19	26	37
Other receivables		168	134
Prepaid expenses and accrued income		27	30
<b>Total current receivables</b>		<b>221</b>	<b>201</b>
Cash and bank balances		-	-
<b>Total current assets</b>		<b>221</b>	<b>201</b>
<b>TOTAL ASSETS</b>		<b>23,187</b>	<b>21,057</b>

EQUITY AND LIABILITIES, SEKm	Note	2019	2018
<b>Equity</b>	20		
Share capital		269	269
Capital contributed		3,513	3,513
Retained earnings		4,644	4,008
<b>Total attributable to shareholders of the parent company</b>		<b>8,426</b>	<b>7,790</b>
<b>Non-controlling interests</b>	20	<b>58</b>	<b>49</b>
<b>Total equity</b>		<b>8,484</b>	<b>7,839</b>
<b>Non-current liabilities</b>			
Deferred tax liability	17	1,524	1,353
Other provisions	21	9	9
Liabilities to credit institutions	22	6,234	8,681
Non-current lease liability	18	53	-
<b>Total non-current liabilities</b>		<b>7,820</b>	<b>10,043</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities	22	5,911	2,418
Overdraft facilities	22	206	198
Trade payables		118	55
Derivative instruments	22	0	0
Other liabilities		141	127
Accrued expenses and deferred income	23	507	377
<b>Total current liabilities</b>		<b>6,883</b>	<b>3,175</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23,187</b>	<b>21,057</b>

## Comments on the consolidated balance sheet

### INVESTMENT PROPERTIES

At 31 December, the property portfolio consisted of 333 properties (330) with a total leasable area of 1,483,000 sq.m (1,464,000). The market value was SEK 22,885 million (20,802). At the end of the year, the holding consisted of 94 per cent (94) commercial properties with the total property value broken down by type of premises as follows: 54 per cent (54) offices, 28 per cent (29) retail, 1 per cent (2) warehouse/industry and 10 per cent

(9) other. Residential properties comprised 6 per cent (6) of holdings.

### Change in value of properties

The market value of the property portfolio increased by SEK 2,083 million (1,345). Investments in new builds, conversions and extensions totalled SEK 1,273 million (677). Properties with a combined value of SEK 600 million (420) were acquired and properties with a combined value of SEK 120 million (441) were sold, resulting in corresponding changes in the value of portfolio. Changes in value totalled SEK 350 million (687), of which SEK 19 million (9) was realised and SEK 331 million (678) was unrealised.

### CHANGE IN PROPERTY PORTFOLIO

	GROUP	
SEKm	2019	2018
Opening carrying amount	20,802	19,457
Acquisitions	600	420
Investment in existing properties	1,273	677
Sales	-120	-441
Change in value	331	678
Reclassifications	-	10
<b>CLOSING CARRYING AMOUNT</b>	<b>22,885</b>	<b>20,802</b>



## VALUATION METHOD

All properties are valued at fair value at each closing 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. Project properties that are intended to be managed in-house and for which there are contracted tenants are recognised at fair value, taking account of the project risk and after deducting the remaining investment. Valuations are based on estimates of future cash flows and the price that is expected to be obtained in a transaction between knowledgeable parties on market terms. 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, which represents SEK 16,582 million and includes the 126 largest properties with a representative spread based on the property type and geographical location. The subsidiary portfolio covers the rest of the property portfolio.

### External valuation

The valuation method entails an annual external valuation of the entire main portfolio, which sees the valuation consultant

Savills assess 25 per cent of the properties in the main portfolio each quarter. Savills also carry out a physical inspection of all properties within the framework of a three-year period, as well as regular inspections after major alterations. The properties in the secondary portfolio and those portions of the main portfolio which are not valued externally are valued internally on a quarterly basis with the assistance of Savills. A uniform valuation methodology and model are used for both external and internal valuations.

### Valuation model

A five-year cash flow model is applied to determine the value of the property portfolio. This means that the operating surpluses for the properties for the next five years are forecast based on leases, information about vacant premises, actual and budgeted operating and maintenance costs, property tax and property management, as well as information about ongoing and planned investments. The results of property inspections conducted regularly of the property portfolio for each city are taken into consideration here. A present value of each year's operating surplus, less the value of remaining investments for ongoing projects, and the present value of the properties' residual value in year 6 constitute the

basis for the value of the properties. The yield requirement for determining the residual value is set for each property on the basis of several factors, including the property's technical status, estimated earnings, property type and geographic market. The information on these factors is taken from property-specific data from the administration organisation and market-related information from Savills. In the valuation model, the long-term vacancy has been estimated at between 1.9 and 14.9 per cent depending on the type of property, location, quality, etc. Inflation has been estimated at 2 per cent, which is in line with the Riksbank's long-term target.

### Uncertainty range

All property valuations are based on a number of assumptions about the future and the market, which entail a degree of uncertainty. Savills therefore indicate an uncertainty range of +/- 7.5 per cent, which results in a value range of SEK 21,169–24,601 million.

### CURRENT ASSETS

Cash and bank balances were SEK 0 million (0). Other current assets comprised trade receivables, other receivables, prepaid expenses and accrued income, and current portion of right-of-use asset.

## VALUATION ASSUMPTIONS

	31 Dec 2019					31 Dec 2018				
	Office	Retail	Residential	Industrial/ warehouse	Other	Office	Retail	Residential	Industrial/ warehouse	Other
Yield for assessing residual value <sup>1</sup> , %	6.8-5.5	6.4-5.7	5.2-4.6	9.6-6.8	7.0-6.2	6.8-5.6	6.8-5.9	5.3-4.7	8.3-7.0	7.0-6.1
Cost of capital for discounting to present value, %	7.8	8.2	7.2	10.8	8.6	8.0	8.1	7.2	9.9	8.7
Long-term vacancy, %	4.8	3.9	1.9	14.9	5.6	5.0	3.7	1.7	14.3	6.1

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

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

## CHANGES IN VALUE OF PROPERTIES BY BUSINESS AREA

BUSINESS AREA	Market value 31 Dec 2019, SEKm	Market value 31 Dec 2018, SEKm	Change, %	Change, SEKm	Of which investments/ acquisitions, SEKm	Of which sales, SEKm	Of which unrealised change in value, SEKm	Average cost of capital, s%	Average yield requirement valuation, %
Dalarna	3,197	2,805	14.0	392	447	-49	-6	8.1	6.5
Gävle	2,468	1,971	25.2	497	453	-	44	8.0	5.9
Sundsvall	3,803	3,424	11.1	379	310	-	69	8.1	5.9
Äre/Östersund	3,828	3,556	7.6	272	198	-71	145	8.3	6.1
Umeå	3,789	3,562	6.4	227	214	-	13	7.6	5.4
Skellefteå	1,590	1,430	11.2	160	110	-	50	8.3	6.2
Luleå	4,210	4,054	3.8	156	141	-	15	7.8	5.6
<b>TOTAL</b>	<b>22,885</b>	<b>20,802</b>	<b>10.0</b>	<b>2,083</b>	<b>1,873</b>	<b>-120</b>	<b>331</b>	<b>8.0</b>	<b>5.9</b>

**EQUITY**

Equity and total assets amounted to SEK 8,484 million (7,839) and SEK 23,187 million (21,057) respectively, giving an equity ratio of 36.6 per cent (37.2). The target for return on equity in 2019 was a return in excess of 12 per cent. Yield on equity amounted to 12.8 per cent (18.2), thereby exceeding the yield target of >12 per cent (12). After adjustments were made for unrealised changes in value for property and derivatives as well as deferred tax, the yield on equity amounted to 10.8 per cent (11.6) for 2019. The number of shares at year-end was 134,512,438 (134,512,438). All shares belong to the same share class and carry the same voting rights.

**DEFERRED TAX LIABILITY**

Deferred tax in the income statement amounted to SEK 1,524 million (1,353). The remaining tax loss carry-forwards are estimated at SEK 0 million (0). The Group also has untaxed reserves of SEK 361 million (245).

The fair value of the properties exceeds their tax base by SEK 7,038 million (6,288), less SEK 3,792 million (3,502) in 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.

**LIABILITIES TO CREDIT INSTITUTIONS**

Liabilities to credit institutions totalled SEK 12,145 million (11,099) and consisted of interest-bearing liabilities in the form of bank loans, bonds and commercial paper. The loan-to-value ratio was 53.1 per cent (53.4). The net liability in relation to EBITDA shows how quickly the company's debts can be repaid with its current level of earnings. At year-end, the key ratio was 11.0 (10.5).

The Group's interest-bearing liabilities had an average annual interest rate of 1.2 per cent (1.2), including loan commitments at 31 December. The actual average annual interest rate for 2019, including costs related to

derivative instruments and loan commitments, was 1.3 per cent (1.6). During the year, parts of the loan portfolio were expanded, renegotiated and extended, which resulted in lower interest expenses. The average fixed-rate term of the loans, including derivatives, was 0.5 years (1.4) and the average loan maturity 1.6 years (2.0). This year's interest coverage ratio of 6.6 times (5.9) far exceeds the financial target of 1.8 times.

**OTHER LIABILITIES**

Other liabilities in the form of trade payables, prepaid rent, overdraft facilities and accrued interest expenses, etc. totalled SEK 972 million (757).

**DERIVATIVES**

The derivatives had a market value of SEK 0.3 million (0.5), with the change being due to the time effect.





# Risk management

## ASSET VALUE

The value of the property portfolio is affected by both internal and external factors. The internal factors are linked to our ability to refine the portfolio, increase the attraction and return of the properties and also to value the properties. The external factors are linked to the state of the overall economy, which determines supply, demand and the required return on the rental market. To reduce the risks of high fluctuations in value, the company maintains a well diversified portfolio of properties concentrated in central locations in growth cities. The well-balanced lease structure reduces the risk of high vacancy rates and loss of rental income. The property valuations are conducted according to established and revised methods.

## FINANCIAL RISKS

The financial risks are significant for a property company and are of fundamental importance for long-term value creation and financial performance. The management of

financial risks is governed by the Group's financial policy, and risks are identified and managed by the Board of Directors, senior management and the finance department. For more information, see Note 22 and the Corporate Governance Report on pages 65–72.

## LIQUIDITY AND REFINANCING RISK

Difficulties in obtaining finance or increased costs for financing the company's capital requirements constitute a significant risk that can affect the company's financial situation as well as its ability to fulfil its investment commitments. Our financial policy governs and limits financial risks. Business intelligence and good relationships with banks and capital markets as well as forward planning for liquidity and refinancing needs reduce the risk and establish trust between the company and its financiers and the market. The risk is spread by utilising several financial sources, including banking and capital marketing financing and liquidity reserve in the form of unutilised credit facilities.

## CAPITAL STRUCTURE

The relationship between equity and liabilities affects the risk structure as a higher share of borrowed capital is more risky. Based on the targets for equity ratio and loan-to-value ratio set forth in the financial policy, which is adopted annually by the Board, the operations are adapted through a trade-off between flexibility and risk profile. The level of economic activity and opportunities to make profitable investments affect the chosen capital structure.

## CREDIT RISK

A counterparty to an agreement that is unable to fulfil its obligations represents a risk. Risks are limited through the financial policy, which specifies which counterparties the company may enter into contracts with and for which amounts. Before a contract is entered into and when required, an up-to-date individual assessment is made of the counterparty.

## SENSITIVITY ANALYSIS PROPERTY VALUATIONS

	Change	Change in fair value, SEKm
Rental value	+/-SEK 50/sq.m	+972/-971
Operating costs	-/+SEK 25/sq.m	+578/-578
Yield	-/+0.5% percentage points	+1,705/-2,043
Cost of capital	-/+0.5% percentage points	+444/-456
Vacancy rate	-/+1.0% percentage points	+236/-222

SENSITIVITY ANALYSIS PROPERTY VALUE	Change in property value, %		
	-7.5	0.0	7.5
Property value, SEKm	21,169	22,885	24,601
Equity ratio, %	31.5	36.6	41.0
Loan-to-value ratio, %	57.4	53.1	49.4

## LOAN PORTFOLIO SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2019

					If market interest rates increase by 1 percentage point		
	Fixed-rate term, years	Capital maturity, years	Average annual interest rate, %	Market value, SEKm	Change in average annual interest rate, %	Change in average annual interest rate, SEKm	Change in market value, SEKm
Loan portfolio excl. derivatives	0.5	1.6	1.2 <sup>1</sup>	12,145	0.4	+53	-
Derivatives portfolio		-		0.3	0.0	0	+0.3
Loan portfolio incl. derivatives	0.5	1.6	1.2	--	0.4	+53	+0.3

<sup>1</sup> The cost of unutilised credit facilities has been included.



Joel Arnberg, Energy Optimiser Borlänge and Falun.



# Consolidated statement of changes in equity and cash flow statement

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the parent company

Amounts in SEKm	Number of outstanding shares, thousands	Share capital	Capital contributed	Retained earnings	Non-controlling interests	Total equity
<b>EQUITY 31 DECEMBER 2017</b>	<b>134,512</b>	<b>269</b>	<b>3,513</b>	<b>3,059</b>	<b>45</b>	<b>6,887</b>
Comprehensive income for the year after tax				1,338	3	1,341
Cash dividend				-390		-390
<b>EQUITY 31 DECEMBER 2018</b>	<b>134,512</b>	<b>269</b>	<b>3,513</b>	<b>4,007</b>	<b>49</b>	<b>7,839</b>
Comprehensive income for the year after tax				1,041	9	1,050
Cash dividend				-404		-404
<b>EQUITY 31 DECEMBER 2019</b>	<b>134,512</b>	<b>269</b>	<b>3,513</b>	<b>4,644</b>	<b>58</b>	<b>8,484</b>

## CONSOLIDATED CASH FLOW STATEMENT

SEKm	Note	2019	2018
<b>Operating activities</b>			
Operating surplus		1,187	1,140
Central administration		-69	-71
Reversal of depreciation, amortisation and impairment		2	2
Interest received		4	8
Interest paid		-170	-185
Tax paid		-79	-90
<b>Cash flow from operating activities before changes in working capital</b>		<b>875</b>	<b>804</b>
<b>Changes in working capital</b>			
Decrease (+)/increase (-) in receivables		-29	-35
Decrease (-)/increase (+) in current liabilities		62	31
<b>Total changes in working capital</b>		<b>33</b>	<b>-4</b>
<b>Cash flow from operating activities</b>		<b>908</b>	<b>800</b>
<b>Investing activities</b>			
Investments in new builds, conversions and extensions		-1,027	-557
Acquisition of properties		-450	-371
Sale of properties		146	443
Other non-current financial assets		-	-10
<b>Cash flow from investing activities</b>		<b>-1,331</b>	<b>-495</b>
<b>Financing activities</b>			
Dividend		-404	-390
New borrowing, interest-bearing liabilities		1,071	312
Repayment and redemption of interest-bearing liabilities		-252	-457
Change in overdraft facility		8	198
<b>Cash flow from financing activities</b>	<b>24</b>	<b>423</b>	<b>-337</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>0</b>	<b>32</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR <sup>1</sup></b>		<b>0</b>	<b>32</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR <sup>1</sup></b>		<b>0</b>	<b>0</b>

<sup>1</sup> Cash and cash equivalents comprise cash and bank balances.



Employees of Diös tenant Basta, Norr 31:9 in Gävle.

## ➤ Comments on the statement of changes in equity

### SHARES, SHARE CAPITAL AND ISSUE

The share capital at 31 December was SEK 269,024,276 (269,024,276) represented by 134,512,438 shares (134,512,438). This equates to a quotient value per share of SEK 2. No changes to the shares or share capital were made in 2019.

## ➤ Comments to the cash flow statement

Cash flow from operating activities for the year increased by 13 per cent to SEK 908 million (800). This represents cash flow per share of SEK 6.67 (6.05). The changes are mainly due to increased property management income.

### INVESTING ACTIVITIES

During the year, investments were made in projects in the form of new builds, conversions and extensions, which reduced cash flow by SEK 1,027 million (557). The investments comprised 927 projects, of which 412 were concluded in 2019. In addition to project investments, 9 properties (11) were acquired, which reduced cash flow by SEK 450 million (371). 5 properties (20) were sold, which increased cash flow by SEK 146 million (443).

### FINANCING ACTIVITIES

In 2019, Diös' shareholders received dividends totalling SEK 404 million (390), which reduced cash flow. The net change in interest-bearing liabilities was SEK 823 million (-145), which is explained by new borrowings. Repayment and redemption of interest-bearing liabilities totalled SEK -252 million (-457) and the change in overdraft facilities increased cash flow by SEK 8 million (-198). This also includes the principal repayment portion of finance lease payments.

### CHANGE IN CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents remained unchanged during the year. At 31 December, cash and cash equivalents stood at SEK 0 million (0).



# Parent company income statement

INCOME STATEMENT, SEKm	Note	2019	2018
Net revenue	3	171	164
<b>Gross profit</b>		<b>171</b>	<b>164</b>
Central administration	5.6	-215	-204
<b>Operating profit</b>		<b>-44</b>	<b>-40</b>
Financial income	7	442	864
Financial costs	8	-274	-222
Transfer to tax allocation reserve		-8	-
Current tax	10	-5	-
<b>PROFIT FOR THE YEAR AFTER TAX</b>		<b>111</b>	<b>602</b>

STATEMENT OF COMPREHENSIVE INCOME	2019	2018
Profit after tax	111	602
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>111</b>	<b>602</b>

# Parent company balance sheet

ASSETS, SEKm	Note	2019	2018
<b>Non-current assets</b>			
<b>Property, plant and equipment and intangible assets</b>			
Intangible non-current assets	12	0	1
Other property, plant and equipment	13	0	0
<b>Total property, plant and equipment and intangible assets</b>		<b>0</b>	<b>1</b>
<b>Non-current financial assets</b>			
Interests in Group companies	14	2,263	2,124
Receivables from Group companies		10,179	9,398
<b>Total non-current financial assets</b>		<b>12,442</b>	<b>11,522</b>
<b>Total non-current assets</b>		<b>12,442</b>	<b>11,523</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		3,439	1,816
Other receivables		13	12
Prepaid expenses and accrued income		10	8
<b>Total current receivables</b>		<b>3,462</b>	<b>1,836</b>
Cash and bank balances		-	-
<b>Total current assets</b>		<b>3,462</b>	<b>1,836</b>
<b>TOTAL ASSETS</b>		<b>15,904</b>	<b>13,359</b>

EQUITY AND LIABILITIES, SEKm	Note	2019	2018
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	20	269	269
Statutory reserve		285	285
<b>Total restricted equity</b>		<b>554</b>	<b>554</b>
<b>Non-restricted equity</b>			
Share premium reserve		3,173	3,173
Retained earnings		-825	-1,022
Profit for the year		111	602
<b>Total non-restricted equity</b>		<b>2,459</b>	<b>2,753</b>
<b>Total equity</b>		<b>3,013</b>	<b>3,307</b>
<b>Untaxed reserves</b>			
Tax allocation reserve 2019		8	-
<b>Total untaxed reserves</b>		<b>8</b>	<b>-</b>
<b>Non-current liabilities</b>			
Liabilities to Group companies		5,909	5,470
Liabilities to credit institutions	22	2,353	1,260
<b>Total non-current liabilities</b>		<b>8,262</b>	<b>6,730</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities	22	500	978
Liabilities to Group companies		3,852	2,109
Overdraft facilities	22	226	201
Trade payables		2	2
Other liabilities		16	12
Accrued expenses and deferred income	23	25	20
<b>Total current liabilities</b>		<b>4,621</b>	<b>3,322</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,904</b>	<b>13,359</b>



# Parent company statement of changes in equity and cash flow statement

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKm	Number of outstanding shares, thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Total equity
<b>EQUITY 31 DECEMBER 2017</b>	<b>134,512</b>	<b>269</b>	<b>285</b>	<b>3,173</b>	<b>-632</b>	<b>3,095</b>
Comprehensive income for the year after tax					602	602
Cash dividend					-390	-390
<b>EQUITY 31 DECEMBER 2018</b>	<b>134,512</b>	<b>269</b>	<b>285</b>	<b>3,173</b>	<b>-420</b>	<b>3,307</b>
Comprehensive income for the year after tax					111	111
Cash dividend					-404	-404
<b>EQUITY 31 DECEMBER 2019</b>	<b>134,512</b>	<b>269</b>	<b>285</b>	<b>3,173</b>	<b>-713</b>	<b>3,013</b>

## PARENT COMPANY CASH FLOW STATEMENT

SEKm	Note	2019	2018
<b>Operating activities</b>			
Operating profit		-44	-40
Reversal of amortisation of intangible assets and depreciation of property, plant and equipment		1	1
Interest received		330	253
Interest paid		-255	-222
Tax paid		-5	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>27</b>	<b>-8</b>
<b>Changes in working capital</b>			
Decrease (+)/increase (-) in receivables		-1,534	288
Decrease (-)/increase (+) in liabilities		1,752	-1
<b>Total changes in working capital</b>		<b>218</b>	<b>287</b>
<b>Cash flow from operating activities</b>		<b>245</b>	<b>279</b>
<b>Investing activities</b>			
Change in long-term receivables		-781	552
Acquisition of non-current financial assets		-139	-
<b>Cash flow from investing activities</b>		<b>-920</b>	<b>552</b>
<b>Financing activities</b>			
Dividend		-404	-390
Change in non-current liabilities, Group companies		439	297
New borrowing, interest-bearing liabilities		785	602
Repayment and redemption of interest-bearing liabilities		-170	-1,570
Change in overdraft facility		25	201
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>24</b>	<b>675</b>	<b>-860</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>0</b>	<b>-29</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR<sup>1</sup></b>		<b>0</b>	<b>29</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR<sup>1</sup></b>		<b>0</b>	<b>0</b>

<sup>1</sup> Cash and cash equivalents consist of cash and bank balances.

