

A photograph of a smiling couple in a rustic setting. The woman on the left has long brown hair and is wearing a dark button-down shirt. The man on the right has a beard and is wearing a dark t-shirt with brown leather suspenders. They are both looking towards the right. The background features a brick wall, hanging greenery, and warm-toned pendant lights. A large, white, semi-transparent 'Q3' is overlaid in the center of the image.

*Diös*

Q3

INTERIM REPORT JANUARY-SEPTEMBER 2019



# HIGHLIGHTS

January–September 2019

- **REVENUE** increased by 2 per cent to SEK 1,386 million (1,363)
- **PROPERTY MANAGEMENT INCOME** increased by 8 per cent to SEK 721 million (669)
- **UNREALISED CHANGES IN VALUE** of properties were SEK 256 million (327) and unrealised changes in value of derivatives were SEK 1 million (16)
- **THE PROFIT AFTER TAX** was SEK 792 million (890)
- **EARNINGS PER SHARE** were SEK 5.83 (6.59)



**36.4%**

Equity ratio



**6.7**

Interest coverage ratio



**53.8%**

Loan-to-value ratio

NET PROFIT FOR THE PERIOD, SEKm	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
Income	1,386	1,363	1,810
Operating surplus	895	857	1,140
Property management income	721	669	894
Profit before tax	983	1,021	1,597
Profit after tax	792	890	1,341
Surplus ratio, %	66	64	64
Occupancy rate, %	90	91	91
Equity ratio, %	36.4	36.1	37.2
Property loan-to-value ratio, %	53.8	54.6	53.4
Equity per share, SEK	61.2	54.9	58.3
EPRA NAV per share, SEK	71.2	64.0	67.6

## ➤ SIGNIFICANT EVENTS Q3

- Diös signs a lease with the Police Authority in Umeå. The lease runs over a long period and has a preliminary occupancy date of autumn 2022.
- Diös starts work on the construction of the new Söderbo residential block on the Kräftan 8 property in Östersund.
- Diös acquires two commercial properties in central Skellefteå with a completion date of 1 October 2019.
- Diös issues SEK 300 million in green commercial paper under a recently agreed green financing framework.



Knut Rost, CEO

# ATTRACTIVE AND SAFE CITIES

*Through our clear strategy and strong local teams, we have established a unique position that leads to continued successes. Our property management income increased by 8 per cent and our investment volume has continued to rise. Net leasing was strong, totalling SEK 18 million in the third quarter.*

Demand for modern premises and housing in central locations remains strong and top office rents have reached new highs of SEK 2,600 per square metre. The level of activity and rents are highest in Skellefteå, Umeå and Luleå, and we are therefore particularly pleased to have acquired two central properties that will further strengthen our position in Skellefteå. We expect to conclude further major leases before the end of the year as flexible spaces and ancillary services drive strong demand. The cash flow from our strong net leasing during the period will come in 12–24 months' time.

We have continued to announce major new project that will generate growth. During the period, we signed a contract with the Swedish Police Authority for the development of one of the country's most modern police stations in Umeå. In Borlänge, Dalarna University has decided to move all activities to our Mimer property in the very heart of the city. A centrally located campus that is close to the city's transport hub and local services will definitely increase the attractiveness of the city and the flow of people. Our activity, our local knowledge and our commitment to the city were the decisive factors behind the decision to move the university. We look forward to a big boost for Dalarna University, for the neighbouring businesses and for the city.

It is clear that safety is a growing priority for residents, visitors and businesses in our cities. For our focus on creating attractive places where people want to be, safety is of course a key issue. That's we are working to establish partnerships with the police, social services and voluntary organisations to identify the issues and then take action in those areas where we can achieve the greatest benefit. We are, for example, illuminating and providing access to previously dark courtyards, creating a mix of premises to achieve a flow of people at all times of day and night, and providing premises for neighbourhood watch organisations that conduct night patrols.