A photograph of a modern staircase with a curved metal railing and stone steps. The railing is made of polished metal with vertical balusters. The steps are made of light-colored stone. The background features a teal wall and a gold mesh ceiling. The word "Notes" is written in white text on the right side of the image.

# Notes



## NOTE 1 ► ACCOUNTING POLICIES

### GENERAL INFORMATION

The annual report and consolidated financial statements were approved by the Board of Directors for publication at [www.dios.se](http://www.dios.se) in week 13, 2020. The consolidated and parent company income statements and balance sheets will be presented for approval at the Annual General Meeting on 2 April 2020. Diös Fastigheter AB (publ), corporate ID number 556501-1771, is a Swedish public limited company with its headquarters in Östersund. The company offers commercial and residential properties in central locations in cities in northern Sweden with considerable variation in terms of property type and floor space. The postal address of its head office is: PO Box 188, SE-831 22 Östersund, and the visiting address is Prästgatan 39 in Östersund.

### OPERATIONS

The operations side of the business is conducted in the context of the Group's seven geographically designed business areas: Dalarna, Gävle, Sundsvall, Åre/Östersund, Umeå, Skellefteå and Luleå. From 1 January 2019, Skellefteå has been accounted for as a separate business area. Each business area comprises an administrative district. The central administration, which includes general administration and Group-wide activities, are managed from the head office in Östersund.

### BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) and interpretations of these as they have been adopted by the European Union. Furthermore, the consolidated financial statements have been prepared in accordance with Swedish law and the Swedish Financial Reporting Board's recommendation RFR 1, "Supplementary Accounting Regulations for Groups". Assets and liabilities are recognised at historical cost, except for investment properties and derivative instruments, which are carried at fair value. The parent company's annual report has been prepared pursuant to Swedish law and Swedish Financial Reporting Board recommendation RFR 2, "Accounting for Legal Entities".

The recommendation states that a legal entity must apply IFRS, including interpretations from IFRIC/SIC, with exceptions for legislative provisions in the Swedish Annual Accounts Act, first and foremost, and taking into account the relationship between accounting and taxation. The parent company uses the same accounting and measurement policies as those used for the consolidated financial statements with the following exceptions. The parent company does not apply IFRS 9 Financial Instruments. A method based on the acquisition cost is applied for the parent company in accordance with the Swedish Annual Accounts Act. Derivative instruments are not measured at fair value for the parent company, but rather at lowest value principle. Property, plant and equipment primarily constituting investment properties are recognised at cost less accumulated depreciation and impairment. The carrying amount increases for these in the balance sheet provided that requirements for revaluation exist. Shares in subsidiaries are recognised using the acquisition cost method where the carrying amount is continually reviewed against the subsidiaries' consolidated equity. In cases where the carrying amount exceeds the consolidated value, the resulting impairment is charged to the income statement. Impairment loss is reversed when it is no longer justified. Acquisition costs for subsidiaries that are written off in the consolidated financial statements are included as part of the acquisition cost of interests in subsidiaries. Group contributions are recognised as balance sheet appropriations for both the recipient and the contributor. Any subsequent impact on tax is recognised as current tax. Shareholder contributions are recognised by the contributor as an increase in shares in subsidiaries and by the recipient as an increase in non-restricted equity. In the parent company, leases of vehicles are accounted for as operating leases in accordance with the exemption provided under RFR 2.

### NEW AND AMENDED STANDARDS AND INTERPRETATIONS 2019

#### Group

From and including the financial year 2019, the Group has applied a number of new standards and interpretations. These new or amended standards and interpretations had no significant impact on the consolidated financial statements for 2019 other than as mentioned below.

IFRS 16 has been applied for the financial year that began on 1 January 2019. Diös does not apply the standard retrospectively. The accounting treatment for lessors will remain essentially unchanged. For lessees, the standard has the effect that most leases will be recognised in the balance sheet. For Diös, the main impact is in respect of the recognition of leasehold contracts and car leases, which from 1 January 2019 will be recognised in the balance sheet and will thus have an impact on total assets. The lease payment is accounted for as depreciation of the right-of-use asset and finance charge, and is no longer included in net operating income. The recognised right-of-use assets will be assigned the same value as the lease liability recognised at 1 January 2019. As Diös has a limited number of contracts, the impact on the financial statements is limited. In preparation for the change, Diös reviewed and assessed the Group's leases in its capacity as lessee, identifying leasehold contracts and vehicle leases as being the most material. In addition to these, only low-value assets have been identified, such as office equipment. As at 1 January 2019, the Group recognised a lease liability of SEK 35 million for leasehold contracts along with a corresponding right-of-use asset. After that date, Diös has recognised the right-of-use asset at fair value, as it is considered to be an investment property. As a result of the transition to IFRS 16, all ground rent costs have been treated as financial cost, which differs from the previous principle, under which these costs were treated as an operating expense that reduced the operating surplus. Property management income remains unchanged, however. The recognised expense for ground rent in 2018 was SEK 3 million. As at 1 January 2019, the Group recognised a lease liability of SEK 14 million for vehicle leases along with a corresponding right-of-use asset. These will be recognised at the value of the right-of-use asset at the beginning of the period less depreciation and a finance charge, which differs from the previous principle, under which this was treated as an operating expense that reduced the operating surplus. The recognised expense for leased vehicles in 2018 was SEK 4 million. As Diös has a limited number of contracts, the impact on the financial statements is limited. For more information, see Note 18.

Other changed and new IFRS standards entering into force during the coming periods are not assessed as having any significant impact on the consolidated financial statements.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In order to be able to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and generally accepted accounting practice, senior management is required to make estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets, liabilities, income and expense in the next financial year. These estimates are based on historical experience and other factors that are believed to be reasonable under the circumstances. The actual results may differ from these estimates if other assumptions are made or other factors exist. Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made. This is done if the change only affects that period, or if the change affects both the present and future periods, it is made both in the period in which the change is made and future periods. The estimates of the value of investment properties have a significant risk of causing a material adjustment to Group revenue and financial position. The measurement requires an estimation of the future cash flow as well as the determination of appropriate discount rates (required rate of return). The estimates and assumptions that form the basis of the applicable measurement are described in Note 11 Investment Properties. Other areas where judgements are made are asset acquisition versus business combination, and deferred tax liability. More information about the assumptions and judgements that are made is presented under Asset acquisitions and business combinations below and in Note 17 Deferred tax.

### DEFINITION OF SEGMENTS

Identification of reportable operating segments is done based on internal reporting to the chief operating decision maker, the CEO, and the Group CEO. The Group's management and financial structure is grouped into seven segments, see the section Operations. Group operations are organised by business area according to a geographic breakdown. Internal reporting systems are designed in order to facilitate follow-up of the returns generated by the respective business area. A geographic breakdown constitutes the primary basis of division. The company's operations are also monitored based on property type. The accounting policies applied for segment reporting are consistent with those applied by the Group. Segment information is only provided for the Group.

### CLASSIFICATION

Non-current assets and non-current liabilities consist, in all material respects, exclusively of amounts that are expected to be recovered or paid later than twelve months from the balance sheet date. Current assets and current liabilities consist, in all material respects, exclusively of amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

### CONSOLIDATED FINANCIAL STATEMENTS

The Group's financial reports include both the parent company and the subsidiaries in which the parent company has a controlling influence. A controlling interest exists when the parent company has control over a company, is exposed to, or has the right to, a variable return on its interest in the company and has the opportunity to exercise its influence and control over the company in order to affect its return. In addition to the parent company, the Group comprises the subsidiaries and associated sub-groups specified in Note 14. The financial statements are based on accounting records that have been prepared for all Group companies as at 31 December 2019. Profit/loss for a subsidiary acquired during the year is included in the consolidated income statement from the effective date of acquisition. Profit/loss from subsidiaries disposed of during the year is included in the consolidated income statement up to the date of disposal. All inter-company transactions with regard to assets, liabilities, income and expense are eliminated entirely on consolidation. Corporate acquisitions are recognised using the acquisition method. The acquisition method means that assets acquired and liabilities assumed are recognised at their fair value on the acquisition date, which is the date on which the acquirer assumes control of the acquired entity. The difference between the acquisition cost and the value of any non-controlling interest as well as the fair value of any previous interest and the fair value of the identifiable assets acquired, liabilities assumed and contingent liabilities is recognised as goodwill. Negative difference is recognised directly in the income statement. Non-controlling interests are recognised either as a proportional share of the net assets acquired or at fair value, which is estimated per acquisition. Additional consideration is recognised at estimated fair value with subsequent changes recognised in the income statement. Business combination achieved in stages (step acquisition) is measured at fair value on the date when control is obtained. Gain or loss resulting from remeasurement of previously held equity interest, before control was obtained, is recognised in the income statement. Increases or decreases in ownership interest are treated as changes in equity if control of the subsidiary is maintained. Non-controlling interests are recognised in the consolidated financial statements under equity, separate from the equity of the parent company. Non-controlling interests are included in the consolidated income statement and comprehensive income statement and are recognised separate from the parent company's income statement and comprehensive income statement as an allocation of the profit for the period.

### ASSET PURCHASES VERSUS BUSINESS COMBINATIONS

Acquisitions may be classified either as business combinations or asset purchases. Acquisitions whose primary purpose is to acquire the company's property and in which the company's management organisation and administration, if any, is of secondary importance to the acquisition, are classified as asset purchases. Other acquisitions are classified as business combinations. On asset acquisition, no deferred tax attributable to the property acquisition is recognised; instead, any discount reduces the property's acquisition cost. This means that changes in value will be affected by the tax discount on subsequent valuation.

### JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is classified as either a joint venture or a joint operation. Diös has

## CONT. NOTE 1 ► ACCOUNTING POLICIES

assessed its joint arrangements and determined that its interest in Svensk Fastighetsfinansiering AB constitutes a joint operation. In respect of its interest in the joint operations, Diös has recognised its assets and liabilities, including its share of all joint assets and liabilities, as well as its income and expenses, including its share of all joint income and expenses. The Group's other joint arrangements constitute joint ventures and are accounted for in accordance with the equity method. Under the equity method, interests in joint ventures are recognised at cost in the balance sheet after adjusting for the Group's share of the profit or loss of joint ventures after the acquisition date. Dividends received reduce the carrying amount of the interest.

### REVENUE

Diös' revenue consists substantially of rental income from the lease of commercial and residential premises and other leases including indexation as well as pass-through of investments and property tax. These are classified and accounted for as operating leases in accordance with IFRS 16 Leases. The rental income is recognised on a straight-line basis over the term of the lease. This means that only the portion of the rental income relevant to the current period is recognised. Rentals invoiced in advance are thus recognised as deferred rental income. Any payment in connection with premature termination of a lease is recognised immediately as income provided there are no remaining obligations towards the lessee. Discounts on leases are recognised on a straight-line basis over the term of the lease. Turnover leases are used to a minor extent. In preparing the annual accounts, turnover rent is estimated based on the reported sales data. Any difference between the actual and estimated annual rent is accounted for as a changed estimate in the period in which the annual rent is determined.

Other income refers to service income, which consists of additional charges such as tariff-based income and income from the care and upkeep of properties. Care and upkeep includes technical management of the properties, such as heating, cooling, waste, water management, snow clearance, etc. In Diös' case, revenue is recognised in the income statement when control of the good or service is transferred to the counterparty, which in the great majority of cases is considered to take place over time as the services are provided. Revenue is recognised at an amount that reflects the compensation we are expected to be entitled to in exchange for the goods or services based on the applicable contract. Our assessment is that we in our capacity as property owner are essentially acting as principal and not as agent in respect of service income. For further information, see Note 2 Segment reporting and Note 3 Revenue.

Income from property transactions is normally recognised on the completion date unless control has already been transferred to the buyer. If this is the case, the income from the sale of the property is recognised at this earlier date. In assessing the date of revenue recognition, account is taken of what has been agreed between the parties with regard to material assessment factors, e.g. risks and rewards as well as commitments in the day-to-day management of properties. Circumstances which could affect the outcome of the transaction and are beyond the control of the seller and/or buyer are also taken into account. Income from the sale of property is recognised as the difference between the sale price received, less any costs directly related to the sale, and the latest carrying amount, plus any improvements made since the last valuation.

Financial income mainly comprises interest income and is recognised in the period to which it refers. Financial income also includes Group contributions received and dividends received and anticipated. Dividends are recognised as revenue when the right to receive payment is established. Financial income is calculated using the effective interest method.

### PROPERTY COSTS

Property costs include both direct and indirect costs incurred in the management of a property. Direct costs refer to tariff-based costs, maintenance costs, ground rent and property tax. Tariff-based costs include electricity, heating, cooling, water and snow removal, etc. Indirect costs refer to costs for letting activities, rent administration and accounting.

### CENTRAL ADMINISTRATION

Central administration covers costs for general administration and group-wide activities. Parent company costs for senior management, human resources, IT, marketing activities, IR, audit fees, financial statements and the expense of maintaining a stock exchange listing are included in central administration.

### FINANCIAL COSTS

Financial costs relate to interest and other costs incurred in connection with borrowings. Costs for registering mortgage bonds are not considered a financial cost, but are disclosed on the balance sheet as investment properties. Financial costs are recognised in the period to which they relate. Financial costs also include costs for interest rate derivative contracts. Flows of payments under these contracts are recognised in the period in which they are incurred. Net financial items are not affected by the market valuation of interest rate derivative contracts entered into, which are instead accounted for as changes in value under a separate heading. The interest rate is calculated based on an average borrowing cost for the Group.

### FINANCIAL ASSETS AND LIABILITIES

Financial instruments recognised in the balance sheet include, on the asset side, cash and cash equivalents, rent receivables, other receivables and loans, and, on the liability side, interest-bearing liabilities, interest rate derivative instruments, trade payables, other liabilities and borrowings.

Financial instruments are initially recognised at fair value, which is equal to cost, plus transaction costs, except for the category financial instruments at fair value through profit or loss, for which transaction costs are not included. The subsequent accounting treatment depends on the classification, as described below.

Financial transactions such as receipts and payments of interest and credits are recognised at the settlement date of the account-holding bank while other incoming and outgoing payments are recognised at the accounting date of the account-holding bank. The company should derecognise a financial asset from its balance sheet when it realises the rights to benefits specified in the contract, the rights expire or the company loses control of the contractual rights. A financial liability is derecognised when the contractual obligation is discharged or is otherwise extinguished. Unless otherwise stated in a note, the carrying amount of all financial assets and liabilities is considered to be a good approximation of their fair values.

Cash and cash equivalents may consist of the Group's disposable balances with banks and equivalent institutions.

Receivables, financial assets that are not derivatives, have specified or specifiable payments and are not listed on an active market are accounted for as receivables. Financial assets are classified at amortised cost, fair value through profit or loss or fair value through other comprehensive income based on the nature of the asset's cash flow and the business model applied for the asset.

All financial assets that are not derivatives meet the criterion for contractual cash flows and are held in a business model whose aim is to collect these contractual cash flows. The receivables are therefore recognised at amortised cost. The Group has rent receivables and other receivables, the latter of which refer mainly to VAT and tax receivables and receivables related to divested properties. Receivables are assessed individually and carried at the amounts at which they are expected to be realised, which means that they are recognised at cost less provision for doubtful debts.

Except for cash and cash equivalents, the simplified approach for expected credit losses is used for the Group's receivables. Provisions for credit losses are assessed continuously based on past experience and current and prospective factors. Due to the short maturities of the receivables, the amount of the provisions is insignificant. The Group defines default as receivables more than 90 days past due and in these cases an individual assessment is made and a provision is recognised. For cash and cash equivalents, the provision is based on the probability of default of the banks and prospective factors. Due to the short maturity and high creditworthiness, the amount of the provisions is negligible.

Financial liabilities refer to loans and operating liabilities such as trade payables. The majority of loan agreements are long-term. In cases where short-term loans are raised that are covered by undrawn long-term credit agreements, these are also regarded as long-term. In cases where short-term loans are raised that are covered by undrawn long-term credit agreements, these are also regarded as long-term. Loans are recognised in the balance sheet at the settlement date and are measured at amortised cost. Interest accrued not paid is recognised in the item accrued expenses. A liability is recognised when the counterparty has fulfilled its obligation and there is a contractual duty to pay, even if no invoice has been received. Trade payables are recognised on receipt of invoice. Trade payables and other operating payables with short maturities are recognised at nominal value.

Foreign currency transactions are translated to Swedish kronor at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities are translated at the closing rate.

Interest rate derivatives are a financial asset or liability that is measured at fair value and changes in value are recognised through profit or loss. To manage exposures to fluctuations in the market interest rate in accordance with the adopted financial policy, the Group has entered into interest rate derivative contracts. The use of interest rate derivatives gives rise to changes in value depending mainly on changes in market interest rates. Interest rate derivatives are initially recognised at cost in the balance sheet on the trade date and are subsequently measured at fair value while changes in value are recognised through profit or loss. Payment flows under the contracts are recognised in the income statement in the period to which they refer.

### ACQUISITIONS AND SALES

On acquisition and sale of properties, the transaction is recognised on the completion date unless control has already been transferred to the purchaser or the Group. This applies regardless of whether the sale is in the form of a company or not.

### EQUITY

When the company repurchases its own shares, the company's equity is reduced by the amount of consideration paid for the shares plus any transaction costs. Pursuant to the decision of the Annual General Meeting, dividends are recognised as a decrease in equity. The calculation of earnings per share is based on the Group's net earnings for the year attributable to the parent company's shareholders and on the average number of outstanding shares during the year.

## PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

### INVESTMENT PROPERTIES

Investment properties are properties that are held for the purpose of generating income from rent or lease, or from an increase in value, or a combination of the two. On the balance sheet date, the property portfolio consists solely of investment properties. These are recognised in the balance sheet at fair value on the balance sheet date based on the property valuation performed. Their fair values are subsequently remeasured during the year at quarterly intervals on the basis of external and internal valuations. The change in value is recognised in the income statement under change in value of properties. Fair values are based on market values. The market values are the estimated sale price of



## CONT. NOTE 1 ► ACCOUNTING POLICIES

the properties as agreed upon between a willing and well-informed buyer and seller independent of each other with an interest in carrying out the transaction. Project properties that are intended to be managed in-house and for which there are contracted tenants are recognised at fair value, taking account of the project risk and after deducting the remaining investment. Valuations are based on estimates of future cash flows and the price that is expected to be obtained in a transaction between knowledgeable parties on market terms. For more information, see Note 11 Investment properties.

Changes in value are recognised in the income statement. Rental income and income from property sales are recognised in accordance with the policies described under the section Revenue recognition. Transactions concerning the acquisition of properties or companies are normally reported on the completion date since that is the date on which control associated with ownership is usually passed on. For sales, see the Revenue and Acquisitions and sales.

When an owner-occupied property that has been accounted for as an item of property, plant and equipment is reclassified as an investment property as a result of a change of use, an unrealised capital gain is recognised directly against other comprehensive income in the translation reserve. This unrealised change in value is equal to the difference between fair value at the date of reclassification and the carrying amount of the owner-occupied property immediately before it was reclassified as an investment property. On any future sale, the property's share of the revaluation reserve is transferred from the revaluation reserve to retained earnings. Any loss incurred in such a transaction is recognised in profit or loss at the time of the sale. If an investment property is transferred for use by the Group, it is reclassified from investment property to owner-occupied property. The fair value of the property at the date of reclassification is then used as the basis for future component depreciation. If the Group initiates a redevelopment of an existing investment property for continued use as an investment property, the property will continue to be accounted for as investment property. Such investment properties are also recognised under the fair value method and are thus not reclassified as property, plant and equipment during the period of redevelopment.

### OTHER PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. Other property, plant and equipment is recognised in the balance sheet at cost less accumulated depreciation and impairment. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Subsequent expenditure is added to the cost to the extent that it improves the performance of the asset. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Scheduled depreciation is based on the original cost of the asset and, where applicable, taking into account other costs that add value and write-ups and write-downs. Items are depreciated on a straight-line basis over the estimated useful life of the asset. The date on which the depreciation starts is the date of acquisition.

The following percentages are applied:

Parent company and Group	
Equipment and vehicles	10–20%
Office equipment	20%
Computers	33%

### INTANGIBLE ASSETS

Intangible assets currently comprise IT systems. IT systems are stated at cost less accumulated amortisation and impairment. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Items are depreciated on a straight-line basis over the estimated useful life of the asset.

The following percentages are applied:

Parent company and Group	
IT systems	20%

### EMPLOYEE BENEFITS

Short-term employee benefits include salaries, paid annual leave, paid sick leave and social security contributions. These are recognised as the employees perform the work that entitles them to such benefits.

### PENSIONS

Pensions and other post-employment benefits can be classified as defined contribution or defined benefit pension schemes. The Group only operates defined contribution pension schemes. This means that the legal or informal obligations are limited to the amount with which the company has agreed to participate. The scope of the employee's retirement benefits depends on the contributions that the Group pays to the scheme or to an insurance company compared to the return on capital that the contributions give. Hence, it is the employee who bears the actuarial risk and investment risk. The commitment to retirement and occupational pensions is covered by insurance with Alecta. In compliance with current regulations, these are classified as defined benefit ITP plans, which are covered by several employers.

A small number of people have defined benefit ITP plans, with continuous payments made to Alecta. These are recognised as a defined contribution plan as a result of Alecta not supplying the information required, thus leading to a lack of information required to recognise the plan as a defined benefit plan. However, there is nothing to indicate any significant commitments in excess of the amount paid to Alecta. Where there is insufficient information to recognise these as defined benefit plans, they are recognised as defined contribution plans. Obligations in respect of contributions to defined contribution plans are recognised as an expense in the income statement as they arise. For more information, see Note 5.

### TERMINATION BENEFITS

Termination benefits are recognised as a liability and an expense. This only applies if the Group is demonstrably obliged to either terminate employment before the usual retirement date or to provide compensation to encourage voluntary resignation. The benefits in connection with voluntary redundancy are calculated on the basis of the number of employees expected to accept the offer. This means that the compensation is written off on the basis of an obligation to work or directly if the employee is exempt from this.

### RELATED PARTIES

IAS 24, Related Party Disclosures requires the disclosure of related-party transactions and outstanding balances. A party is related to a company if the party directly or indirectly through one or more intermediaries controls, is controlled by, or is under the same controlling interest as the company. An associate is a party with an interest in the company that gives it significant influence or a joint controlling influence over the company. This includes parent companies, subsidiaries and sister companies.

A party is also related to a company if the party is an associate of the company, a joint venture in which the entity is a co-owner. The designation also includes key individuals in senior roles in the company or its parent company, close family members of anyone defined as an associate, companies under the controlling influence of, under a joint controlling influence of or significantly influenced by key individuals in senior roles in the company or close family members. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Controlling interest is the power to govern the financial and operating policies of a company so as to obtain financial benefits. Joint control is the contractually agreed sharing of controlling interest over an economic activity. Significant influence is the power to participate in the financial and operating policy decisions of a company without controlling interest over those policies. Significant influence may be gained by share ownership, statute or agreement. Key individuals in senior positions are those persons with the powers and responsibility for directly or indirectly planning, managing and controlling the operations of a company. Close members of the family of a person are the person's children and spouse or cohabiting partner, the children of that person's spouse or cohabiting partner, and dependants of that person or that person's spouse or cohabiting partner.

### TAX

The parent company and the Group apply IAS 12, Income Taxes. Aggregate tax is current and deferred tax. Tax is recognised in the income statement, unless it arises from transactions recognised in other comprehensive income or equity, in which case any related tax effect is also recognised directly in equity. Current tax is the amount of tax the company is liable to pay in respect of the taxable profit for the year, including adjustments of any current tax pertaining to earlier periods. The parent company and Group calculate deferred tax according to the balance sheet method. This means that deferred tax is recognised on all temporary differences, except to the extent that the deferred tax is attributable to the initial recognition of goodwill or an asset or liability arising from a transaction that is not a business combination and at the time of acquisition affects neither recognised profit nor taxable profit. These amounts are calculated based on how the temporary differences are expected to be settled and using the tax rates and tax regulations that have been enacted or announced on the balance sheet date. Deferred taxes are measured using the tax rates and tax regulations enacted or substantively enacted on the balance sheet date.

Deferred tax assets are recognised for deductible temporary differences and loss carry-forward only to the extent that it is probable that they will result in lower tax payments in the future. Deferred tax assets are reduced to the extent that it is no longer probable that a sufficient taxable benefit will arise. Deferred tax is reported net when we have made the assessment that the unutilised deficit can be offset against future earnings.

### CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. This means that net earnings have been adjusted for transactions not involving incoming or outgoing payments during the period, and for any income and expenses associated with cash flows for investing or financing activities.

### PARENT COMPANY

The changes to RFR 2, which apply from and including the financial year 2019, have not had any impact on the parent company's financial statements.

### NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board (IASB) has issued a number of new and amended standards and interpretations which are effective from the beginning of the 2020 financial year. These have not been applied when preparing the 2019 consolidated financial statements. No new and amended IFRS standards that will become effective in future are expected to have a material impact on the company's financial statements.

Changes to Swedish regulations in 2019 have not had a material impact on Diös' financial statements, but have mainly resulted in slightly increased disclosure requirements.

#### Parent company

The amendments to Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board that become effective from 1 January 2020 or later are also not expected to have a material impact when they are applied for the first time.

## NOTE 2 &gt; SEGMENT REPORTING 2019

By segment, SEKm	Dalarna	Gävle	Sundsvall	Åre/ Östersund	Umeå	Skellefteå	Luleå	Group
Rental income	240	157	234	260	210	112	269	1,482
Service income								
Tariff-based operations	42	19	39	53	30	18	35	237
Care and upkeep	21	12	23	31	18	7	23	135
Repair and maintenance	-13	-6	-8	-13	-7	-5	-7	-59
Tariff-based costs	-40	-18	-36	-51	-28	-18	-31	-222
Property tax	-14	-11	-16	-17	-16	-7	-20	-101
Other property costs	-32	-17	-36	-42	-30	-10	-39	-206
Property management	-13	-9	-12	-19	-10	-5	-12	-80
<b>Operating surplus</b>	<b>192</b>	<b>126</b>	<b>188</b>	<b>203</b>	<b>168</b>	<b>92</b>	<b>217</b>	<b>1,187</b>
<b>Undistributed items</b>								
Central administration	-	-	-	-	-	-	-	-73
Net financial items	-	-	-	-	-	-	-	-162
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>952</b>
<b>Changes in value</b>								
Property, realised	14	-	-	5	-	-	-	19
Property, unrealised	-6	44	69	145	13	50	15	331
Interest rate derivatives	-	-	-	-	-	-	-	0
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,302</b>
Current tax	-	-	-	-	-	-	-	-79
Deferred tax	-	-	-	-	-	-	-	-173
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	-9
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,041</b>
Leasable area, sq.m	277,782	160,604	233,490	291,478	200,829	113,157	205,440	1,482,780
Rental value, SEKm	327	214	337	371	285	143	342	2,018
Economic occupancy rate, %	91	84	87	92	89	95	94	90
Surplus ratio, %	65	70	64	60	66	68	68	65
<b>Change in property portfolio</b>								
Property portfolio, 1 January 2019	2,805	1,971	3,424	3,556	3,562	1,430	4,054	20,802
Acquisitions	246	245	28	28	-	53	-	600
Investments in new builds, extensions and conversions	201	208	282	170	214	57	141	1,273
Sales	-49	-	-	-71	-	-	-	-120
Reclassifications	-	-	-	-	-	-	-	-
Unrealised changes in value	-6	44	69	145	13	50	15	331
Property portfolio, 31 December 2019	3,197	2,468	3,803	3,828	3,789	1,590	4,210	22,885



**CONT. NOTE 2 > SEGMENT REPORTING 2018**

By segment, SEKm	Dalarna	Gävle	Sundsvall	Åre/ Östersund	Umeå	Skellefteå	Luleå	Group
Rental income	221	152	227	246	215	107	267	1,435
Service income								
Tariff-based operations	42	20	38	51	30	17	32	230
Care and upkeep	20	15	26	32	17	7	27	144
Repair and maintenance	-13	-7	-13	-14	-10	-6	-12	-75
Tariff-based costs	-39	-20	-36	-50	-28	-16	-30	-219
Property tax	-12	-10	-14	-15	-14	-6	-18	-89
Other property costs	-31	-24	-38	-41	-28	-9	-40	-211
Property management	-13	-9	-12	-15	-9	-5	-12	-75
<b>Operating surplus</b>	<b>176</b>	<b>117</b>	<b>178</b>	<b>194</b>	<b>174</b>	<b>87</b>	<b>214</b>	<b>1,140</b>
<b>Undistributed items</b>								
Central administration	-	-	-	-	-	-	-	-71
Net financial items	-	-	-	-	-	-	-	-175
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>894</b>
<b>Changes in value</b>								
Property, realised	0	9	-	0	-	-	-	9
Property, unrealised	34	61	95	93	152	111	132	678
Interest rate derivatives	-	-	-	-	-	-	-	16
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,597</b>
Current tax	-	-	-	-	-	-	-	-90
Deferred tax	-	-	-	-	-	-	-	-166
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	-3
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,338</b>
<b>Leasable area, sq.m</b>	<b>263,901</b>	<b>146,523</b>	<b>233,490</b>	<b>304,513</b>	<b>200,829</b>	<b>109,126</b>	<b>205,440</b>	<b>1,463,822</b>
<b>Rental value, SEKm</b>	<b>304</b>	<b>207</b>	<b>325</b>	<b>356</b>	<b>279</b>	<b>135</b>	<b>330</b>	<b>1,936</b>
<b>Economic occupancy rate, %</b>	<b>91</b>	<b>90</b>	<b>88</b>	<b>92</b>	<b>91</b>	<b>91</b>	<b>95</b>	<b>91</b>
<b>Surplus ratio, %</b>	<b>63</b>	<b>63</b>	<b>62</b>	<b>60</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>64</b>
<b>Change in property portfolio</b>								
Property portfolio, 1 January 2018	2,647	2,046	3,234	3,258	3,272	1,222	3,777	19,457
Acquisitions	-	196	-	86	70	68	-	420
Investments in new builds, extensions and conversions	135	86	93	124	68	28	143	677
Sales	-15	-418	-	-8	-	-	-	-441
Reclassifications	2	0	3	1	1	1	1	10
Unrealised changes in value	34	61	95	93	152	111	132	678
Property portfolio, 31 December 2018	2,805	1,971	3,424	3,556	3,562	1,430	4,054	20,802

## NOTE 3 &gt; REVENUE

Consolidated revenue (rental and service income) was SEK 1,854 million (1,810), which represents an economic occupancy rate of 90 per cent (91). For comparable properties, contracted rental income increased by 2.5 per cent year on year. Revenue consists of the rental value less the value of vacant spaces during the year plus service income. Rental value refers to income received plus estimated market rent for unleased space. The rental value also includes additional charges that are passed on to the tenant, such as heating costs, property tax and indexation adjustments.

SEKm	2019	SEK/sq.m	2018	SEK/sq.m
GROUP				
Comparable properties	1,768		1,726	
Acquired properties	52		0	
Sold	1		45	-
Contracted income	1,821	1,228	1,771	1,210
Other property management income	33		39	
<b>INCOME</b>	<b>1,854</b>		<b>1,810</b>	

Intra-Group revenue in the parent company relates to invoiced administration and management fees. Contract maturity structure of the property portfolio is shown in the table below.

SEKm	2019	2018
PARENT COMPANY		
Intra-Group revenue	171	164
Other income	-	-
<b>Total</b>	<b>171</b>	<b>164</b>

## Lease maturities at 31 December 2019

	Maturity year	Concluded contracts	Rented area, sq.m	Contract value, SEKm	Share of value, %
Commercial leases	2020	914	174,683	231	12
	2021	807	274,927	381	21
	2022	583	195,155	268	14
	2023	412	209,399	306	17
	2024+	269	305,016	463	25
<b>Total</b>		<b>2,985</b>	<b>1,159,180</b>	<b>1,649</b>	<b>89</b>
Residential leases		1,745	122,256	140	8
Other leases		3,967	-	64	3
<b>TOTAL</b>		<b>8,697</b>	<b>1,281,436</b>	<b>1,853</b>	<b>100</b>

## NOTE 4 &gt; PROPERTY COSTS

SEKm	2019	2018
GROUP		
Operating costs	-427	-431
Repair and maintenance costs	-59	-75
Property tax	-101	-89
Property management	-80	-75
<b>TOTAL</b>	<b>-667</b>	<b>-670</b>

Property costs amounted to SEK 667 million (670), corresponding to SEK 450/sq.m (458). The costs comprise direct property costs for operation, maintenance, property taxes, etc. and indirect property costs in the form of leasing and property management. Overall property costs are in line with the previous year. Operating costs are down slightly, which is due to a decrease in snow- and ice-related costs compared with the previous year. Repairs and maintenance decreased by SEK 16 million compared with the previous year. In other respects, properties have been reassessed for tax purposes, resulting in an increase of SEK 12 million in property tax.

Operating costs include electricity, heating, water, care and upkeep of properties, cleaning, insurance and property-specific marketing costs. Some of the operating costs are charged to the tenants as rent supplements. Operating costs amounted to SEK 427 million (431), corresponding to SEK 288/sq.m (298). SEK 15 million (13) of the operating costs is for work carried out on leased premises which is charged to lessees. This corresponds to SEK 10/sq.m (9).

Repair and maintenance costs comprise periodic and ongoing measures necessary to maintain the standards of the properties and their technical systems. Costs in 2019 amounted to SEK 55 million (69) or SEK 37/sq.m (47).

Property tax is a state tax based on the assessed value of a property. A large proportion of the property tax is charged to the tenants and lessees. The tax rate in 2019 was 1 per cent (1) of the assessed value for office/retail space and 0.5 per cent (0.5) for warehouse/industrial space. Property tax for residential properties is calculated at SEK 1,377/apartment or 0.3 per cent of the assessed value for 2019, whichever is the lower. Property tax expenses amounted to SEK 101 million (89), corresponding to SEK 68/sq.m (61).

Property management costs are indirect costs for the ongoing management of the properties. These include costs for employees responsible for lease administration, lease negotiations, consumables and project administration. Consolidated expenses in 2019 amounted to SEK 80 million (75), corresponding to SEK 54/sq.m (51).

## NOTE 5 &gt; EMPLOYEES, STAFF COSTS AND DIRECTORS' FEES

Average number of employees	2019	2018
	of whom men	of whom men
Parent company	168 58%	172 59%
Other companies	- -	- -
<b>GROUP TOTAL</b>	<b>168 58%</b>	<b>172 59%</b>

At the end of 2019, the Board of the parent company consisted of five members, two of which were women. The number of senior executives in the parent company was 5 (6), of whom 2 were women (2).

## Salaries, other remuneration and social security contributions

	2019	2018
SEK '000	Salaries and benefits	Salaries and benefits
Parent company	96,747	92,264
(of which pension costs) <sup>1</sup>	(11,824)	(11,062)
<b>GROUP TOTAL</b>	<b>96,747</b>	<b>92,264</b>
(of which pension costs) <sup>2</sup>	(11,824)	(11,062)

<sup>1</sup> SEK 972,000 (935,000) of the parent company's pension costs relate to the CEO.

<sup>2</sup> SEK 972,000 (935,000) of the Group's pension costs relate to the CEO.

Diös has a profit-sharing foundation for all its employees. Provision for the profit-sharing foundation is based on a combination of Diös results, required return and dividend for shareholders and shall be a maximum of SEK 30,000 per year per employee. For 2019, this provision came to SEK 2,045,000.



## CONT. NOTE 5 > EMPLOYEES, STAFF COSTS AND DIRECTORS' FEES

Salaries and other remuneration of the Board, the CEO and other employees

SEK '000	2019		2018	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent company	5,791	90,956	4,858	87,406
(of which bonuses, etc.)	-	-	-	-
<b>GROUP TOTAL</b>	<b>5,791</b>	<b>90,956</b>	<b>4,858</b>	<b>87,406</b>
(of which bonuses, etc.)	-	-	-	-

### Remuneration and other benefits in 2019

SEK '000	Base salary/ Directors' fees	Other benefits	Pension expense	Other remuneration	Total
Chairman of the Board	200	-	-	-	200
Other Board members	600	-	-	-	600
Chief Executive Officer	3,643	376	972	-	4,991
Other senior executives	6,842	434	1,865	310	9,451
<b>TOTAL</b>	<b>11,285</b>	<b>810</b>	<b>2,838</b>	<b>310</b>	<b>15,243</b>

### Remuneration and other benefits in 2018

SEK '000	Base salary/ Directors' fees	Other benefits	Pension cost	Other remuneration	Total
Chairman of the Board	200	-	-	-	200
Other Board members	600	-	-	-	600
Chief Executive Officer	2,755	368	935	-	4,058
Other senior executives	6,353	401	1,641	291	8,686
<b>TOTAL</b>	<b>9,908</b>	<b>769</b>	<b>2,575</b>	<b>291</b>	<b>13,544</b>

Remuneration paid to the Board of Directors is decided at the Annual General Meeting. The 2019 AGM approved the payment of future Directors' fees of SEK 960,000. Of this amount, SEK 300,000 will be paid to the Chairman of the Board and SEK 165,000 to each of the other Directors. A presentation of the fees paid to each Director is given on page 66. No other remuneration or benefits are paid to the Board of Directors.

Senior management refers to the CEO and other members of the management team. The group other senior executives consisted of 4 people. Remuneration and benefits to the CEO are decided by the company's Board of Directors and remuneration to other senior executives is decided by the CEO in consultation with the Board of Directors. Variable incentive remuneration plans were introduced in 2012 for the company's CEO and senior executives. For 2019, variable remuneration to senior management amounted to SEK 310,000 (291,000). There is no share-based payment. Variable remuneration is capped at one month's salary. For 2019, the company's CEO has received variable remuneration of SEK 0 (0). The CEO is entitled to a company car and insurance and retirement benefits in accordance with the ITP plan applicable during the period of employment. Individual investment options are available. Insurance and pension premiums are based on cash salary only. The retirement age for the CEO is 65 years. The period of notice given by the company to the CEO is 12 months. The period of notice given by the CEO to the company is 4 months. Remuneration during a period of notice is deducted from income from another employer. Other senior executives are entitled to a company car. During the period of employment with the company, other executives are entitled to insurance and pension benefits in accordance with the ITP plan applicable at the time. Individual investment options are available. Insurance and pension premiums are based on cash salary only. The retirement age for other senior executives is 65 years and the mutual notice period between the company and the employee is three to six months.

## NOTE 6 > CENTRAL ADMINISTRATION

Central administration includes costs for Group-wide functions such as senior management, IT, annual reports, auditors' fees, legal advice and so on. Central administration costs totalled SEK 73 million (71), corresponding to SEK 49/sq.m (49). Of these costs, SEK 33 million (30) relates to employee benefits and SEK 5 million (2) relates to the amortisation/depreciation of intangible assets and property, plant and equipment. Other items of SEK 35 million (39) are costs for IT and consulting fees, among other things.

### Auditors' fees and expenses

SEK '000	FOR THE GROUP		PARENT COMPANY	
	2019	2018	2019	2018
<b>Deloitte</b>				
Audit services	1,670	1,550	1,670	1,550
Audit activities in addition to audit engagement	3	9	3	9
Fiscal advice	89	167	89	167
Other services	87	131	87	131
<b>TOTAL</b>	<b>1,849</b>	<b>1,857</b>	<b>1,849</b>	<b>1,857</b>

Auditing refers to the examination of the Annual Report and accounting records and the administration of the Board of Directors and CEO. Audit activities other than the audit engagement involve other quality assurance services that must be performed according to statutes, Articles of Association or agreements, as well as consultation or other assistance resulting from observations made during an audit. Fiscal advice refers to consultations and quality assurance reviews relating to the area of taxation. All costs relating to audits and audit-related assignments are recognised in the parent company. Costs are then distributed among the subsidiaries through management fees.

## NOTE 7 > FINANCIAL INCOME

SEKm	2019	2018
<b>GROUP</b>		
Interest income, other	8	8
<b>TOTAL</b>	<b>8</b>	<b>8</b>
<b>PARENT COMPANY</b>		
Interest income, Group companies	330	253
Dividends from Group companies	20	600
Group contributions	92	11
<b>TOTAL</b>	<b>442</b>	<b>864</b>

All interest income relates to financial instruments recognised at amortised cost.

## NOTE 8 > FINANCIAL COSTS

SEKm	2019	2018
<b>GROUP</b>		
Interest expenses	-147	-157
Other financial costs	-23	-26
<b>TOTAL</b>	<b>-170</b>	<b>-183</b>
<b>PARENT COMPANY</b>		
Interest expenses, Group companies	-216	-158
Interest expenses	-22	-51
Other financial costs	-16	-14
Group contributions	-20	-
<b>TOTAL</b>	<b>-274</b>	<b>-222</b>

Of the Group's interest expense, SEK 147 million (140) is interest attributable to liabilities measured at amortised cost. The corresponding expense for the parent company is SEK 238 million (195).

### INTEREST EXPENSE FOR 2019 INCLUDING WEIGHTED AVERAGE INTEREST

In 2019, average interest-bearing liabilities amounted to SEK 11,622 million (11,102). The actual interest expense, including cost of unused credit facilities and outcome regarding financial instruments, amounted to SEK 148 million (165), corresponding to an average annual interest rate of 1.3 per cent (1.5). During the year, unrealised changes in value for held derivative instruments totalled SEK 0 million (16), which have been fully recognised in the income statement.

GROUP, SEKm	Amount	Annual expense	Weighted average interest rate, %
Interest-bearing liabilities	11,622	143	1.2
Undrawn credit facilities <sup>1</sup>	1,658	6	0.1
Financial instruments	4,000	-1	0.0
<b>TOTAL</b>		<b>148</b>	<b>1.3</b>

<sup>1</sup> The cost of unused credit facilities affects the average annual interest rate by 0.05 percentage points.

## NOTE 9 > CHANGES IN PROPERTY VALUES

SEKm	2019	2018
<b>GROUP</b>		
Realised changes in value	19	9
Unrealised changes in value	331	678
<b>TOTAL</b>	<b>350</b>	<b>687</b>

Five properties (20) were sold during the year and the Falan 20 residential project in Falun was completed, resulting in an overall realised change in value of SEK 19 million (9). During the year, 9 properties (11) were acquired. A valuation of all properties was carried out at year-end in line with annual business plans and based on a 5-year cash flow model with a valuation of future earnings capacity and required rate of return for each individual property. See Note 11. 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 16,582 million, and 126 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. 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 valued with the help of Savills. These valuations have resulted in unrealised changes in value of SEK 331 million (678) to the properties' market values.

## NOTE 10 ► TAX ON PROFIT FOR THE YEAR

Tax is reported in the income statement in two line items, current tax and deferred tax. Current tax has been calculated based on a nominal tax rate of 21.4 per cent while deferred tax is calculated based on the lower tax rates that will apply for Sweden from 2019 (21.4 per cent) and 2021 (20.6 per cent).

Current tax expense is attributable to tax in subsidiaries which were prevented from offsetting losses against profits through Group contributions during the year. It is thought that accumulated remaining tax loss carry-forwards could be set against future taxable profits and offset against deferred tax liabilities; see also Note 17. Current tax is based on the taxable profit (loss) for the year, which is lower than the recognised profit. This is largely due to the opportunity to utilise tax depreciation on properties, tax deductions for certain conversions carried out on properties which have been capitalised for accounting purposes, tax-free sales of properties and existing tax loss carry-forwards. There were no remaining tax loss carry-forwards for the year.

Deferred tax is a provision for the tax that will be paid on a direct sale of the properties when a reversal of tax depreciation and deducted investments is carried out.