We aim to ensure a high level of transparency in all areas of our business. We report our sustainability activities to GRESB and EPRA, from which we have received "Green Star" and "Gold" status, respectively, the highest levels. By using these international reporting frameworks, we create a clear picture of our strengths and areas of potential improvement.

As a natural corollary to our sustainability work, we established a green financing framework during the period, under which we borrowed our first green money in the capital market. Our green loans will primarily be used to finance the construction of environmentally certified hotels and new solar panels on our existing properties. Demand for green securities is high, and we are very pleased that we are able, together with our lenders, to enable continued sustainable urban development.

We are creating growth and are also generating a strong and stable cash flow. Our share price performance in the third quarter shows that these qualities are appreciated by the market. We have the courage to think new by using new technological solutions and engaging in new partnerships. Add to that the fact that we are creating new revenue streams through ancillary services and new business concepts, and the future looks very exciting.

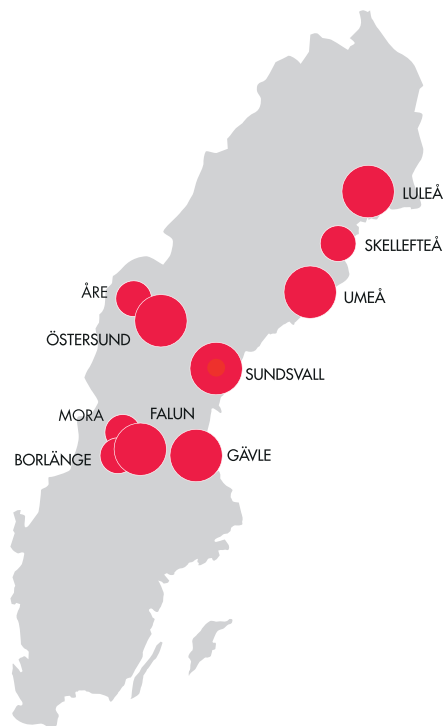
We want to create Sweden's most inspiring cities. Cities for the future. Cities that grow, are attractive and safe.

Knut Rost, CEO

# WELCOME TO DIÖS

*Diös is one of Sweden's leading property companies. We own, manage and develop centrally located properties in ten growth cities.*

**OUR STRATEGY IS URBAN DEVELOPMENT.** Through strong relationships, a local presence and a responsible approach, we develop commercial and residential properties in our cities. That enables us to create Sweden's most inspiring cities and build long-term value for our tenants, our owners and ourselves.



**331**

No. of properties



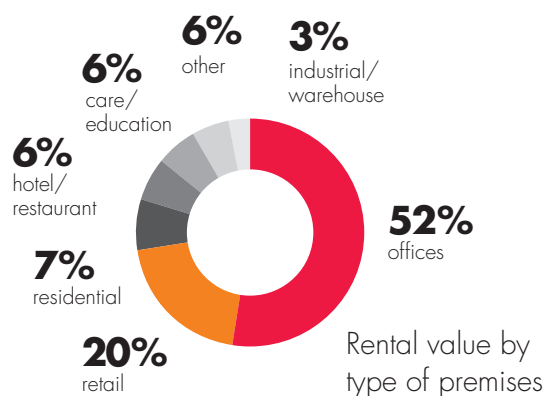
**22.3**

Property value,  
SEKbn



**1,473**

Leasable area,  
thousand sq.m



**> We want to create Sweden's most inspiring cities.**





# RELATIONS AND BUSINESS



Through **GOOD RELATIONSHIPS**, we build a profitable long-term business. With satisfied employees, we build good relationships. Our success is in the hands of **OUR EMPLOYEES**. That's why we have a strong focus on building a company where people are happy, can grow and develop, and show commitment.

Our core values **SIMPLE, CLOSE AND ACTIVE** are the basis for everything we do. Everyone at Diös is different, but equal in terms of our core values. In a world that is changing faster than ever, it is essential to be dynamic.

We are convinced that **EVERYTHING IS POSSIBLE!** That is the starting-point for all our business dealings and all our relations.

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

**WELCOME TO OUR CITIES!**

## > PROMISE AND CORE VALUES

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

## > RESPONSIBLE BUSINESS

*For Diös, responsible business is about taking a comprehensive approach to economic, social and environmental aspects. We want to help fight climate change and create safer cities while also creating new opportunities for businesses and new meeting places for people.*





# INCOME STATEMENT

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

INCOME STATEMENT	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
Rental income	391	391	1,114	1,079	1,436
Service income	74	77	272	284	374
<b>Total income</b>	<b>464</b>	<b>467</b>	<b>1,386</b>	<b>1,363</b>	<b>1,810</b>
Property costs	-152	-155	-491	-506	-670
<b>Operating surplus</b>	<b>312</b>	<b>312</b>	<b>895</b>	<b>857</b>	<b>1,140</b>
Central administration	-16	-17	-51	-52	-71
Net financial items	-44	-47	-123	-136	-175
<b>Property management income</b>	<b>252</b>	<b>248</b>	<b>721</b>	<b>669</b>	<b>894</b>
Change in value, properties	125	112	261	336	687
Change in value, interest rate derivatives	0	4	1	16	16
<b>Profit before tax</b>	<b>378</b>	<b>364</b>	<b>983</b>	<b>1,021</b>	<b>1,597</b>
CURRENT TAX	-23	-38	-64	-77	-90
DEFERRED TAX	-56	-23	-127	-54	-166
<b>Profit after tax</b>	<b>299</b>	<b>303</b>	<b>792</b>	<b>890</b>	<b>1,341</b>
Profit attributable to shareholders of the parent company	295	303	784	887	1,338
Profit attributable to non-controlling interests	4	0	8	3	3
<b>Total</b>	<b>299</b>	<b>303</b>	<b>792</b>	<b>890</b>	<b>1,341</b>
STATEMENT OF COMPREHENSIVE INCOME					
Profit after tax	299	303	792	890	1,341
Comprehensive income for the period	299	303	792	890	1,341
Comprehensive income attributable to shareholders of the parent company	295	303	784	887	1,338
Comprehensive income attributable to non-controlling interests	4	0	8	3	3
<b>Total</b>	<b>299</b>	<b>303</b>	<b>792</b>	<b>890</b>	<b>1,341</b>
Earnings per share, SEK	2.19	2.25	5.83	6.59	9.94
Number of shares at end of period ('000)	134,512	134,512	134,512	134,512	134,512
Average number of shares ('000)	134,512	134,512	134,512	134,512	134,512
Number of treasury shares at end of period	0	0	0	0	0
Average number of treasury shares	0	0	0	0	0

There is no dilutive effect, as no potential shares (such as convertibles) exist.  
Accounting policies are presented on page 21.  
Columns/rows may not add up due to rounding.

# EARNINGS

## January–September 2019

### PROPERTY MANAGEMENT INCOME

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 721 million (669). This is an increase of 8 per cent compared with the previous year. For comparable properties, our property management income increased by 4.4 per cent year on year.

### INCOME

The rental income for the reporting period was SEK 1,386 million (1,363), representing a 90 per cent (91) economic occupancy rate. For comparable properties, contracted rental income increased by 2.5 per cent year on year. Other property management income totalled SEK 24 million (33) and consisted mainly of costs for work in leased premises that are passed on to tenants.

### REVENUE GROWTH

	2019 Jan-Sep	2018 Jan-Sep	Change %
Comparable properties	1,320	1,288	2.5
Acquired properties	41	0	
Sold properties	1	42	
<b>Contracted rental income</b>	<b>1,362</b>	<b>1,330</b>	
<b>Other property management income</b>	<b>24</b>	<b>33</b>	
<b>Income</b>	<b>1,386</b>	<b>1,363</b>	

### PROPERTY COSTS

Total property costs were SEK 491 million (506). Snow- and ice-related costs decreased compared with the same period in 2018. Of total property costs, SEK 11 million (11) refers to work in leased premises for which the costs are passed on to tenants.