Swedish accounting legislation does not allow properties to be recognised at fair value in the legal entity, meaning that changes in the value of properties only take place at Group level and thus do not affect taxation. During the year, limitations on the deductibility of interest expenses were introduced in Sweden, which in Diös' case meant that approximately SEK 6 million of the Group's interest expenses were not deductible for 2019. As shown in the table below, the taxable profit for 2019 is lower than the accounting profit, which is due to Diös being able to utilise the above mentioned tax depreciation and tax-deductible investments, while completed sales mainly occurred in the form of tax-free share transfers. Paid tax arises when a number of subsidiaries do not have the option of tax-based group contributions.

	GROUP		PARENT COMPANY	
SEK m	2019	2018	2019	2018
Current tax	-79	-90	-5	-
Deferred tax	-173	-166	-	-
<b>Total tax</b>	<b>-251</b>	<b>-256</b>	<b>-5</b>	<b>-</b>

	2019	2019	2018	2018
GROUP, SEK m	Basis for current tax	Basis for deferred tax	Basis for current tax	Basis for deferred tax
Property management income	952		894	
Conversion projects	-72	72	-72	72
Tax-deductible depreciation	-234	234	-228	228
Other tax adjustments	-280	253	-246	-277
<b>Taxable property management income</b>	<b>366</b>	<b>559</b>	<b>348</b>	<b>577</b>
Sale of properties	1	-47	61	-158
Change in value, properties	0	331	0	678
Issue costs	0	0	0	0
<b>Taxable profit before tax loss carry-forwards</b>	<b>367</b>	<b>843</b>	<b>409</b>	<b>1,097</b>
Tax loss carry-forwards, opening balance	0	0	-21	21
Tax loss carry-forwards, utilised	0	0	21	-21
<b>Taxable profit</b>	<b>367</b>	<b>843</b>	<b>409</b>	<b>1,097</b>
<b>Taxable profit</b>	<b>367</b>	<b>843</b>	<b>409</b>	<b>1,097</b>
Tax 21.4%	-79	-180	-90	-241
Restatement of deferred tax	0	8	0	75
<b>Tax for the period as per income statement</b>	<b>-79</b>	<b>-173</b>	<b>-90</b>	<b>-166</b>

Tax loss carry-forwards comprise the previous year's tax losses. The losses, which are not limited in time, roll onto the next year and are utilised by being offset against future taxable gains. The remaining tax loss carry-forwards are estimated at SEK 0 million (0). Total tax may differ from nominal tax in cases where non-taxable or non-deductible income or expenses have been recognised or as a result of other types of tax adjustments. Diös' reported tax is lower than the nominal tax. The effective tax rate on the property management income for the year is 20 per cent (17).

	GROUP		PARENT COMPANY	
TAX EXPENSE	2019	2018	2019	2018
SEK m				
Pre-tax profit for the year	1,302	1,597	116	602
Tax at the applicable rate of 21.4% (LY 22%)	-279	-351	-25	-132
Tax related to changed tax rate	0	1	-	-
<i>Tax effect of adjustments:</i>				
Issue costs	0	0	0	0
Sale of properties	10	35	0	0
Other business	10	-14	20	133
<b>TAX ON PROFIT FOR THE YEAR BEFORE TAX LOSS CARRY-FORWARDS</b>	<b>-259</b>	<b>-331</b>	<b>-5</b>	<b>0</b>
Tax loss carry-forwards, opening balance	0	21	0	2
Tax loss carry-forwards, utilised	0	-21	0	-2
Tax effect of tax loss carry-forwards	0	0	0	0
<b>Tax on profit for the year after tax loss carry-forwards</b>	<b>-259</b>	<b>-331</b>	<b>-5</b>	<b>0</b>
Restatement of deferred tax	8	75	0	0
<b>TAX ON PROFIT FOR THE YEAR</b>	<b>-251</b>	<b>-256</b>	<b>-5</b>	<b>0</b>

## NOTE 11 ► INVESTMENT PROPERTIES

FOR THE GROUP

SEK m	2019	2018
<b>OPENING CARRYING AMOUNT</b>	<b>20,802</b>	<b>19,457</b>
Acquisitions	600	420
Investment in existing properties	1,273	677
Sales	-120	-441
Unrealised change in value	331	678
Reclassifications	0	10
<b>CLOSING CARRYING AMOUNT</b>	<b>22,885</b>	<b>20,802</b>

The closing carrying amount is consistent with the value in accordance with the property valuation as at 31 December 2019.

Investments of SEK 1,273 million (677) have been made in new construction, extensions and conversions. During the year, 9 properties were acquired (11) and 5 properties were sold (20).

For information on pledged properties, see Note 26.

## Major investments in progress

PROPERTY	Investment, SEK m	Uninvested, SEK m	Completed
Intagan 1	500.0	497.6	2022
Noten 3	442.3	256.2	2021
Magne 5	410.4	283.3	2023
Kräftan 8	144.7	82.3	2021
Norr 11:4	124.0	65.7	2020
Holmen 8	93.4	3.3	2020
Cisternen 4	60.8	56.2	2020
Stören 17	53.4	25.9	2020
Falan 23	51.6	45.4	2020
Kansliet 20	41.1	2.9	2020
Östermalm 6:16	29.0	1.7	2020
Sirius 25	23.4	6.5	2020
Stenhuggaren 5	23.4	23.0	2020
Loke 7	19.5	4.7	2020
Badhuset 1	14.0	2.8	2020
Norr 29:5	12.9	1.7	2020
Biet 1	12.1	9.1	2020
Cupido 7	11.4	2.9	2020
Råttan 17	9.5	7.2	2020
Norrmalm 1:24 (former leasehold)	8.0	3.7	2020
Totten 1:68	7.6	2.5	2020
Sätra 107:7	7.5	6.5	2020
Norrmalm 1:24	7.3	6.0	2020
Penningen 9	7.1	5.1	2020
Släggan 6	7.0	4.4	2020
Skönsberg 1:73	6.6	4.9	2020
Kräftan 8	6.4	2.2	2021

## CONT. NOTE 11 ► INVESTMENT PROPERTIES

### Valuation

The value of an asset is the discounted present value of the expected cash flows that the asset is expected to generate. The value of the property portfolio is calculated as the sum of the present value of net operating profit, less the value of remaining investments for ongoing projects over the next five years, and the present value of the estimated residual value in year 6. The residual value in year 6 is the sum of the present value of the operating surplus over the remaining economic life. The estimated market value of undeveloped land is added to this. The measurement is thus made according to level 3 of the measurement hierarchy in IFRS 13.

The required rate of return and the assumption regarding future real growth are crucial to the calculated value of the property portfolio. These are the most important value-driving factors in the valuation model. The required rate of return is the weighted cost of borrowed capital and equity. The cost of borrowed capital is based on the market interest rate for loans. The cost of equity is based on a risk-free interest rate equivalent to a long-term government bond rate with the addition of a risk premium. Each investment has a unique risk premium which depends on the investor's perception of future risks and potential.

The investment properties are recognised at fair value. A valuation of all properties was conducted in the year. The fair market value is the most probable price for which a property will sell in a competitive and open market. However, a property's fair value does not become a reality until it is sold.

The valuation was carried out in a uniform manner and was based on a five-year cash flow model. The valuation was based on an individual assessment of future earnings capacity and the required rate of return for each individual property. The assessment of a property's future earnings capacity takes into account an assumed inflation of 2 per cent and any changes in rental levels based on each contract's rent and expiry date compared with the estimated current market rent, as well as changes in occupancy rate and property costs. The property costs comprise costs for operation, maintenance, property taxes, ground rent and property management.

According to Savills, the total transaction volume in 2019 was SEK 219 billion, which is an increase of nearly 35 per cent on the previous year. Of this amount, Norrland accounts for SEK 11 billion, the same figure as in 2018. Low interest rates continue to drive interest in property investments, which has resulted in historically low required rates of return in most sub-segments and geographic sub-markets.

The fact that Sweden has an efficient property transaction market is important in many respects, not only for the actual property owners but also for the buyers and sellers so that they feel confident about what they are buying and selling. All property transactions offer valuable information that leads to improvements and provides important guidelines when determining the required rates of return that form the basis of the valuations carried out.

The required rate of return on equity is unique for each property and is based on assumptions about real interest rates, inflation and risk premiums. The risk premium is unique for each property and can be divided into general and individual risk. The general risk makes up for the fact that a property investment is not as liquid as a bond and that the asset is affected by the general economic situation. The individual risk is specific to each property and comprises the market's overall assessment of the property's category, the town in which it is located, its location within the town with regard to the property's category, whether it is properly designed, appropriate and makes efficient use of space, its technical standard in respect of materials, quality of general installations, furnishing, equipment, etc. in premises and apartments, and the nature of lease contracts, taking length, size, number and other aspects of the contracts into account. The length, size and number of contracts are taken into account.

The average required rate of return on comparable properties has been lowered by 0.08 percentage points (0.11). This reflects the market trends during the year. Projects in progress have been measured at cost. Sites with development rights and land have been valued on the basis of an estimated market value per square metre.

### Value of property portfolio

An estimation of the market value of all properties has been performed. The date of valuation is 31 December 2019. Under the valuation model, around 125 properties are valued externally over the course of the year, with around 25 per cent being valued in each quarter. For the remaining 75 per cent and for the other properties in the portfolio, a breakdown is made between properties in which material changes have taken place, such as the signing or termination of leases or major projects, and properties where no material changes have taken place. The former are valued internally with the help of the external valuation firm while the latter are valued internally without external assistance.

The details on which the valuations are based are all lease contracts, information about premises to let, actual operations and maintenance costs, property taxes and property management as well as information about ongoing and planned investments. Physical inspections were also carried out on the properties upon completion of major investment projects or in conjunction with other changes that would probably have an effect on the value. These valuations showed a fair value of SEK 22,885 million (20,802) and resulted in unrealised changes in value of SEK 331 million (678) on the market values of the properties, an increase of 1.4 per cent (3.3). The table below presents the breakdown of fair value by property category and business area.

Property value, SEKm 31 Dec 2019	Office	Retail	Residential	Industrial/warehouse	Other	Total
Dalarna	1,504	1,095	251	33	312	3,197
Gävle	1,326	692	159	12	278	2,468
Sundsvall	2,276	828	175	49	476	3,803
Äre/Östersund	1,180	1,161	609	115	763	3,828
Skellefteå	1,089	324	72	0	105	1,590
Umeå	2,573	651	102	68	396	3,789
Luleå	2,295	1,743	133	37	2	4,210
<b>TOTAL</b>	<b>12,243</b>	<b>6,493</b>	<b>1,502</b>	<b>315</b>	<b>2,332</b>	<b>22,885</b>

Property value, SEKm 31 Dec 2018	Office	Retail	Residential	Industrial/warehouse	Other	Total
Dalarna	1,345	935	242	82	202	2,805
Gävle	945	605	133	12	275	1,971
Sundsvall	2,089	826	157	47	306	3,424
Äre/Östersund	1,113	1,090	509	153	691	3,554
Skellefteå	967	332	39	0	92	1,430
Umeå	2,516	608	94	67	279	3,564
Luleå	2,166	1,724	129	33	0	4,053
<b>TOTAL</b>	<b>11,140</b>	<b>6,120</b>	<b>1,303</b>	<b>394</b>	<b>1,845</b>	<b>20,802</b>

### Uncertainty range

A property's market value can only be determined when it is sold. Property values are calculated according to accepted principles based on certain assumptions. The value range specified in property valuations is often within  $\pm 5$ –10 per cent and should be seen as a measure of the uncertainty in the assumptions and calculations. Savills has estimated the current uncertainty range at  $\pm 7.5$  per cent. This results in a value range of SEK 21,169–24,601 million.

		2019	2018
Sensitivity analysis, property valuations	Change	Change in fair value, SEKm	Change in fair value, SEKm
Rental value	$\pm$ SEK 50/sq.m	+972/-971	+1,157/-1,159
Operating costs	$\pm$ SEK 25/sq.m	+578/-578	+562/-561
Yield	$\pm 0.5$ percentage points	+1,705/-2,043	+1,231/-1,455
Cost of capital	$\pm 0.5$ percentage points	+444/-456	+411/-421
Vacancy rate	$\pm 1$ percentage points	+236/-222	+/-237

	2019					2018				
Valuation assumptions	Office	Retail	Residential	Industrial/warehouse	Other	Office	Retail	Residential	Industrial/warehouse	Other
Analysis period	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Yield for assessing residual value <sup>1</sup> . %	6.8-5.5	6.4-5.7	5.2-4.6	9.6-6.8	7.0-6.2	6.8-5.6	6.8-5.9	5.3-4.7	8.3-7.0	7.0-6.1
Cost of capital for discounting to present value, %	7.8	8.2	7.2	10.8	8.6	8.0	8.1	7.2	9.9	8.7
Long-term vacancy, %	4.8	3.9	1.9	14.9	5.6	5.0	3.7	1.7	14.3	6.1
Inflation, %	2	2	2	2	2	2	2	2	2	2

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



**NOTE 12 > NON-CURRENT INTANGIBLE ASSETS**

	FOR THE GROUP		PARENT COMPANY	
SEKm	2019	2018	2019	2018
Opening cost	4	4	4	4
Closing cost	4	4	4	4
Opening depreciation	-3	-2	-3	-2
Amortisation for the year	-1	-1	-1	-1
Closing accumulated depreciation	-4	-3	-4	-3
CLOSING RESIDUAL VALUE	0	1	0	1

**NOTE 13 > OTHER PROPERTY, PLANT AND EQUIPMENT**

	GROUP		PARENT COMPANY	
SEKm	2019	2018	2019	2018
Opening cost	43	45	7	7
Acquisition for the year	0	0	0	0
Sales/disposals	0	-2	-	-
Closing cost	43	43	7	7
Opening depreciation	-40	-41	-7	-6
Sales/disposals	0	2	-	-
Depreciation for the year	-1	-1	0	-1
Closing accumulated depreciation	-41	-40	-7	-7
CLOSING RESIDUAL VALUE	2	3	0	0

**NOTE 14 > INTERESTS IN GROUP COMPANIES**

SEKm	2019	2018
PARENT COMPANY		
Accumulated cost	2,124	2,124
Impairment/reduction	-9	-
Purchases/sales	149	0
CARRYING AMOUNT AT END OF PERIOD	2,263	2,124

A specification of the parent company's directly owned subsidiaries is given below. Other Group companies can be found in the annual reports of each subsidiary. The policy for consolidation of Group companies is presented in the accounting policies in Note 1.

SUBSIDIARIES				
Name	CRN	Reg. office	Equity interest, %	Carrying amount, SEKm
Diös Fastigheter I AB	556544-4998	ÖSTERSUND	100	16
Diös Fastigheter II AB	556610-9111	ÖSTERSUND	100	160
Diös Fastigheter V AB	556571-9969	ÖSTERSUND	100	0
Diös Fastigheter VI AB	556561-0861	ÖSTERSUND	100	3
Diös Fastigheter Parkering AB	556589-8433	ÖSTERSUND	100	2
Äre Centrum AB	556624-4678	ÄRE	72	88
Fastighets AB Upprum	556711-2619	ÖSTERSUND	100	40
Diös Obligation Holding AB	556912-4471	ÖSTERSUND	100	99
Plock Pack and Posttjänst i Sverige Holding AB	559000-9279	ÖSTERSUND	100	1
Diös Old Bergsskolan AB	559041-8355	ÖSTERSUND	100	934
Diös Struktur 1 AB	559067-1912	ÖSTERSUND	100	920
TOTAL CARRYING AMOUNT				2,263

**Subsidiaries with non-controlling interests**

The Group has a small number of non-wholly owned subsidiaries, of which one is deemed to have a significant non-controlling interest representing 28.2 per cent of the shares and voting rights of the company. During the financial year, earnings attributable to non-controlling interests were SEK 9 million (3). At 31 December 2019, the accumulated non-controlling interest in Äre Centrum AB was SEK 58 million (49). Condensed financial information for Äre Centrum AB (the Group) is presented below.

SEKm	2019	2018
<b>Condensed income statement</b>		
Net revenue	44	41
Operating profit	11	13
Profit for the period	6	9
Comprehensive income for the period	6	9

SEKm	2019	2018
<b>Condensed balance sheet</b>		
Non-current assets	430	418
Current assets	5	24
<b>TOTAL ASSETS</b>	<b>435</b>	<b>442</b>
Non-current liabilities	267	293
Current liabilities	24	11
<b>TOTAL LIABILITIES</b>	<b>291</b>	<b>304</b>
Equity attributable to		
parent company shareholders	86	89
non-controlling interests	58	49
<b>TOTAL EQUITY</b>	<b>144</b>	<b>138</b>

**NOTE 15 > INTERESTS IN ASSOCIATES AND JOINT OPERATIONS**

	FOR THE GROUP		PARENT COMPANY	
SEKm	2019	2018	2019	2018
Opening cost	6	6	-	-
Acquisitions	-	-	-	-
Reclassifications	1	-	-	-
Sales	-	-	-	-
Closing cost	7	6	-	-
Carrying amount	7	6	-	-

Name/Company reg. no	Reg. office	Equity interest, %	Carrying amount
Fastighetsaktiebolaget Norkom, 556483-5337 <sup>1</sup>	Härjedalen	50.0	0.5
Idun Samfällighetsförening, 716415-4358 <sup>2</sup>	Skellefteå	25.0	6.5
<b>TOTAL</b>			<b>7</b>

<sup>1</sup> Diös' interest in Fastighetsaktiebolaget Norkom is owned indirectly through Diös Norrland AB.

<sup>2</sup> Diös' interest in Idun Samfällighetsförening is owned indirectly through Diös Skellefteå I AB and Diös Fastigheter Idun AB.

**Joint operations**

The group has significant joint operations. Diös has significant joint operations in an associate company, Svensk FastighetsFinansiering AB, which was formed in 2015. The company is jointly owned by Catena AB, Diös Fastigheter AB, Fabège AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, all of which own 20 per cent. The intention is to broaden the company's funding base. Diös Fastigheter's interest in Nya Svensk FastighetsFinansiering AB is owned indirectly through Diös Obligation AB. Operations comprise deposit-taking activities in the form of raising loans in the capital market through issuing bonds (Medium-Term Notes, MTN), as well as lending activities in the form of the provision of cash loans.

In the fourth quarter, SEK 199 million in variable-rate bonds were issued through Svensk FastighetsFinansiering AB (SFF). The bonds have a variable interest rate of 0.70 per cent plus Stibor -90 and mature on 25 September 2021. The effective interest rate for all outstanding bonds at 31 December 2019 was 0.80 per cent.

## CONT. NOTE 15 > INTERESTS IN ASSOCIATES AND JOINT OPERATIONS

### Condensed income statement and balance sheet for associates, SEKm (100%)

SEKm	2019	2018
<b>Group</b>		
<b>Income statement</b>		
Rental income	5	4
Operating surplus	2	1
Profit for the year	2	1
<b>balance sheet</b>		
Non-current assets	9	10
Current assets	8	6
<b>TOTAL ASSETS</b>	<b>17</b>	<b>16</b>
Equity	10	10
Non-current liabilities	5	5
Other liabilities	2	1
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17</b>	<b>16</b>

## NOTE 16 > OTHER SECURITIES HELD AS NON-CURRENT ASSETS

	GROUP		PARENT COMPANY	
SEKm	2019	2018	2019	2018
Opening cost	4	4	0	0
Acquisitions	-	-	-	-
Impairment	-	-	-	-
Reclassifications	-1	-	-	-
Sales	-2	-	-	-
<b>Closing cost</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>Carrying amount</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>

Name/Company reg. no	Reg. office	Equity interest, %	Carrying amount
Destination Östersund AB, 556798-5592	ÖSTERSUND	4.4	0
Offerdalsvind ekonomisk förening, 769606-0719	Krokom	16.2	1
Äre Destination AB, 556171-5961	ÄRE	2.4	0
<b>TOTAL</b>			<b>1</b>

## NOTE 17 > DEFERRED TAX ASSETS/TAX LIABILITY

SEKm	2019	2018
<b>GROUP</b>		
Deferred tax liability relating to temporary differences in properties	-1,450	-1,299
Deferred tax liability relating to other items	-74	-54
<b>TOTAL DEFERRED TAX ASSET/LIABILITY</b>	<b>-1,524</b>	<b>-1,353</b>

The reported deferred tax liability was SEK -1,524 million (-1,353) as at 31 December 2019. The value of any deferred tax asset/liability will be assessed at the end of each accounting period and, if necessary, re-valuation will be carried out.

The tax loss carry-forward is estimated at SEK 0 million (0). At a 20.6 per cent tax rate, the deferred tax asset on tax loss carry-forwards was SEK 0 million (0).

Recognised temporary differences, i.e. differences between the fair values and tax bases of the properties, were SEK 7,038 million (6,288) less deferred tax relating to asset acquisitions of SEK 3,792 million (3,502). Deferred tax has been restated based on the new tax rules which take effect on 1 January 2019. The deferred tax liability has been calculated based on the tax rate applying at the time when the deferred tax liability is expected to be settled. The deferred tax liability for temporary differences was SEK 1,450 million (1,299) at 31 December. This includes a positive one-off effect of SEK 8 million. In the financial statements, deferred tax assets have been offset against deferred tax liabilities. Other deferred taxes are reported at SEK 74 million (54). Other deferred taxes are calculated on untaxed reserves.

## NOTE 18 > LEASES

The remaining lease commitments refer essentially to leases related to ground rent and vehicle leases. Ground rent is the annual payment an owner of a building that stands on municipally owned land makes to the local authority. The ground rent for these is currently defined as a real interest rate on the estimated market value of the land, which is paid to the local authority. Ground rent is paid over time and is generally renegotiated at 10 to 20 year intervals. At year-end 2019, Diös had 13 properties (13) for which the company was paying ground rent. Diös also has commitments under leases for vehicles. These leases have an average term of 3 years and are recognised at the value of the right-of-use asset at inception less depreciation and a finance charge.