### OPERATING SURPLUS

The operating surplus was SEK 895 million (857), representing a surplus ratio of 66 per cent (64). For comparable properties, our operating surplus increased by 1.9 per cent compared with the previous year.

### CENTRAL ADMINISTRATION

The central administration expense was SEK 51 million (52). Central administration includes costs for Group-wide functions such as senior management, IT, annual reports, auditors' fees, legal advice and so on.

### NET FINANCIAL ITEMS

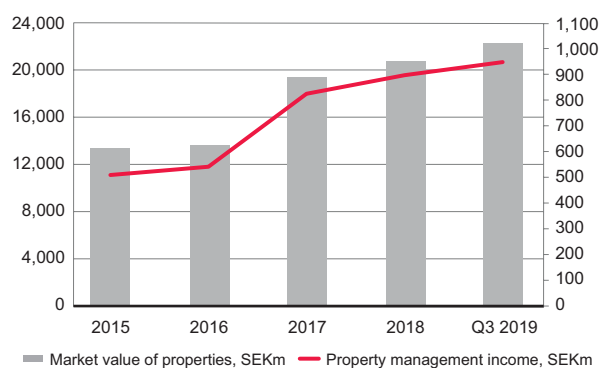
Net financial items for the period were SEK -123 million (-136). The interest costs for the period, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.3 per cent (1.6).

### CHANGES IN VALUE, PROPERTIES

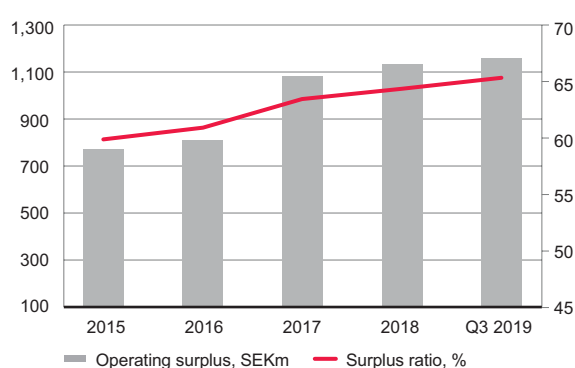
The average valuation yield at the end of the period was 5.93 per cent (5.97). At portfolio level, this represents a change of -0.04 percentage points since year-end. The positive unrealised value change of SEK 256 million (327) is mainly attributable to a higher net operating income. The change in value represented 1.2 per cent (1.6) of market value. At 30 September, the market value was SEK 22,259 million (20,178).

During the period, 5 properties (19) were sold, resulting in a realised change in value of SEK 5 million (9), and 6 properties (8) were acquired.

### MARKET VALUE AND PROPERTY MANAGEMENT INCOME



### OPERATING SURPLUS AND SURPLUS RATIO



The figures for property management income, operating surplus and surplus ratio in Q3 2019 are on a rolling 12-month basis.

## CHANGES IN VALUE, DERIVATIVES

The portfolio of interest rate derivatives has been measured at fair value. If the contracted interest rate deviates from the market rate, a theoretical fair value gain or loss arises on the interest rate derivatives. The change in value has not been realised and does not affect cash flow.

During the period, unrealised changes in value on derivatives totalled SEK 1 million (16), which have been fully recognised in the income statement.

## PROFIT BEFORE TAX

The profit before tax was SEK 983 million (1,021). The lower profit is mainly due to reduced unrealised property values compared with the previous year.

## PROFIT AFTER TAX

The profit after tax was SEK 792 million (890). The current tax expense is SEK -64 million (-77) and is mainly attributable to tax in subsidiaries which are not permitted to offset losses against Group profits, and to tax arising from property transactions in trading partnerships and limited partnerships. Deferred tax was SEK -127 million (-54), including a positive effect from restatement of deferred tax after the corporate tax rate was changed from 22 per cent to 20.6 per cent. Read more in the section Tax.