The table below describes the difference between the Group's operating leases accounted for under IAS 17 and the accounting treatment of leases under IFRS 16.

SEKm	Total
<b>Operating lease commitments at 31 December 2018</b>	<b>49</b>
Finance leases	49
Leases expensed on a straight-line basis	1
Other business	0
<b>Lease liability recognised at 1 January 2019</b>	<b>49</b>

### AMOUNTS RECOGNISED IN THE BALANCE SHEET

Right-of-use assets OB/CB by lease category

SEKm	Leaseholds	Cars	Other business	Total
Opening balance 1 Jan 2019	35	14	0	49
Acquisitions	-	8	-	8
Depreciation and amortisation	-	-4	-	-4
<b>Total</b>	<b>35</b>	<b>18</b>	<b>0</b>	<b>53</b>

### LEASE LIABILITY RECOGNISED IN THE BALANCE SHEET

SEKm	2019
Current liability	6
Non-current liability	47
<b>Total</b>	<b>53</b>

### AMOUNTS RECOGNISED IN THE INCOME STATEMENT

SEKm	2019
Depreciation of right-of-use assets	4
Interest expense for lease liabilities	4
Expenses related to short-term leases	0
Expenses related to low-value leases	1
Expenses related to variable lease payments	0

At 31 December, the Group had short-term lease commitments of SEK 1 million.

### FUTURE LEASE PAYMENTS

SEKm	2019
Year 1	4
Years 2–5	16
After more than 5 years	33
<b>Total</b>	<b>53</b>

**NOTE 19 > TRADE RECEIVABLES**

SEKm	2019	2018
<b>GROUP</b>		
<b>Age structure of trade receivables</b>		
Trade receivables not past due and up to 30 days past due	14	22
Trade receivables between 31–60 days past due	1	1
Trade receivables more than 61 days past due	22	28
Doubtful trade receivables	-11	-14
<b>TOTAL</b>	<b>26</b>	<b>37</b>
<b>Doubtful trade receivables</b>		
Doubtful debts at the beginning of the year	14	11
Reserves for the year	8	11
Reversal of reserves	-2	-2
Actual credit losses	-9	-7
<b>CLOSING BALANCE</b>	<b>11</b>	<b>14</b>

**NOTE 20 > EQUITY**

As at 31 December 2019, Diös Fastigheter AB (publ) had a share capital of SEK 269,024,276. The total number of shares at year-end was 134,512,438 with a face value of SEK 2 per share. Each share entitles the holder to one vote. There are no potential shares (e.g. convertible bonds), nor any preferential rights to cumulative dividends (preference shares).

**Change in share capital**

Date	Event	Increase in number of shares	Total number of shares	Increase in share capital, SEK	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	2,489,903	148,990	248,990	0.10
14 Sep 2005	Non-cash issue	1,503,760	3,993,663	150,376	399,366	0.10
2 Jan 2006	Bonus issue	-	3,993,663	39,537,264	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	28,301,715	16,666,800	56,603,430	2.00
11 Jul 2006	Non-cash issue	5,000,000	33,301,715	10,000,000	66,603,430	2.00
19 Apr 2007	Non-cash issue	666,250	33,967,965	1,332,500	67,935,930	2.00
29 Oct 2010	Non-cash issue	99,729	34,067,694	199,458	68,135,388	2.00
14 Dec 2010	Issue of new shares	3,285,466	37,353,160	6,570,332	74,705,720	2.00
17 Dec 2010	Issue of new shares	11,407	37,364,567	22,814	74,728,534	2.00
5 Dec 2011	Issue of new shares	22,854,136	60,218,703	45,708,272	120,436,806	2.00
14 Dec 2011	Issue of new shares	14,510,431	74,729,134	29,020,862	149,457,668	2.00
27 Jan 2017	Issue of new shares	59,629,748	134,358,882	119,259,496	268,717,164	2.00
31 Jan 2017	Issue of new shares	153,556	134,512,438	307,112	269,024,276	2.00
<b>31 DEC 2019</b>	<b>AT YEAR-END</b>		<b>134,512,438</b>		<b>269,024,276</b>	<b>2.00</b>

Diös Fastigheter did not hold any of its own shares at the end of 2019. A dividend payout is proposed by the Board of Directors in conformity with the provisions of the Swedish Companies Act and is adopted by the Annual General Meeting. The Diös Fastigheter Board of Directors proposes that a dividend for the 2019 financial year of SEK 3.30 (3.00) per share be paid out, split into two payments of SEK 1.65 each, representing a total payout of SEK 444 million (404). The proposal means that 49.8 per cent (49.7) of consolidated earnings, excluding unrealised changes in value and deferred taxes, will be paid out to shareholders. The amount is recognised as a liability when the Annual General Meeting has decided on the dividend.

**The following profits in the parent company are at the disposal of the Annual General Meeting:**

Retained earnings	SEK 2,349,129,185
Profit for the year	SEK 110,589,463
<b>Total</b>	<b>SEK 2,459,718,648</b>

**The Board of Directors proposes that the profits be allocated as follows:**

Distributed to ordinary shareholders	SEK 443,891,045
Carried forward	SEK 2,015,827,603
<b>Total</b>	<b>SEK 2,459,718,648</b>

**NOTE 21 > OTHER PROVISIONS**

Provisions relate to deferred stamp duty in connection with inter-company sales of properties.

SEKm	2019	2018
<b>GROUP</b>		
At beginning of year	9	9
Provision for pensions	-	-
Change in tax	-	-
<b>CARRYING AMOUNT AT END OF PERIOD</b>	<b>9</b>	<b>9</b>

**NOTE 22 > LIABILITIES TO CREDIT INSTITUTIONS****Interest rate and debt maturity structure at 31 December 2019**

Maturity, year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate, %	Credit agreements, SEKm	Drawn, SEKm
2020	9,572	1.2	6,411	5,911
2021	2,573	1.2	2,446	2,261
2022	-	-	3,315	2,165
2023	-	-	1,112	1,112
2027	-	-	697	697
<b>TOTAL</b>	<b>12,145</b>	<b>1.2</b>	<b>13,980</b>	<b>12,145</b>

	GROUP		PARENT COMPANY	
Interest-bearing liabilities, SEKm	2019	2018	2019	2018
Maturity date from the balance sheet date:				
< 1 year	5,911	2,418	500	978
1–2 years	2,261	5,609	1,203	200
2–3 years	2,165	220	1,150	-
3–4 years	1,112	2,155	-	1,060
> 4 year	697	697	-	-
<b>TOTAL</b>	<b>12,145</b>	<b>11,099</b>	<b>2,853</b>	<b>2,238</b>



## CONT. NOTE 22 >

	GROUP		PARENT COMPANY	
Overdraft facilities, SEKm	2019	2018	2019	2018
Credit limit granted	600	600	600	600
Undrawn	394	402	374	399
Drawn	206	198	226	201

All borrowings have mortgage collateral in the form of mortgage deeds. The parent company maintains promissory notes with its subsidiaries with the mortgage collateral pledged therein. In addition to mortgages, there are financial covenants which require the loan-to-value, equity and interest coverage ratios to be maintained. All forms of loan agreement include the usual cancellation terms and conditions for renegotiation if there is a change in business focus and this exposes the lender to an unacceptable level of risk. The credit utilisation may increase or decrease at short notice during the term of the loan agreements. The agreements with lenders contain limits for various financial key ratios, known as covenants, which are designed to limit the counterparty risk for the company's lenders. Financial key ratios with limit values are equity, loan-to-value and interest coverage ratios. The minimum equity ratio is 35 per cent, the loan-to-value ratio must not exceed 55 per cent, while the interest coverage ratio must be greater than 1.8 times. At year-end, the equity ratio was 36.6 per cent, the loan-to-value ratio amounted to 53.1 per cent and the interest coverage ratio was 6.6 times, meaning that all the limits were achieved.

### LIABILITIES TO CREDIT INSTITUTIONS

As a net borrower, Diös is exposed to financial risks, primarily interest rate risk, refinancing risk and credit risk. As at 31 December 2019, there was no foreign currency exposure risk. Diös' funding and financial risk management is conducted in accordance with the Board's established financial policy. For a more detailed description of our financial policy, see Note 25.

### INTEREST RATE RISK

Interest rate risk is the risk associated with changes in interest rates that affect the cost of borrowing for the Group and the value of interest-rate derivatives. Interest expense is one of the major cost items. The Group's interest-bearing liabilities totalled SEK 12,145 million (11,099) with an average annual interest rate of 1.2 per cent (1.2), including loan commitments. The loans had an average fixed-rate term of 0.2 years (0.8). The average fixed-rate term was 0.5 years (1.4) when the impact of the derivative portfolio is included. The average loan maturity was 1.6 years (2.0). Of the Group's total interest-bearing liabilities, SEK 4,000 million (4,000) is hedged through derivative instruments. The average remaining term is 0.8 years (1.8). Of the Group's outstanding loans, SEK 6,883 million (7,327) is subject to fixed interest rates, of which SEK 1,835 million (1,090) refers to commercial paper. The average annual interest rate, including costs related to derivative instruments, amounted to 1.2 per cent (1.2), including loan commitments.

Financial instruments limit the impact of a change in interest rates on the average interest expense. If interest rates had been increased by 1 percentage point on 31 December 2019, the interest expense, excluding effects of derivatives, would have increased by SEK 53 million annually. The effect of the derivatives would not lead to a reduction of interest expenses in that scenario. This would cause interest expenses to increase by SEK 53 million on an annual basis, including the effect of derivative instruments. If interest rates had been increased by 1 percentage point on 31 December 2019, the average interest rate would have risen by 0.4 percentage points and the value of derivative instruments would have increased by SEK 0.3 million. Unrealised changes in the value of derivatives held amounted to SEK 0 million (16) for the period, which has been fully recognised in the income statement.

### FINANCING AND LIQUIDITY RISKS

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. Borrowing risk is the risk that it will be costly or difficult to

refinance borrowings outstanding. The financial policy states that cash and cash equivalents and undrawn credit facilities must be available to ensure sufficient liquidity levels. The Group's cash and cash equivalents are managed through instruments with good liquidity or short-term maturity. At the end of the year, the Group had undrawn credit facilities of SEK 792 million, of which SEK 390 million referred to undrawn loan commitments, as the outstanding volume of commercial paper is subtracted from the loan commitment, and an undrawn overdraft facility of SEK 402 million. Access to liquidity is deemed to be adequate to meet liquidity requirements over the coming 12 months. Future refinancing requirements will be managed in accordance with the applicable financial policy.

### CREDIT RISK

Credit risk is the risk of financial loss to the Group due to the failure of a counterparty to meet its contractual obligations.

In order to spread the credit risk, the financial policy limits with which counterparties, and to what volume, an agreement may be entered into. We only enter into agreements with well-known and transparent counterparties who have a high external credit rating. Normal credit checks should be carried out before a new tenant is accepted. The carrying amount of trade receivables and promissory notes represents the maximum credit exposure for the Group. The credit risk in financial counterparties corresponds to the carrying amount for cash and bank balances. At year-end, there were no concentrations of credit risk with respect to trade and other receivables. Impairment of trade receivables was SEK 11,000 (14,000). The 10 largest clients accounted for 16 per cent (16) of revenue.

#### Financial instruments measured at fair value

SEKm	31 Dec 2019	Level 2
FOR THE GROUP		
Derivative instruments	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

Financial instruments are measured at fair value on three different levels.

- 1: Measurement is based on quoted prices in an active market for identical assets and liabilities.
- 2: Measurement is primarily based on observable market data for the asset or liability.
- 3: Measurement is mainly based on the entity's own assumptions.

All financial instruments are measured in accordance with Level 2. The fair values of derivative instruments are determined using discounted future cash flows, with quoted market rates for the term of each instrument. The future cash flows of the derivative portfolio are calculated as the difference between the fixed rate agreed by the respective derivative contracts and the implied STIBOR reference rate for each period. The present value of the consequential interest flows are determined using the implied STI-BOR curve. The option component of the callable swaps in the portfolio has not been assigned a value, as cancellation does not have an impact on earnings. The issuer decides whether to cancel the swap or not.

The fair value of a derivatives transaction can be described as the risk-free market value after adjusting for the value of counterparty risk. The value of the counterparty risk can be calculated by estimating the expected credit exposure at the date of default, the risk of default and the recovery rate for exposed credits. If a derivatives transaction is terminated prematurely due to the default of a counterparty, losses will be incurred on derivative instruments with positive market values. No loss is incurred on derivatives with negative market values.

To limit the counterparty risk, all of derivatives transactions are covered by framework agreements with netting provisions. This enables us to offset positive and negative market values so that the amount owed by or to the counterparty comprises the net market value of all outstanding derivatives transactions between the parties. In view of the net liability, the counterparty risk in the derivatives transactions is deemed to be negligible in relation to the outstanding market values. The Group has signed up to ISDA's 2013 EMIR Protocol, which describes the risk mitigation techniques prescribed in EMIR.

	31 Dec 2019			31 Dec 2018		
SEKm	Asset	Liability	Net	Asset	Liability	Net
Interest rate derivatives	0	-	0	1	-	1
<b>Gross value derivatives</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>1</b>	<b>-</b>	<b>1</b>
Covered by netting	-	-	-	-	-	-
<b>NET VALUE DERIVATIVES</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>1</b>	<b>-</b>	<b>1</b>

## CONT. NOTE 22 &gt;

The various categories of financial instruments included in the consolidated balance sheet are presented below.

	Loans and receivables		Financial liabilities a measured at fair a value through profit or loss		Derivatives used in hedge accounting		Financial liabilities measured at amortised cost		Non-financial instruments	
SEKm	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>										
Rent receivables	26	37	-	-	-	-	-	-	-	-
Other receivables	96	120	-	-	-	-	-	-	-	-
Cash and bank balances	-	-	-	-	-	-	-	-	-	-
Other business	-	-	-	-	-	-	-	-	105	44
<b>LIABILITIES</b>										
Interest rate derivatives	-	-	0	16	-	-	-	-	-	-
Non-current liabilities	-	-	-	-	-	-	11,891	11,371	-	-
Trade payables	-	-	-	-	-	-	118	55	-	-
Other liabilities	-	-	-	-	-	-	2,057	1,302	-	-
Other business	-	-	-	-	-	-	-	-	125	112
<b>TOTAL</b>	<b>122</b>	<b>157</b>	<b>0</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>14,066</b>	<b>12,728</b>	<b>230</b>	<b>156</b>

The values indicated in the above table represent the total credit exposure.

Financial instruments, such as rent receivables, trade payables, etc. are reported at amortised cost with deductions for any impairments. Fair value is therefore deemed to be the same as the carrying amount. The Group's long-term interest-bearing liabilities mainly have a short interest rate duration. This means that amortised cost is essentially the same as fair value.

## Maturity analysis of financial assets

	2019				2018			
SEKm	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
<b>FOR THE GROUP</b>								
Promissory notes	-	3	11	2	-	4	11	7
Trade receivables	-	26	-	-	-	37	-	4
Other receivables	-	137	28	-	-	137	28	-
Cash and cash equivalents	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>0</b>	<b>165</b>	<b>39</b>	<b>2</b>	<b>-</b>	<b>177</b>	<b>40</b>	<b>11</b>

## Maturity analysis of financial assets

	2019				2018			
SEKm	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
<b>PARENT COMPANY</b>								
Trade receivables	-	-	-	-	-	0	-	-
Receivables from Group companies	-	8	517	-	-	9	181	-
Other receivables	-	11	13	-	-	12	10	-
Cash and cash equivalents	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>19</b>	<b>529</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>191</b>	<b>-</b>

## Maturity analysis of financial liabilities

	2019				2018			
SEKm	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
<b>FOR THE GROUP</b>								
Trade payables	-	118	-	-	-	55	-	-
Repayment of debt	-	5,101	888	5,694	-	1,833	586	5,995
Interest expenses	-	38	113	301	-	33	99	264
Derivative instruments	-	0	1	0	-	0	1	2
<b>TOTAL</b>	<b>-</b>	<b>5,257</b>	<b>1,001</b>	<b>5,996</b>	<b>-</b>	<b>1,921</b>	<b>685</b>	<b>6,262</b>

## Maturity analysis of financial liabilities

	2019				2018			
SEKm	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
<b>PARENT COMPANY</b>								
Trade payables	-	2	-	-	-	2	-	-
Repayment of debt	-	500	0	2,353	-	980	8	1,215
Interest expenses	-	6	19	50	-	6	18	48
Derivative instruments	-	0	0	0	-	0	1	1
<b>TOTAL</b>	<b>-</b>	<b>509</b>	<b>19</b>	<b>2,403</b>	<b>-</b>	<b>989</b>	<b>26</b>	<b>1,264</b>

**NOTE 23 > ACCRUED EXPENSES AND DEFERRED INCOME**

	GROUP		PARENT COMPANY	
SEKm	2019	2018	2019	2018
Prepaid rents	341	286	-	-
Accrued interest expenses	10	11	-	-
Other items	156	80	25	20
<b>TOTAL</b>	<b>507</b>	<b>377</b>	<b>25</b>	<b>20</b>

**NOTE 24 > CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES**

SEKm	Carrying amount		Changes not affecting cash flow			Carrying amount
	2018	Cash flow	Unrealised changes in value	Acquisitions	Reclassifications	2019
<b>GROUP</b>						
Non-current liabilities to credit institutions	8,681	1,071	-	227	-3,745	6,234
Current portion of non-current liabilities	2,418	-252	-	-	3,745	5,911
Overdraft facilities	198	8	-	-	-	206
Derivative instruments	1	-	-1	-	-	0
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>11,298</b>	<b>827</b>	<b>-1</b>	<b>227</b>	<b>-</b>	<b>12,351</b>

SEKm	Carrying amount	Cash flow	Changes not affecting cash flow	Carrying amount
	2018		Reclassifications	2019
PARENT COMPANY				
Non-current liabilities to Group companies	5,470	439	-	5,909
Non-current liabilities to credit institutions	1,260	785	308	2,353
Current portion of non-current liabilities	978	-170	-308	500
Overdraft facilities	201	25	-	226
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	7,909	-1,079	-	8,988

**NOTE 25 > ASSET MANAGEMENT**

The operations are financed by equity and liabilities. The relationship between equity and liabilities is regulated on the basis of a selected financial risk level and the amount of equity required to meet the lenders' requirements for loans received. The cost of capital is set at a level to meet the required rate of return on equity, to make it possible to obtain necessary loan financing and to ensure room for investment. The target for capital structure is an equity ratio of at least 35 per cent. Diös has a covenant under our financial agreements that stipulates an interest coverage ratio of at least 1.8 times. At 31 December 2019, the assets had a total value of SEK 23,187 million (21,057). These were financed partly through equity of SEK 8,484 million (7,839) and liabilities of SEK 14,703 million (13,218), of which SEK 12,145 million (11,099) were interest-bearing property credits. Diös' funding and financial risk management is conducted in accordance with the Board's established financial policy. The financial operations are centralised in the parent company. The finance department acts as the Group's internal bank, with responsibility for the Group's financing, financial risk management and cash management. The financial policy defines mandates and limits for managing the financial risks, as well as the general division of responsibility. The financial operations must be conducted so that the costs for financial risk management are minimised. This means that financial transactions are based on an estimate of the Group's requirements for funding, liquidity and interest rate risk. An inter-company transaction, such as an internal loan, does not therefore necessarily mean that an identical external loan transaction is also carried out. External loans are taken up once the Group's aggregate borrowing requirements have been assessed. A group accounts system enables net management of the Group's payment flows. The Group's interest rate risk is managed cost-effectively by assessing the interest rate risk that arises when an individual loan with a short fixed-interest term is raised. Interest-rate derivative transactions will subsequently be carried out as needed to achieve the desired fixed-rate term for the Group's overall loan portfolio.

Policy	Target	Outcome
Loan-to-value ratio	Capped at 65%	53.1%
Interest coverage ratio	At least 1.8 times	6.6 times
Currency risk	Not allowed	No exposure
Liquidity risk	Liquidity reserve to meet payment obligations	SEK 394 million in undrawn committed credit facilities
Equity ratio	At least 30%	36.6%

The financial policy is a stand-alone document that is separate from the financial targets, which means that differences occur. The Group's covenants cover equity ratio, loan-to-value-ratio and interest coverage ratio. The minimum equity ratio is 25 per cent, the loan-to-value ratio must not exceed 65 per cent and the interest coverage ratio must be greater than 1.8 times.





Cecilia Östlund, Property Manager, Diös tenant Elin Bogren, Site Manager DoSpace, and Daniel Jansson Westblom, Letting Agent, Norr 31:9 in Gävle.

## NOTE 26 > PLEDGED ASSETS

	GROUP		PARENT COMPANY	
SEKm	2019	2018	2019	2018
Shares in subsidiaries	5,307	4,442	2,076	1,937
Floating charges	239	239	-	-
Property mortgages	12,267	12,107	-	-
Non-current receivables in Group companies	-	-	2,397	2,560
<b>TOTAL</b>	<b>17,813</b>	<b>16,788</b>	<b>4,473</b>	<b>4,497</b>

## NOTE 27 > CONTINGENT LIABILITIES

	FOR THE GROUP		PARENT COMPANY	
SEKm	2019	2018	2019	2018
Guarantees to Group companies	-	-	9,292	8,861
Other contingencies	2	1	2	1
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>9,294</b>	<b>8,862</b>

When borrowing takes place directly from property-owning companies, the parent company provides the guarantee.

## NOTE 28 > 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. None of the Board members, senior executives or auditors of Diös Fastigheter AB or its subsidiaries have themselves, via companies or related parties, had any involvement in business transactions which were or are unusual in nature or terms and which took place in 2019. Transactions with the company's largest owner, AB Persson Invest, represented 1.0 per cent (1.0) of the company's purchasing costs for the year and were concluded on market terms. Remuneration to the Board and senior executives is provided in Note 5.

## NOTE 29 > EVENTS AFTER THE END OF THE YEAR

### TRANSACTIONS

On 11 February, Diös acquired two properties, Mimer 2 and 3, in Skellefteå. The underlying property value was SEK 38 million.

### CONTRACTS

In January, Diös entered into an agreement with Dalarna University to develop a campus on Mimer 1 in central Borlänge.





# Allocation of profit and dividend

## DIVIDEND POLICY

Approx. 50 per cent of the company's annual profit after tax, excluding unrealised changes in value and deferred tax, will be distributed in the form of dividends.

## PROPOSED APPROPRIATION OF RETAINED EARNINGS

The following profits in the parent company are at the disposal of the AGM:

Retained earnings	SEK 2,349,129,185
Profit for the year	SEK 110,589,463
<b>Total</b>	<b>SEK 2,459,718,648</b>

The Board of Directors proposes that the profits be allocated as follows:

To be distributed to ordinary shareholders	SEK 443,891,045
Carried forward	SEK 2,015,827,603
<b>Total</b>	<b>SEK 2,459,718,648</b>

As at 31 December 2019, the number of registered shares in Diös was 134,512,438.

## PROPOSED DIVIDEND

The Board of Directors proposes that the 2020 Annual General Meeting approve a dividend of SEK 3.30 per share, to be distributed in two separate payments of SEK 1.65 each. The proposal would mean that 49.8 per cent of the year's profit after tax, excluding unrealised changes in value and deferred taxes, is paid out to shareholders.

## THE BOARD OF DIRECTORS' STATEMENT ON THE PROPOSED DIVIDEND

The Group's equity has been calculated according to IFRS standards as adopted by the EU and in accordance with Swedish law by the application of the Swedish Financial Reporting Board's recommendation RFR 1. The parent company's equity has been calculated according to IFRS standards as adopted by the EU and in accordance with the laws of Sweden by the application of the Swedish Financial Reporting Board's recommendation RFR 2.

With reference to the calculation methods mentioned above and other disclosures, the Board deems the proposed dividend to be justifiable with regard to the requirements given in chapter 17, section 3, paragraphs 2 and 3 of the Swedish Companies Act. The nature and scope of the operations do not entail greater risk than what is normal for the industry. Based on the Board's assessment of the parent company's and the Group's financial position, the dividend is justifiable in view of the parent company and consolidated equity requirements arising from the nature, scope and risk of the operations and the consolidation needs, liquidity and position of the parent company and the Group.

The Board does not expect the proposed dividend to affect the company's ability to meet its short-term and long-term obligations or to make necessary investments. The proposed dividend constitutes 49.8 per cent of the consolidated profit after tax, excluding unrealised changes in value and deferred tax, which is in line with the stated objective. The Board finds there to be full coverage for the restricted equity after the proposed dividend. The parent company and the Group maintain sufficient reserves of cash and cash equivalents in the form of both short-term and long-term lines of credit. The lines of credit can be used at short notice. This means that the company and the Group are well prepared for fluctuations in liquidity and unexpected events. The Board has taken into account all other known circumstances that may have an impact on the financial position of the parent company and the Group and that have not been taken into account within the framework of the above considerations. In this respect, no circumstances have been found to indicate that the proposed distribution is not justified.

Östersund, 9 March 2020

The Board of Directors of Diös Fastigheter AB (publ)  
Company registration number 556501-1771



Diös tenant Falu Frigymnasium, Kansliet 20 in Falun.



# Signatures

The Board of Directors and Chief Executive Officer of Diös Fastigheter AB (publ) hereby certify that this annual report has been prepared in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 of the Swedish Financial Reporting Board. The annual report gives a true and fair view of the company's financial position and results. The Directors' Report gives a true and fair overview of the performance, financial position and results of the company, and describes significant risks and uncertainties faced by the company.

The Board of Directors and Chief Executive Officer hereby certify that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The consolidated financial statements give a true and fair view of the Group's financial position and results. The Directors' Report gives a true and fair overview of the performance, financial position and results of the Group, and describes significant risks and uncertainties faced by the Group companies.

Östersund, 9 March 2020

Bob Persson  
*Chairman*

Eva Nygren  
*Board member*

Ragnhild Backman  
*Board member*

Anders Nelson  
*Board member*

Peter Strand  
*Board member*

Tomas Mellberg  
*Board member*  
*Employee representative*

Knut Rost  
*Chief Executive Officer*

Our auditor's report was submitted on 10 March 2020

Deloitte AB

Richard Peters  
*Authorised Public Accountant*

# Auditor's Report

THE BOARD OF DIRECTORS OF DIÖS FASTIGHETER AB (PUBL)  
COMPANY REGISTRATION NUMBER 556501-1771

## STATEMENT ON THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

We have conducted an audit of the annual financial statements and consolidated financial statements of Diös Fastigheter AB (publ) for the financial year 1 January to 31 December 2019, with the exception of the Corporate Governance Report on pages 65–72. The company's annual financial statements and consolidated financial statements can be found on pages 57–106 of this document.

In our opinion, the annual financial statements have been prepared as required pursuant to the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company on 31 December 2019, and its financial performance and its cash flows for the year, in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been prepared as required by the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group on 31 December 2019, and its financial performance and cash flows for the year, in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other sections of the annual report and the consolidated financial statements.

We therefore recommend that the Annual General Meeting adopts the income statement and the balance sheet of the parent company and the Group.

Our statements in this report on the annual financial statements and consolidated financial statements are consistent with the contents of the supplementary report that has been delivered to the Board of the parent company in accordance with article 11 of the EU Audit Regulation (537/2014/EU).

### BASIS FOR THE OPINION

We have conducted our audit in compliance with the requirements of the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden (Swedish GAAS). Our responsibility to these standards are described in greater detail in the section Auditor's responsibility. We are independent in relation to the parent company and Group in accordance with Swedish GAAS and have completed our ethical responsibility in accordance with these requirements. This includes, to the best of our knowledge and conviction, that no prohibited services as per article 5.1 of the EU Audit Regulation (537/2014) have been provided by the audited company or, where applicable, the parent company or companies under its control within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### KEY AUDIT MATTERS

Key audit matters for the audit were the areas that, according to our professional assessment, were most important for the audit of the annual financial statements and consolidated financial statements for the relevant period. These areas were processed within the framework of our audit of and posi-

tion on the annual financial statements and consolidated financial statements as a whole, but we make no separate opinions on these areas.

### Valuation of investment properties

Diös Fastigheter AB recognises its investment properties at fair value and the property portfolio was valued at SEK 22,885 million as at 31 December 2019. The properties have been valued internally but a portion of the portfolio is also valued externally on a quarterly basis. The starting point for the valuation consists of an individual assessment for each property of future earning capacity and the market's required rate of return. The assessment is based on estimates and assumptions that can significantly impact on the Group's earnings and financial position.

Our audit included the following audit procedures but were not limited to these:

- We have assessed the process for Diös' internal valuation procedures and the assumptions made and their application in the internal valuation model.
- We have examined input data and calculations in the internal valuation model at property level for a selection of properties to assess completeness and valuation.
- We have evaluated and assessed the assumptions used in the valuation model regarding long-term vacancy and required rates of return for a selection of properties.
- We have confirmed that appropriate accounting policies are being applied and the necessary disclosures are being made in the relevant notes accompanying the financial statements.

For further information, please see the section on property valuation on page 77, the section on risks and risk management on pages 60–64, the Group's accounting policies on page 80, and Note 11 Investment properties in the annual report.

### Recognition of income tax

Diös Fastigheter AB's accounting treatment of current and deferred taxes is complex and contains a significant number of estimates. Tax depreciation, tax-deductible conversions, sales of properties, changes in property values and other factors need to be taken into consideration. Incorrect estimates and assumptions may have a significant impact on the Group's earnings and financial position.

Our audit included the following audit procedures but were not limited to these:

- Review and assessment of Diös' process for calculating current and deferred tax.
- Examination of calculations of current and deferred tax against source documents to ensure that account has been taken of factors such as tax depreciation, deductible redevelopment projects and property-related tax adjustments in relation to applicable laws.
- Review to confirm that appropriate accounting policies are being applied and the necessary disclosures are being made in the relevant notes accompanying the financial statements.

For further information, see the section on taxes on page 75, the section on risks and risk management on pages 60–64, the Group's accounting policies on pages 88–90, Note 10 Tax on profit for the year and Note 17 Deferred tax asset/tax liability in the annual report.

## AUDITOR'S REPORT CONT.

### Liabilities to credit institutions and covenants

Diös' business model means there is a high requirement for access to funding as the operation is capital intensive. At 31 December 2019, liabilities to credit institutions totalled SEK 12,145 million and the loan-to-value ratio was 53.1 per cent. When taking out loans, Diös Fastigheter AB has a number of commitments in the form of covenants. Deviations from these covenants may result in higher interest rate margins or financing being stopped. Over the next financial year, Diös Fastigheter AB will need to refinance 46 per cent of its interest-bearing liabilities in its total loan portfolio.

Our audit included the following audit procedures but were not limited to these:

- We have mapped the process for financing and monitoring of key ratios and assessed compliance with the Group's covenants and financial policy.
- For all external loans, we have checked the carrying amounts against external statements of assets and liabilities obtained directly from the bank.
- We have checked all loans against the loan agreements.
- We have confirmed that appropriate accounting policies are being applied and the necessary disclosures are being made in the relevant notes accompanying the financial statements.

For further information, see the section on financing on page 79, the section on risks and risk management on pages 60–64, the Group's accounting policies on pages 88–90 and Note 22 Liabilities to credit institutions in the annual report.

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

This document also contains other information than that found in the financial statements and consolidated financial statements, which can be found on pages 1–56 and 110–130. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the financial statements and consolidated financial statements does not include this information and we will not express an opinion verifying this other information.

In connection with our audit of the financial statements and consolidated financial statements, it is our responsibility to read the information identified above and assess whether the information is materially inconsistent with the financial statements and consolidated financial statements. In this review, we also take into account the other information we have obtained in the audit and identify whether the information otherwise appears to contain material misstatement.

If, based on the work carried out with respect to this information, we conclude that there is a material misstatement in the other information, we are required to report this. We have nothing to report in this respect.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors and CEO are responsible for the preparation and fair presentation of financial statements and consolidated financial statements in accordance with the Swedish Annual Accounts Act and, with regard to the consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In their preparation of the financial statements and consolidated financial statements, the Board of Directors and CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, where appropriate, information on conditions that may affect the ability to continue as a going concern and to use the going concern basis of

accounting. However, the going concern basis of accounting is not used if the Board of Directors and CEO intend to liquidate the company, discontinue operations or do not have a realistic alternative to either of these actions.

### AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement in the financial statements and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the part of the company's internal control relevant to our audit in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- come to a conclusion on the appropriateness of the Board of Directors' and CEO's use of the going concern basis of accounting when preparing the financial statements and consolidated financial statements. We will also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the relevant disclosures in the financial statements and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion on the financial statements and consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the company and the Group to be unable to continue as a going concern.
- we evaluate the overall presentation, structure and content of the financial statements and consolidated financial statements, including the disclosures, and whether the financial statements and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of, among other matters, the planned scope and timing of the audit. We also need to inform the Board of significant



audit findings, including any significant deficiencies in internal control that we have identified.

We also need to provide the Board with a statement that we have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Board, we determine those matters that were of most significance in the audit of the financial statements and consolidated financial statements, including the most significant assessed risks of material misstatement and which therefore constitute the key audit matters. We describe these matters in the auditor's report unless laws or legal and regulatory requirements prevent disclosure on the matter.

## STATEMENT ON OTHER LEGAL AND STATUTORY REQUIREMENTS

### OPINION

In addition to our audit of the financial statements and consolidated financial statements, we have also conducted an audit of the management of Diös Fastigheter AB (publ) by the Board of Directors and the Chief Executive Officer for the financial year 1 January 2019 to 31 December 2019, as well as of the proposed appropriation of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated as proposed in the Directors' Report and that the members of the Board and the Chief Executive Officer be discharged from liability for the financial year.

### BASIS FOR THE OPINION

We have conducted our audit in compliance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in greater detail in the section Auditor's responsibilities. We are independent in relation to the parent company and Group in accordance with good auditing practices in Sweden and have completed our ethical responsibility in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. Dividend proposals include an assessment of whether the dividend is justifiable considering the demands that the nature, scope and risks of the operations place on the amount of equity and the parent company's and the Group consolidation requirements, liquidity and financial position in general.

The Board is responsible for the organisation of the company and the management of its affairs. Among other things, this includes continuously assessing the company's and Group's financial position and ensuring that the company's organisation is designed such that controls of accounting records, asset management and the company's financial circumstances in general are performed in a satisfactory manner. The CEO must take charge of the day-to-day management in accordance with the Board's guidelines and directives, including taking the necessary measures to ensure that the company's accounting records are complete according to law and that asset management is conducted satisfactorily.

### AUDITOR'S RESPONSIBILITIES

Our objective for the management audit, and thereby our statement on discharge from liability, is to obtain audit evidence to enable us to determine

with reasonable assurance whether any member of the Board or the CEO has, in any material respect:

- taken any action or been guilty of any negligence that may result in a claim for compensation being brought against the company, or
- in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective for the audit of the proposed appropriation of the company's profit or loss, and thereby our opinion on this matter, is to determine with reasonable assurance whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions which may result in a claim for compensation being brought against the company, or that a proposal for appropriation of the company's profit or loss is inconsistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The review of the management and the proposed appropriation of the company's profit or loss is largely based on the audit of the accounts. Any additional audit procedures performed are based on our professional assessment, with risk and materiality as the starting point. This means that our review focuses on such procedures, matters and conditions that are material to the business and where deviation and infringement would have special significance for the company's situation. We go through and examine decisions taken, documentation supporting decisions, actions taken and other conditions that are relevant to our statement on discharge from liability. As a basis for our opinion on the Board's proposed appropriation of the company's profit or loss, we examined the Board's statement of reasons and a selection of supporting evidence in order to assess whether the proposal is consistent with the Swedish Companies Act.

### AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the Corporate Governance Report on pages 65–72 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Our review has been carried out in accordance with FAR's statement RevU 16 Auditors' review of the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different aim and is of significantly smaller scope than the aim and scope of an audit compliant with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient grounds for our opinions.

A Corporate Governance Report has been prepared. Disclosures as per chapter 6, section 6, paragraph 2–6, points 2–7 of the Swedish Annual Accounts Act, and chapter 7, section 31, paragraph 2 of the same act are consistent with the other sections of the annual financial statements and consolidated financial statements and conform to the Swedish Annual Accounts Act.

Deloitte AB were appointed Diös Fastigheter AB's auditors by the Annual General Meeting on 23 April 2019 and have been the company's auditors since 30 May 2005.

Östersund, 10 March 2020

Deloitte AB

Richard Peters, Authorised Public Accountant

## AUDITOR'S REPORT ON THE REVIEW OF DIÖS FASTIGHETER AB'S SUSTAINABILITY REPORT AND OPINION ON THE STATUTORY SUSTAINABILITY REPORT

TILL DIÖS FASTIGHETER AB, CRN 556501-1771

### INTRODUCTION

We have been engaged by the Board of Directors of Diös Fastigheter AB to review Diös Fastigheter AB's Sustainability Report for 2019. The company has defined the scope of the Sustainability Report on pages 116–123 and the statutory Sustainability Report is defined on page 123.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT

Responsibility for preparing a Sustainability Report including the statutory Sustainability Report in accordance with applicable criteria and the Swedish Annual Accounts Act rests with the Board of Directors and management.

The criteria are defined on pages 116–123 of the Sustainability Report and comprise those sections of the framework for sustainability reporting published by GRI (Global Reporting Initiative) that apply to the Sustainability Report as well as the company's own reporting and calculation principles. This responsibility also includes such internal control as is deemed necessary for preparing a Sustainability Report that is free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the Sustainability Report based on our review and to express an opinion on the statutory Sustainability Report. Our engagement is limited to the historical information that is presented and thus does not cover prospective information.

We conducted our review in accordance with ISAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. A review consists of making inquiries, primarily with persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. We conducted our review of the statutory Sustainability Report in accordance with Recommendation RevR 12 *The Auditor's Opinion on the Statutory Sustainability Report* published by FAR, Sweden's professional institute for accountants. A review and an examination conducted in accordance with RevR 12 has a differ-

ent focus and significantly narrower scope than a full audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards.

The audit firm applies the International Standard on Quality Control (ISQC 1) and therefore has a broad system for quality control consisting of documented guidelines and procedures for compliance with professional ethical requirements, standards for professional conduct, and applicable requirements in laws, regulations and administrative provisions. We are independent of Diös Fastigheter AB in accordance with Swedish GAAS and have otherwise fulfilled our ethical responsibilities under these standards.

The review procedures taken in a review and an examination in accordance with RevR 12 do not enable us to obtain a degree of certainty that would make us aware of all important circumstances that would have been identified if an audit had been performed. The conclusion expressed in a review and examination in accordance with RevR 12 therefore does not provide the same level of assurance as a conclusion based on an audit.

Our review of the Sustainability Report is based on the criteria selected by the Board of Directors and management, which are defined above. We consider these criteria to be appropriate for the preparation of the Sustainability Report,

and we believe the evidence we have obtained in the course of our review is sufficient and appropriate for the purpose of establishing a basis for issuing the following opinion.

### OPINION

Based on our review, we have not discovered any circumstances that would give us reason to believe that the sustainability report has not, in all material respects, been prepared in accordance with the above criteria indicated by the Board of Directors and management.

A statutory Sustainability Report has been prepared.

Östersund, 10 March 2020

Deloitte AB

Richard Peters  
Authorised Public Accountant





# Key ratios, GRI and definitions



# Financial key ratios

The company presents certain financial measures in the annual report that have not been defined in accordance with IFRS. 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 meas-

ures 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 128.

Figures refer to SEK million unless otherwise indicated.

	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Number of shares at end of period, thousands ( <i>balance sheet key ratios</i> )	134,512	134,512
Average number of shares, thousands ( <i>income statement key ratios</i> )	134,512	134,512

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. We also report the alternative performance indicators property management income and EPRA earnings, 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 the control of the company, such as changes in the value of properties and derivatives.

	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
<b>Property management income</b>		
Profit before tax	1,302	1,597
Reversal		
Change in value, properties	-350	-687
Change in value, derivatives	-0	-16
<b>Property management income</b>	<b>952</b>	<b>894</b>
<b>EPRA earnings (property management income after tax)</b>		
Property management income	952	894
Reversal, current tax property management income	-78	-77
Minority share of earnings	-9	-3
<b>EPRA earnings</b>	<b>865</b>	<b>814</b>
<b>EPRA earnings per share, SEK</b>	<b>6.43</b>	<b>6.05</b>

## FINANCIAL RISK

Our strategy is urban development. Diös seeks to run its business in a sustainable manner with a stable financial risk. This is expressed in the ambition to ensure that the loan-to-value ratio does not exceed 55 per cent over extended periods and to maintain an equity ratio in excess of 35 per cent. The loan-to-value ratio and equity ratio show the company's financial stability while the interest coverage ratio shows the company's ability to pay interest. Net debt to EBITDA shows our ability to generate cash flow in relation to our liabilities. These key ratios are deemed to be relevant for investors and analysts from a financial risk perspective. Our loan-to-value ratio, equity ratio and interest coverage ratio 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.

	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
<b>Loan-to-value ratio</b>		
Interest-bearing liabilities	12,145	11,099
Investment properties	22,885	20,802
<b>Loan-to-value ratio, %</b>	<b>53.1</b>	<b>53.4</b>
<b>Equity ratio</b>		
Equity	8,484	7,839
Total assets	23,187	21,057
<b>Equity ratio, %</b>	<b>36.6</b>	<b>37.2</b>
<b>Interest coverage ratio</b>		
Property management income	952	894
Reversal		
Net financial items	170	183
<b>Total</b>	<b>1,122</b>	<b>1,077</b>
Financial costs	170	183
<b>Interest coverage ratio, times</b>	<b>6.6</b>	<b>5.9</b>

## &gt; FINANCIAL KEY RATIOS CONT.

	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
<b>Net debt to EBITDA</b>		
Interest-bearing liabilities as per balance sheet	12,145	11,099
Cash and cash equivalents	-	-
Overdraft facilities	206	198
<b>Net debt</b>	<b>12,351</b>	<b>11,297</b>
Operating surplus as per income statement	1,187	1,140
Central administration as per income statement	-73	-71
Reversal		
Depreciation and amortisation	5	2
<b>EBITDA</b>	<b>1,119</b>	<b>1,071</b>
<b>Net debt to EBITDA</b>	<b>11.0</b>	<b>10.5</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 the company's 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.

	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
<b>Net asset value</b>		
Equity as per balance sheet	8,484	7,839
Minority share of equity	-58	-49
Reversal		
Fair value of financial instruments	0	-1
Deferred tax on temporary differences	1,450	1,299
<b>EPRA NAV (long-term net asset value)</b>	<b>9,876</b>	<b>9,088</b>
<b>EPRA NAV (long-term net asset value) per share, SEK</b>	<b>73.4</b>	<b>67.6</b>
<b>Deductions</b>		
Fair value of financial instruments	0	1
Estimated actual deferred tax on temporary differences, approx. 4% <sup>1</sup>	-270	-242
<b>EPRA NNNAV (short-term net asset value)</b>	<b>9,606</b>	<b>8,847</b>
<b>EPRA NNNAV (short-term net asset value) per share, SEK</b>	<b>71.4</b>	<b>65.8</b>

<sup>1</sup> Estimated actual deferred tax has been calculated at approx. four per cent based on a discount rate of three 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.



## > FINANCIAL KEY RATIOS CONT.

### 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 the company's financial stability.

	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Return on equity, %	12.8	18.2
Equity per share, SEK	63.1	58.3
<b>Cash flow per share, SEK</b>		
Profit before tax	1,302	1,597
Reversal		
Unrealised change in value, properties	-331	-678
Unrealised change in value, derivatives	0	-16
Depreciation and amortisation	5	2
Current tax	-79	-90
<b>Total</b>	<b>897</b>	<b>815</b>
Average number of shares ('000)	134,512	134,512
<b>Cash flow per share, SEK</b>	<b>6.67</b>	<b>6.05</b>
Earnings per share, SEK	7.74	9.94
Debt/equity ratio, times	1.4	1.4

### OTHER INFORMATION

We also report data for economic occupancy, surplus ratio 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.

	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Contracted rental income, SEKm	1,821	1,771
Economic occupancy rate, %	90	91
Surplus ratio, %	65	64

### EPRA vacancy rate

Estimated market rent for vacant space	182	151
Annualised rental value for the whole portfolio	2,018	1,936
<b>EPRA vacancy rate, %</b>	<b>9.0</b>	<b>7.8</b>

## > EPRA KEY FIGURES

EPRA key figures	2019	2018
EPRA earnings, SEKm	865	814
EPRA earnings per share, SEK	6.43	6.05
EPRA NAV, SEKm	9,876	9,088
EPRA NAV per share, SEK	73.4	67.6
EPRA NNNAV, SEKm	9,606	8,847
EPRA NNNAV per share, SEK	71.4	65.8
EPRA vacancy rate, %	9.0	7.8
Rental growth for comparable portfolio, %	2.5	3.0

The EPRA key figure for sustainability can be found on our website, [www.dios.se](http://www.dios.se).





Elke Herbst, Property Manager Falun, with Diös tenant the County Administrative Board of Dalarna, Kansliet 20 in Falun.

# GRI disclosures

This section contains supplementary information to the annual report and describes methods, assumptions and correction factors used in preparing our GRI disclosures.

## > SCOPE AND LIMITATION

The Sustainability Report complies with the Swedish Annual Accounts Act, see page 123, and the recommendations in the GRI Standards, Core option. The report refers to 2019 and covers the whole company. The previous report was published in April 2018. The scope of the Sustainability Report is indicated in the page references in the GRI index on pages 122–123. The CEO has ultimate responsibility for the Sustainability Report and the Sustainability Officer is responsible for its preparation.



For key figures related to sustainability reporting in accordance with EPRA, see the annex at dios.se.

## > STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

Based on our business plan and our focus areas – project development, property management, transactions and financing – we have identified our stakeholders as employees, tenants, society, suppliers, lenders and shareholders. We engage in continuous dialogue with stakeholders in our day-to-day operations but have in preparation for this year’s report chosen to expand our dialogue with our tenants through a questionnaire specifically addressing key sustainability aspects.

Based on our stakeholder dialogue and the materiality analysis carried out in 2016, we

have reviewed our priorities and have, using additional information from the year’s tenant survey, produced the following prioritisation based on relevance and ability to influence, see below. The prioritisation includes both areas that we are addressing actively today, such as energy efficiency and reduced climate impact, and areas such as climate adjustment and healthy societies, which are still development areas for us.

The survey also showed that the disclosures that we considered to be material (see material GRI disclosures on page 118) remain important for our tenants.



## &gt; STAKEHOLDER DIALOGUE

	MEDIUM OF DIALOGUE	FREQUENCY	PRIORITY ISSUES	WHAT WE ARE DOING
<b>Employees</b>	Staff appraisals	2 times/year	Attractive employer	Skills development through Diös Academy
	ESI	Annual	Resource efficiencies	Health benefits
	Kick-off	Annual	Supplier requirements	Increasing energy efficiency
	Workplace meetings	Monthly		Code of Conduct
	Yammer	Ongoing		
<b>Shareholders</b>	Financial statements	Quarterly	Long-term return	Stable and long-term total yield
	Roadshows	Ongoing	Resource efficiencies	Increasing energy efficiency
	Quarterly presentations	Quarterly		Corporate governance
	Annual General Meeting	Annual		
<b>Tenants</b>	Tenant meetings	Ongoing	Health and safety	Inspections and ongoing monitoring
	CSI (Customer Satisfaction Index)	Annual	Resource efficiencies	Project development
	Fault reports	Ongoing	Business ethics	Code of Conduct and core values
	Own channels	Ongoing		
<b>Lender</b>	Financial	Ongoing	Financial return	Targets and required rates of return
	Roadshows	Quarterly	Financial stability	Long-term business model
<b>Society</b>	City centre associations	Ongoing	Sustainable urban development	Conversion of vacant premises
	Enterprise network	Ongoing	Employment	Create opportunities for new tenants to establish a presence and flexibility for existing tenants
	Own channels	Ongoing	Minimised environmental impact	Build sustainable buildings in our projects
	Citizen dialogue	When required, see the Östersund Room		Traineeships and collaboration with schools and universities
<b>Suppliers</b>	Procurement of contracts	Ongoing	Business ethics	Supplier Code of Conduct
	Ongoing review of contracts	Ongoing	Use of resources	Development of procurement requirements
	Own channels	Ongoing		Update of framework agreement templates

## &gt; GRI DISCLOSURES

102-8

ORGANISATIONAL PROFILE - EMPLOYEES		2019		2018	
		Number	Percentage of women	Number	Percentage of women
Total number of employees		155	43	162	40
Number of permanent employees		153	44	158	40
- Of which full-time		146	42	151	37
- Of which part-time		7	86	7	100
Number of fixed-term employees		2	0	4	50
<b>By business unit (permanent employees)</b>					
<b>Dalarna</b>		20	25	18	22
- Of which full-time		18		17	
- Of which part-time		2		1	
<b>Gävle</b>		11	36	11	27
- Of which full-time		11		11	
- Of which part-time		0		0	
<b>Östersund/Åre</b>		20	35	20	30
- Of which full-time		20		20	
- Of which part-time		0		0	
<b>Luleå</b>		14	50	17	29
- Of which full-time		14		17	
- Of which part-time		0		0	
<b>Skellefteå</b>		5	60	-*	-*
- Of which full-time		5			
- Of which part-time		0			
<b>Umeå</b>		15	27	23	30
- Of which full-time		15		23	
- Of which part-time		0		0	
<b>Sundsvall</b>		16	38	15	33
- Of which full-time		16		15	
- Of which part-time		0		0	
<b>Head office</b>		52	60	54	61
- Of which full-time		47		48	
- Of which part-time		5		6	

\*In 2018, Skellefteå was included in the Umeå business unit.



## > CONT. GRI DISCLOSURES 102–16 VALUES, PRINCIPLES, STANDARDS AND CONDUCT

Our Code of Conduct for employees and suppliers has been prepared based on the UN Global Compact's ten principles on human rights, labour, environment and anti-corruption. The Code also affirms that we support the Universal Declaration of Human Rights, the ILO core conventions on human rights at work, the Rio Declaration and the UN Convention against Corruption. The Code of Conduct was adopted by senior management, applies to all employees, and the person ultimately responsible for ensuring compliance with the Code is the CEO. The Code of Conduct is a mandatory part of our induction programme for new employees.

The Code describes how we by acting responsibly should create value for all our stakeholders. In each section of the Code, reference is also made to our policies:

- > Diös' gender equality and discrimination policy
- > Diös' environmental policy
- > Diös' anti-corruption policy
- > Diös' communication policy

The Code of Conduct and other policies are available on our website, [www.dios.se](http://www.dios.se).

## 102–47 MATERIAL ASPECTS

In 2016, a materiality analysis was carried out to identify our most important sustainability aspects and decide which GRI disclosures and measurements to cover in our report. The analysis consisted of a market analysis looking

at how other companies are addressing these issues and an in-depth stakeholder dialogue designed to identify aspects from different perspectives. Based on the background material obtained from the materiality analysis, we conducted workshops with senior management and other functions in the organisation where material aspects were identified and the order of priority for reporting of GRI disclosures was decided, see material GRI disclosures in the table below.

Since then, we have, based on our ongoing dialogue with stakeholders as well as business intelligence activities, discussed whether to add or remove any disclosures. So far, we have concluded that the material disclosures we have chosen to report remain relevant and have therefore not removed or added any new disclosures.

## > MATERIAL GRI DISCLOSURES

ENERGY	
302-1	Energy
303-5	Water consumption
305-1, 2, 3, 4	Carbon dioxide emissions
CRE 1, 2, 3, 4	Intensity energy, water and emissions

ECONOMIC PERFORMANCE AND ANTI-CORRUPTION	
201-1	Economic performance
205-2, 3	Anti-corruption

EMPLOYMENT AND WORKING CONDITIONS	
403-1	Occupational health and safety
404-1, 3	Training and education
405-1	Diversity and equal opportunities
CRE 6	Management system for health and safety

PRODUCT LIABILITY	
CRE 8	Certifications

## > ECONOMIC PERFORMANCE

### 201-1 DIRECT ECONOMIC VALUE

	2019		2018	
	SEKm	%	SEKm	%
Economic value added	2,004		2,268	
<b>Value distribution of revenue</b>				
- Employee salaries and benefits	128	6	122	5
- Interest and principal payments to our lenders	147	7	157	7
- Taxes to society: current tax, property tax and VAT	223	11	326	14
- Dividends to shareholders	444	22	404	18
- Purchases from suppliers	506	25	528	23
<b>Retained economic value for shareholders</b>	<b>557</b>	<b>28</b>	<b>732</b>	<b>32</b>

## > ANTI-CORRUPTION 205-2 COMMUNICATION AND TRAINING

Diös' anti-corruption policy applies to and has been communicated to all employees at a gathering and since then in connection with recruitment. The policy was adopted by senior management and presented to the Board.

We have a Code of Conduct for Suppliers that is enclosed with all contracts. The Code covers good business practice, free competition, corruption, bribery and money laundering.

No employees or suppliers took part in anti-corruption training programmes run by Diös in 2019.

## 205-3 CONFIRMED INCIDENTS

No concern reports or other reports were received during the year. Reports can be submitted through an external whistleblower service that is available to internal and external stakeholders via our website.

## > ENERGY AND WATER

302-1 AND CRE 1, 303-5 AND CRE 2

TOTAL USAGE	2019			2018		
	Absolute value (MWh)	Intensity (kWh/sq.m)	Non-fossil share (%)	Absolute value (MWh)	Intensity (kWh/sq.m)	Non-fossil share (%)
District heating	133,068	84.8	98	134,500	85.7	98
District cooling	86,538	15.1	92	92,442	18.5	Unknown
Electricity	3,971	55.1	100	4,551	58.7	100
Own electricity generation	823		100	614		100
- Of which solar cells	183			-		
- Of which wind power	640			614		
Water	473*	0.4*		504*	0.4*	

\*Water use is measured as thousands of m<sup>3</sup> and m<sup>3</sup>/sq.m, respectively.

### General information

Currently, we are not able to report the amount of energy for which the cost is passed through to tenants.

### District heating

All district heating data is adjusted to a normal year using degree days from Degreedays. Environmental data for district heating has been taken from Swedenergy's annual summary. As the figures for 2019 will be released only in the autumn, data from 2018 was used.

For district heating, we have chosen to present the share of non-fossil energy production. The definition includes energy from renewable sources and waste heat from industry.

### District cooling

For district cooling, we have used the same environmental values as for district heating, as no other values are currently available.

### Electricity

All electricity is from renewable sources and comes with a certificate of origin.

### Water

During the year, we implemented water-saving measures in around 1,000 apartments, which will save around 11,500 cubic metres of water annually. This means that water saving measures have now been implemented in all our apartments.

### Analysis

For an analysis, see page 23.

## > EMISSIONS

305-1, 2, 3, 4 AND CRE 4 DIRECT GHG EMISSIONS (SCOPE 1)

TONNES OF CO2 EQUIVALENTS	2019		2018	
	Tonnes	kg/sq.m	Tonnes	kg/sq.m
<b>Scope 1</b>				
- Company cars	46		55	
- Service vehicles	16		37	
<b>Total</b>	<b>62</b>		<b>92</b>	
<b>Scope 2</b>				
- Purchased energy (abs)	5,839	3.8	5,877	4.1
<b>Total</b>	<b>5,839</b>		<b>5,877</b>	
<b>Scope 3</b>				
- Travel via travel agency*	32		70	
- Other travel*	26		60	
- Private cars used for business	10		17	
<b>Total</b>	<b>68</b>		<b>147</b>	
<b>TOTAL</b>	<b>6,155</b>		<b>5,751</b>	

\*Not comparable with previous years

### Scope 1

Company cars and service vehicles

Emissions from company cars and service vehicles come from Volvofinans and are based on the vehicles' actual consumption and reported work-related mileage.

### Scope 2

Purchased energy

Energy use comprises all energy purchased by Diös for its properties. This means that all energy covered by Diös' leases is included in the statistics. Electricity for which the tenants themselves have contracts is not included in the statistics.

### Scope 3

Travel via travel agency

Emissions data for journeys booked through a travel agency is provided by the agency.

In 2019, we switched to a different travel agency. There is currently no generally accepted standard for how to calculate emissions from air travel and we are therefore

unable to compare emissions for 2018 and 2019. We know that the number of trips was similar in the two years, which means that emissions are unlikely to have decreased significantly.

#### Other travel

Some trips are not booked through our travel agency and are therefore not included in the statistics we receive from them. Emissions from these trips have been calculated based on the indicated number and the assumption that these journeys are flights between Östersund and Stockholm Arlanda. The average amount of emissions for a flight between Östersund and Stockholm is 0.05 tonnes of CO<sub>2</sub>, according to the statistics received from our travel agency.

#### Private cars used for business

Emissions from the use of private cars for work are based on mileage reported by the employees for journeys in 2019. It is assumed that the fuel used for all private cars is petrol and the distance travelled is multiplied by the emissions factor 2.36 kg of CO<sub>2</sub>-e/l for petrol and the average fuel use for a mid-sized car, 35 mpg.

#### Construction projects

We are currently unable to report emissions for our construction projects.

#### Emission reductions

##### Biojet

In 2019, we participated in an initiative aimed at increasing the share of renewable fuels in aviation. Together with a number of other

businesses, the local authority and Region Jämtland, we purchase 8.8 tonnes of biojet and thereby helped to save 27.7 tonnes of carbon dioxide equivalents.

#### HVO100

During the year, we encouraged all employees with the benefit of a company car to run their cars on HVO100. It is hoped that all will do so, but currently we do not have any means of monitoring adherence and therefore cannot assess the impact. We will continue to review and develop our car and travel policy with the aim of further reducing the climate and environmental impact of our journeys.

#### Analysis

For an analysis, see page 21.

## ➤ HEALTH AND SAFETY

### 403-1 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT UNDER THE WORK ENVIRONMENT ACT

We engage in systematic occupational health and safety management in accordance with the Swedish Work Environment Act and the provisions of AFS2001:1. Under the Work Environment Act, employers are required to plan, lead and control their activities to promote health and safety at the workplace. A health and safety team with representatives from all business units and departments at the head office manage the activities in accordance with a health and safety policy as well as the adopted annual plan and action plan. The HR department convenes and takes the minutes of meetings, provides information and develops and structures the activities. The health and safety policy and the activities of

the health and safety team cover and apply to all Diös employees.

### 403-8 WORKERS COVERED

All Diös employees are covered by the activities under Section 403-1. All employees who are not employed by Diös but who work in our business are covered by the activities under Section 403-1. We are currently unable to report statistics on how many people this refers to. Our health and safety activities are conducted in accordance with the Work Environment Act and are assessed annually in accordance with the guidelines in the Act. In 2019, and the Swedish Work Environment Authority carried out an external review of our construction project activities.

### 403-9 WORK-RELATED INJURIES

No workplace injuries resulting in death or

which had significant consequences for the injured person occurred in 2019. There were 2 accidents (0) in 2019, which represents an injury rate of 1.6 per 200,000 hours worked. There were also two incidents (1) during the year, 1.6 per 200,000 hours worked. The injuries and accidents were of a minor nature, minor cuts or falls.

### 403-10 WORK-RELATED ILL HEALTH

We are currently unable to report statistics on work-related illness. This is partly because work-related illness is unusual in our industry and partly because we have chosen not to classify stress-related illness as work-related or other illness. As we have previously reported sick leave, we are choosing to do so this year as well using the same standard in order to be able to present comparative figures and report a continued low rate of sick leave.

SICK LEAVE	2019	2018
	%	%
Sick leave (AR = Absentee rate)	3.1	2.5
- Women	4.1	3.5
- Men	2.5	1.9

## ➤ EDUCATION/TRAINING

### 404-1 HOURS OF TRAINING DELIVERED

	2019		2018	
	Women (h/person)	Men (h/person)	Women (h/person)	Men (h/person)
Average hours of training	21.6	25.2	12.5	17.2
- White-collar (not broken down by sex)		22.5		12.6
- Blue-collar (not broken down by sex)		25.3		23.4

### 404-3 PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

In 2019, 59 per cent of Diös' permanent employees took part in performance reviews. In 2018, 85 per cent of the men and

80 per cent of the women took part in performance reviews. Until 2018, the statistics are based on the employee survey and in 2019 the figure is based on the number of reviews registered in our HR system. We

therefore believe that the actual share for 2019 is similar to that in 2018, but that all reviews were not registered in the system. In 2020, we will be reintroducing the question in the employee survey.



## > DIVERSITY AND EQUAL OPPORTUNITIES

### 405-1 COMPOSITION OF THE COMPANY

EMPLOYEES	2019		2018	
	Number	Percentage of women	Number	Percentage of women
Board of Directors <sup>1</sup>	5	40	5	40
- Of which under 30	0	0	0	0
- Of which 30–50	1	0	0	0
- Of which over 50	4	40	5	40
White-collar <sup>2</sup>	116	54	118	52
- Of which under 30	8	88	6	83
- Of which 30–50	82	57	82	57
- Of which over 50	26	35	30	30
Blue-collar <sup>2</sup>	37	11	40	5
- Of which under 30	3	33	6	0
- Of which 30–50	19	11	19	11
- Of which over 50	15	7	15	0
Total number of employees <sup>2</sup>	153	44	158	40

<sup>1</sup> AGM-appointed.

<sup>2</sup> Permanent employees.

## > PRODUCT LIABILITY

### CRE 8 CERTIFICATIONS

ENVIRONMENTAL CERTIFICATIONS	2019		2018		Comments
	Number	% of total area	Number	% of total area	
GreenBuilding	2	0.5	9	5.3	
Sweden Green Building Council (Silver)	2	0.9	2	0.9	
BREEAM In-Use	32	15.9	12	5.5	
BREEAM-SE	2	-	0	-	Projects in progress
Nordic Swan Ecolabel	1	-	0	-	Projects in progress
Total	39	17.3	23	11.7	

Around 40 per cent of the BREEAM In-Use properties meet the criteria for Very Good.

### Analysis

For an analysis, see page 26.



Diös tenant Caroline Apelqvist, Receptionist First Class Gym, with Cecilia Östlund, Property Manager, Hemlingby 56:10 in Gävle.

# GRI index

The GRI index contains references to those pages in the annual report and Sustainability Report where information about the various GRI disclosures is presented. The GRI disclosures' publication year is 2016, except for GRI 403, which was published in 2018.

## > GENERAL STANDARD DISCLOSURES

GRI STANDARD		PAGE	COMMENTS
<b>ORGANISATIONAL PROFILE</b>			
102-1	Name	57	
102-2	Type of business	57	
102-3	Location of headquarters	132	
102-4	Active in which countries	57	
102-5	Nature of ownership	58	
102-6	Market	32–55	
102-7	Size	24, 74, 77, 117	
102-8	Employees	117	
102-9	Supply chain	6–7	
102-10	Changes to the organisation and its supply chain	57–58	
102-11	Precautionary principle	60–62, 88–90	
102-12	External declarations and principles	21–23	Has signed the UN Global Compact
102-13	Memberships	22, 122	Member of the Sweden Green Building Council and GRESB
<b>STRATEGY</b>			
102-14	Chief Executive's review	10	
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards and norms of behaviour	21–23, 118	
<b>GOVERNANCE</b>			
102-18	Governance structure	65–68	
102-22	Composition of the highest governance body	65–66, 71–72, 121	For ethical reasons, we only present a breakdown by sex and age.
102-24	Nominating and selecting the highest governance body	65–66	
102-25	Conflicts of interest	65	
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups	117	
102-41	Collective bargaining agreement	122	All employees except the CEO are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	116	
102-43	Approach to stakeholder engagement	117	
102-44	Key topics and concerns raised	117	
102-45	Entities in the organisation	122	The Sustainability Report covers the entire Diös organisation.
<b>REPORTING PRACTICE</b>			
102-46	Report content and topic boundaries	116	
102-47	Material aspects	118	
102-48	New definitions	122	
102-49	Changes in reporting	116	
102-50	Reporting period	116	
102-51	Date of most recent previous report (if any)	116	
102-52	Reporting cycle	116	
102-53	Contact information	130	
102-54	GRI Standard	22, 116	
102-55	GRI index	122	
102-56	External assurance	110	

## &gt; MATERIAL DISCLOSURES

GRI STANDARD		PAGE	PAGE REFERENCE TO GRI 103-1, -2, -3
<b>ECONOMIC DEVELOPMENT</b>			21, 116–118
201-1	Direct economic value	118	
<b>ANTI-CORRUPTION</b>			21–22, 116–118
205-2	Communication and training	118	
205-3	Confirmed incidents	118	
<b>ENERGY</b>			21, 23, 116–118
302-1	Energy	119	
CRE 1	Energy intensity	119	
<b>WATER</b>			116–119
303-5	Water consumption	119	
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The table below shows references to the Sustainability Report that has been prepared in accordance with the Swedish Annual Accounts Act.

	ENVIRONMENT	EMPLOYEES	SOCIAL CONDITIONS	HUMAN RIGHTS	ANTI-CORRUPTION
<b>BUSINESS MODEL</b>	6–7 How we create value, 21–22 Responsibility for our environment				
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This Sustainability Report has been prepared in accordance with the Swedish Annual Accounts Act and the Global Reporting Initiative (GRI) Standards: Core.



# Share information and shareholders

The total return on the shares was 58.1 per cent. The market value was SEK 11,541 million. The Board of Directors proposes a dividend of SEK 3.30 per share.

## SHARE PRICE PERFORMANCE

Diös' share price increased 52.3 per cent (1.1) in 2019. It can be compared with the Nasdaq OMX Stockholm 30 which rose by 25.8 per cent (-10.3) and the Stockholm Stock Exchange's property index, expressed as Nasdaq OMX Real Estate PI, which rose by 59.2 per cent (9.7). The total annual return was 58.1 per cent (6.5). The share price volatility for the past 12 months was 23.7 per cent (16.1). The market value at 31 December was SEK 11,541 million (7,580).

## DIVIDEND AND DIVIDEND POLICY

The Board proposes a dividend for the 2019 financial year of SEK 3.30 per share (3.00), distributed at two issues at SEK 1.65 each issue. This is an increase of 10 per cent on 2018 and represents a yield of 3.8 per cent based on the share price at 31 December. According to the dividend policy, approximately 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. The proposed dividend represents a

payout ratio of 49.8 per cent (49.7). The decision on the distribution and payment of dividends will be made by the Annual General Meeting on 2 April 2020. The proposed dividend record date for the first dividend payment is 6 April and the second on 2 November. If the decision is made at the annual general meeting according to the proposal, the first dividend payment will take place on 9 April 2020 and the second payment on 5 November 2020.

## SHARES AND SHARE CAPITAL

The share capital at 31 December was 269,024,276 (269,024,276) and the number of shares was 134,512,438 (134,512,438). The shares have a quotient value of SEK 2 per share and all shares have equal voting rights and entitle the holder to the same share of the company's capital.

## SHAREHOLDERS

At year-end, Diös had 14,688 shareholders (13,921). The number of shareholders registered abroad accounted for 24.8 per cent (20.6). The largest single shareholder was AB Persson Invest with a 15.4 per cent (15.4) shareholding. The ten largest shareholders accounted for 53.4 per cent (54.1) of the shares and voting rights.

## NET ASSET VALUE AND EQUITY

For the purpose of giving a long-term fair value of the company's net assets, we recognise a long-term net asset value, expressed

pursuant to EPRA NAV. EPRA NAV at year-end was SEK 9,876 million (9,088), which equates to SEK 73.4 per share (67.6), and the share price at 31 December represented 117 per cent (83) of EPRA NAV. Equity at 31 December was SEK 8,484 million (7,839), which equates to SEK 63.1 per share (58.3).

## BUYBACK AND TRANSFER OF TREASURY SHARES

The Annual General Meeting 2019 mandated the Board, during the period until the next AGM, to acquire and transfer treasury shares representing up to 10 per cent of all outstanding shares of the company. Share buyback is a method used to adapt and improve the effectiveness of the capital structure. No share buybacks were made during the year and the company holds no treasury shares. The Board will propose that the AGM extend the period for acquiring and transferring treasury shares.

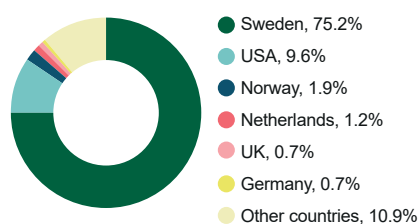
## FLAGGING

In 2019, Bengtssons Tidnings AB flagged a holding of less than 5 per cent.

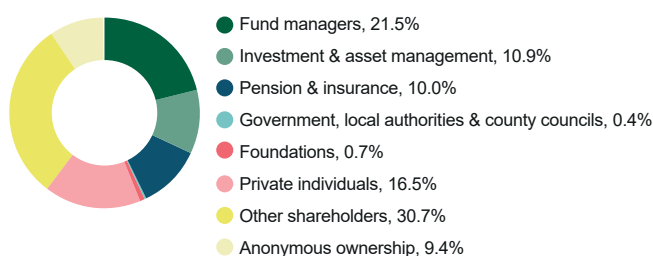
## TRANSPARENCY AND ACCESSIBILITY

We seek to be transparent and accessible to our stakeholders without compromising external and internal regulations. All shareholder information such as financial reports and press releases are available on our website.

## SHAREHOLDERS BY COUNTRY



## SHAREHOLDERS BY TYPE



## Three reasons to invest in Diös



### A unique position

As the market-leading private property owner in our cities, we are in a strong position to influence things. Through close relations with decisions-makers and other players, we drive growth.

This growth is reflected in higher rents, rising market values and reduced vacancies.



### Strong and stable cash flows

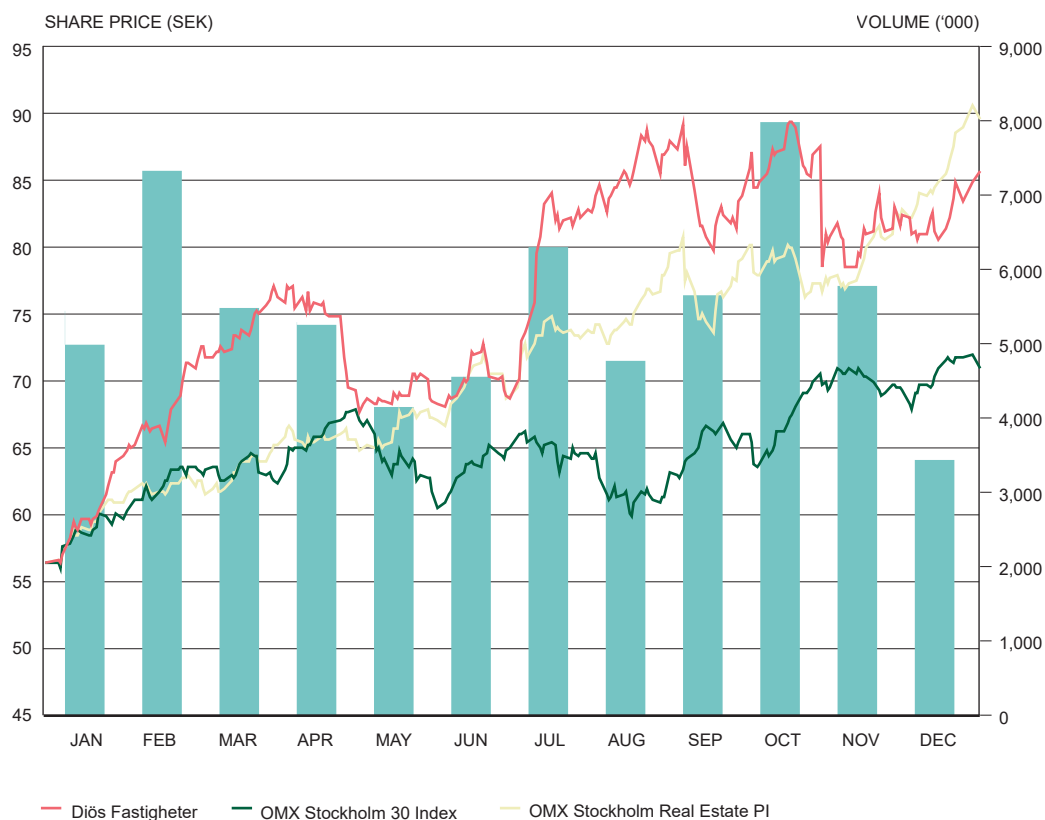
Since 2013, the cash flow per share has increased by 80 per cent. A well diversified portfolio and a good mix of tenants generate stable revenue streams. 26 per cent of our revenue comes from the public sector.



### An exciting project portfolio

By developing new and existing premises, we increase the value of our properties and boost our cash flow, but above all we create a greater flow of people in the city. This creates attractive spaces that have a positive impact on neighbouring businesses. We have 100,000 sq.m under construction and a further 100,000 sq.m in early stages of development.

## DIÖS SHARE PRICE PERFORMANCE 2019



## LARGEST SHAREHOLDERS

	No. of shares	Capital and voting rights, %	Change 12 mths, % points
AB Persson Invest	20,699,443	15.4	0.0
Backahill Inter AB	14,095,354	10.5	0.0
Nordstjernen AB	13,574,748	10.1	5.0
Pensionskassan SHB Försäkringsförening	8,096,827	6.0	0.0
Handelsbankens Fonder	4,300,000	3.2	-0.6
Avanza Pension	2,895,159	2.2	-0.6
Swedbank Robur fonder	2,459,500	1.8	1.8
BlackRock	2,067,698	1.5	0.3
Sten Dybeck, including company and family	2,022,000	1.5	0.1
ODIN Fonder	1,623,221	1.2	0.3
<b>Total, 10 largest shareholders</b>	<b>71,833,950</b>	<b>53.4</b>	<b>-0.8</b>
Other shareholders	62,678,488	46.6	0.8
<b>TOTAL</b>	<b>134,512,438</b>	<b>100.0</b>	

## DATA PER SHARE

	2019	2018	2017	2016	2015
Share price at 31 Dec, SEK	85.8	56.4	55.8	47.1	48.0
Market value of outstanding shares, SEKm	11,541	7,580	7,499	4,484	4,577
Property management income per share, SEK	7.07	6.64	6.23	5.66	5.33
Dividend per share, SEK	3.30 <sup>1</sup>	3.00	2.90	2.00	2.24
Payout ratio <sup>2</sup> , %	49.8	49.7	49.5	53.0	54.0
Dividend yield, %	3.8	5.3	5.2	4.3	4.7
Total return, %	58.1	6.5	23.9	2.8	12.1

<sup>1</sup> The Board of Directors' proposal.

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

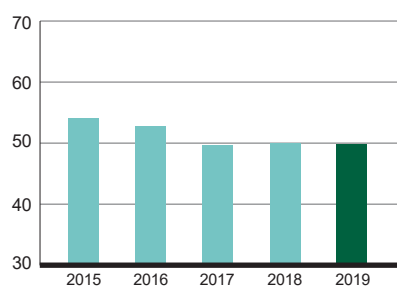
## OWNERSHIP STRUCTURE

Number of shares, shareholding	No. of shareholders	No. of shares	Capital and voting rights, %	Market value, SEKm
1–500	9,558	1,305,131	1.0	112
501–1,000	1,891	1,526,932	1.1	131
1,001–5,000	2,367	5,438,456	4.0	467
5,001–10,000	392	2,844,727	2.1	244
10,001–20,000	170	2,482,726	1.8	213
20,001–50,000	106	3,544,436	2.6	304
50,001–	110	104,745,226	77.9	8,987
Anonymous ownership	94	12,624,804	9.4	1,083
<b>TOTAL</b>	<b>14,688</b>	<b>134,512,438</b>	<b>100</b>	<b>11,541</b>

## LIQUIDITY 1 JAN–31 DEC

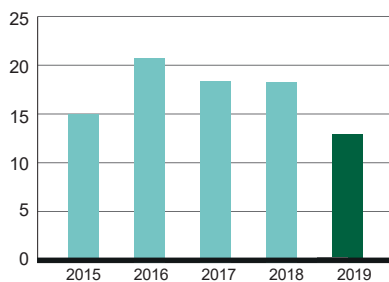
	2019	2018
Highest share price, SEK	91.00	59.00
Lowest share price, SEK	55.45	50.55
Total number of shares traded	65,335,004	45,578,084
Average per day, number of shares traded	261,340	199,031
Total number of trades	171,907	138,040
Average trade value, SEK	28,998	18,397
Average daily turnover, SEK	19,939,721	11,089,859

## DIVIDEND DIVIDED BY PROFIT, %



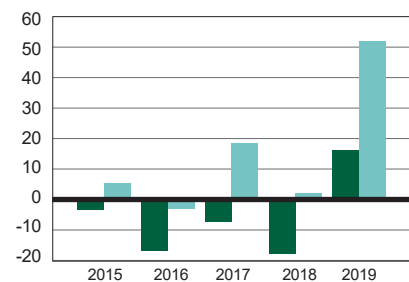
■ Dividend as % of profit after tax, excluding unrealised changes in value and deferred tax.

## RETURN ON EQUITY, %



■ Return on equity, %.

## SHARE PRICE/EPRA NAV AND SHARE PRICE PERFORMANCE, %



■ Share price / EPRA NAV ■ Share price performance





# Definitions

## > FINANCIAL

### 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 attributable to parent company shareholders divided by average equity attributable to parent company shareholders. Average equity is calculated as the sum of the opening and closing balance divided by two.

### RETURN ON TOTAL ASSETS

Profit before tax plus financial costs divided by average assets. Average assets are calculated by adding the opening and closing balances and dividing by two.

### RETURN ON CAPITAL EMPLOYED

Profit before tax plus financial costs in relation to average capital employed.

### LOAN-TO-VALUE RATIO, PROPERTIES

Interest-bearing and other liabilities relating to properties, divided by the market value of the properties at the end of the period.

### INTEREST COVERAGE RATIO

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

### SERVICE INCOME

Income relating to tariff-based services and income from the care and upkeep of properties.

### DEBT/EQUITY RATIO

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

### EQUITY RATIO

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

### CAPITAL EMPLOYED

Total assets at the end of the period minus non-interest bearing liabilities and provisions. Average capital employed is calculated by adding the opening and closing balances and dividing by two.

## > SHARE RELATED

### EQUITY PER SHARE

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

### EBITDA

Operating surplus less central administration after reversal of scheduled depreciation and amortisation. The calculation is made on 12-month rolling basis, unless otherwise stated.

### EPRA EARNINGS

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.

### AVERAGE NUMBER OF OUTSTANDING SHARES

Number of shares outstanding at the beginning of the period, adjusted by the number of shares issued or withdrawn during the period weighted by the number of days that the shares were outstanding in relation to the total number of days in the period.

### CASH FLOW PER SHARE

Profit before tax, adjusted for unrealised changes in value, plus depreciation and amortisation less current tax divided by the average number of outstanding shares.

### NET DEBT TO EBITDA

Net debt is calculated as interest-bearing liabilities less cash and cash equivalents plus overdraft facilities. Net debt is then divided by EBITDA.

### EARNINGS PER SHARE

The profit for the period after taxation, attributable to shareholders, divided by the average number of outstanding shares.

### DIVIDEND PER SHARE

Approved or proposed dividend divided by the number of shares outstanding at the end of the period.

## > PROPERTY-RELATED AND OTHER

### YIELD

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

### OPERATING COSTS

Costs of electricity, heating, water, care and upkeep of properties, cleaning, insurance and regular maintenance.

### OPERATING SURPLUS

Rental income less building operating and maintenance costs, ground rent, property taxes and property management.

### ECONOMIC OCCUPANCY RATE

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

### ECONOMIC VACANCY RATE

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

### EPRA VACANCY RATE

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

### PROPERTY CATEGORY

The main use of the properties is based on the distribution of their areas. Properties are defined according to the purpose and use of the largest proportion of the property's total area.

### MARKET VALUE OF PROPERTIES

Estimated market value from the most recent valuation.

### PROPERTY MANAGEMENT INCOME

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

### CONTRACTED RENTAL INCOME

Rents invoiced for the period less rent losses and rent discounts including service income.

### RENTAL VALUE

Rent invoiced for the period plus 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.

### NET LEASING

Net annual rent, excluding discounts and supplements, for newly signed, terminated and renegotiated contracts. The lease term is not taken into account.

### PROJECT PROPERTY

Refers to a property that is intended to be redeveloped or improved. Divided into the following sub-categories:

**New builds** - land and properties with ongoing new builds or that are undergoing complete redevelopment.

**Improvement property** - properties with ongoing or planned conversion or extension work that materially affects the property's operating surplus or standard and/or changes the use of the property.

**Tenant improvements** - properties undergoing conversion or minor improvements to premises.

### PHYSICAL OCCUPANCY RATE

Rented area in relation to total leasable area.

### SURPLUS RATIO

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

# Five-year summary

## INCOME STATEMENT

SEKm	2019	2018	2017	2016	2015
Income	1,854	1,810	1,719	1,340	1,315
Property costs	-667	-670	-639	-534	-539
<b>Operating surplus</b>	<b>1,187</b>	<b>1,140</b>	<b>1,080</b>	<b>806</b>	<b>776</b>
Central administration	-73	-71	-73	-63	-58
Profit from financial items	-162	-175	-185	-204	-210
<b>Property management income</b>	<b>952</b>	<b>894</b>	<b>822</b>	<b>539</b>	<b>508</b>
Unrealised changes in value on interest-rate derivatives	0	16	27	91	64
Change in value of properties, realised	19	9	10	-10	11
Change in value of properties, unrealised	331	678	402	337	262
<b>Profit before tax</b>	<b>1,302</b>	<b>1,597</b>	<b>1,261</b>	<b>957</b>	<b>845</b>
Current tax	-79	-90	-43	11 <sup>1</sup>	-163 <sup>1</sup>
Deferred tax	-173	-166	-189	-136	-140
Less profit attributable to non-controlling interests	-9	3	2	7	12
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>	<b>1,041</b>	<b>1,338</b>	<b>1,027</b>	<b>825</b>	<b>530</b>

<sup>1</sup> Current tax for 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.

## BALANCE SHEET

SEKm	2019	2018	2017	2016	2015
Investment properties	22,885	20,802	19,457	13,683	13,381
Other non-current assets	28	54	46	41	20
Right-of-use asset	53	-	-	-	-
Current receivables	221	201	173	196	104
Cash and cash equivalents	-	-	32	-	-
<b>ASSETS</b>	<b>23,187</b>	<b>21,057</b>	<b>19,708</b>	<b>13,920</b>	<b>13,505</b>
Equity	8,484	7,839	6,887	4,313	3,694
Deferred tax liability	1,524	1,353	1,197	1,009	875
Provisions	9	9	9	9	9
Interest-bearing liabilities	12,145	11,099	11,104	8,013	8,112
Overdraft facilities	206	198	-	15	227
Non-current lease liability	53	-	-	-	-
Current liabilities	766	559	511	561	588
<b>LIABILITIES AND EQUITY</b>	<b>23,187</b>	<b>21,057</b>	<b>19,708</b>	<b>13,920</b>	<b>13,505</b>

## CASH FLOW STATEMENT

SEKm	2019	2018	2017	2016	2015
Cash flow from operating activities	908	800	691	482	347
Cash flow from investing activities	-1,331	-495	-2,843	27	-888
Cash flow from financing activities	423	-337	2,184	-509	462
Cash flow for the year	0	-32	32	0	-79
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>0</b>	<b>0</b>

## KEY FINANCIAL RATIOS

	2019	2018	2017	2016	2015
Return on equity, %	12.8	18.2	18.3	20.6	15.0
Return on total assets, %	6.7	8.7	8.6	8.5	8.2
Return on capital employed, %	6.9	9.0	8.9	8.9	8.6
Equity ratio, %	36.6	37.2	34.9	31.0	27.4
Property loan-to-value ratio, %	53.1	53.4	57.1	58.6	60.7
Interest coverage ratio, times	6.6	5.9	5.3	3.6	3.4
Debt/equity ratio, times	1.4	1.4	1.6	1.9	2.2

## DATA PER SHARE<sup>1</sup>

	2019	2018	2017	2016	2015
Earnings per share, SEK	7.74	9.94	7.78	8.66	5.56
Equity per share, SEK	63.1	58.3	51.2	45.3	38.8
Cash flow per share, SEK	6.67	6.05	6.00	5.29	3.70
EPRA earnings per share, SEK	6.43	6.05	5.54	5.14	4.53
EPRA NAV per share, SEK	73.4	67.6	59.7	56.0	49.4
Average number of shares outstanding at year-end, thousands	134,512	134,512	132,041	95,289	95,289
Number of shares outstanding at end of period, thousands	134,512	134,512	134,512	95,289	95,289
Dividend	3.30 <sup>2</sup>	3.00	2.90	2.00	2.24

<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 key ratios calculations for SEK per share. The conversion factor is 1.28.

<sup>2</sup> The Board's proposal.

## PROPERTY-RELATED KEY RATIOS AT YEAR-END

	2019	2018	2017	2016	2015
No. of properties	333	330	339	314	351
Leasable area, sq.m	1,482,780	1,463,822	1,552,524	1,353,525	1,462,538
Market value of properties, SEKm	22,885	20,802	19,457	13,683	13,381
Rental value, SEKm	2,018	1,936	1,875	1,478	1,466
Economic occupancy rate, %	90	91	91	90	88
Surplus ratio, %	65	64	64	61	60



## ANNUAL GENERAL MEETING 2020

The Annual General Meeting of Diös Fastigheter AB (publ) will take place on Thursday 2 April 2020 at 1 p.m. at Verket, Prästgatan 50, Östersund. We will offer a light lunch from noon and registration will take place between 12.00 pm and 12.55 pm.

Shareholders wishing to attend the Annual General Meeting must:

- be registered in the shareholders register kept by Euro-clear Sweden AB by Friday 27 March 2020, and
- give notice of their intention to participate in the Annual General Meeting by 27 March 2020 at noon.

For more information and to register, visit Diös' website: [www.dios.se](http://www.dios.se)

### KEY AGENDA ITEMS 2020

The Board proposes a dividend of SEK 3.30 per share, divided into two payments of SEK 1.65 per share on

each date. The record dates for dividends, meaning the right to receive a dividend, are Monday 6 April 2020 and Monday 2 November 2020. If the AGM approves the proposed dividend, payments will be made on Thursday 9 April and Thursday 5 November.

The Nomination Committee's proposals in brief:

- The Nomination Committee proposes that the Board members Bob Persson, Ragnhild Backman, Anders Nelson, Eva Nygren and Peter Strand be re-elected and that Tobias Lönnevall be elected as a new member.
- The Nomination Committee proposes the re-election of Bob Persson as the Chairman of the Board.
- The Nomination Committee proposes that Bob Persson be appointed to chair the AGM.
- The Nomination Committee proposes that auditor Deloitte AB be reappointed. Deloitte has notified that Richard Peters will remain as auditor-in-charge.



Diös' annual report was prepared by Diös Fastigheter in collaboration with Strand Kommunikation AB.

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# Diös

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