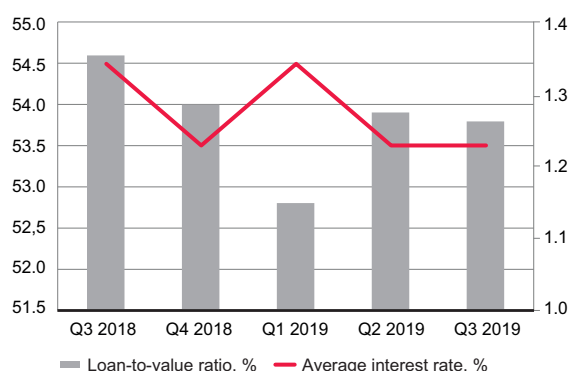
## THIRD QUARTER OF 2019

Property management income for the third quarter, i.e. income excluding changes in value and tax, was SEK 252 million (248). The operating surplus was SEK 312 million (312), representing a surplus ratio of 68 per cent (70).

- Rental income for the third quarter was SEK 464 million (467), representing an economic occupancy rate of 90 per cent (91).
- Total property costs were SEK 152 million (155).

Net financial items for the third quarter were SEK -44 million (-47). The profit before tax was SEK 378 million (364), with changes in the value of properties having a positive impact of SEK 125 million (112) and changes in the value of interest rate derivatives adding SEK 0 million (4). Earnings after tax were SEK 299 million (303), of which SEK -56 million (-23) refers to deferred tax and SEK -23 million (-38) to current tax.

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



## ➤➤➤ TAX

The nominal corporate tax rate in Sweden is 21,4 per cent. Thanks to the option of using tax depreciation allowances, recognising the full amount of expenses for certain types of conversion projects in the first year and using tax loss carry-forwards, tax paid is lower than nominal tax.

The remaining tax loss carry-forwards are estimated at SEK 0 million (5). The Group also has untaxed reserves of SEK 346 million (245). The fair value of the properties exceeds their tax base by SEK 6,838 million (5,755), less SEK 3,760 million (3,446) in deferred tax relating to asset acquisitions. The tax liability has been calculated using the new tax rate of 20.6 per cent, as no significant reversal of the tax liability is expected to be made in 2019 or 2020.

While the reporting of taxes complies with the applicable accounting rules it should be noted that the amount of tax paid over the period generally differs from the reported amount. In addition, tax regulations are complex and hard to interpret. The application of the regulations may also change over time. Diös has no ongoing tax disputes.

## TAX CALCULATION FOR THE PERIOD

SEKm	Effective tax
Property management income	721
Tax adjustments	-5
<b>Taxable property management income</b>	<b>717</b>
Sale of properties	-46
Change in value, properties	256
<b>Taxable profit</b>	<b>927</b>
<b>Tax for the period</b>	<b>199</b>
Restatement of deferred tax <sup>1</sup>	-8
<b>Tax for the period as per income statement</b>	<b>191</b>

<sup>1</sup> The deferred tax liability has been restated as follows: Deferred tax liability on untaxed reserves has been calculated using a tax rate of 20.6 per cent.

## NEW TAX RULES

On 14 June 2018, the Swedish parliament adopted a new law on limitation of interest deductibility for businesses, which became effective 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).





# OUR TENANTS

## TENANTS

Our tenant base is well diversified geographically and in terms of industry. The number of commercial leases was 2,950 (2,988). The number of residential leases was 1,709 (1,633). The ten largest tenants represent 16 per cent (16) of Diös' total contracted rental income. At 30 September, 26 per cent of contracted rental income came from tenants engaged in activities on behalf of the central government, county councils or local authorities.

## NET LEASING

Net leasing was SEK 31 million (9) for the period as a whole and SEK 18 million (10) for the third quarter. Noteworthy lets during the period included those to the Police Authority in Stigbygeln 2 in Umeå, Magasinet Grabbarna AB in Verdandi 10, Borlänge, Luleå Local Authority in Stören 17, Luleå and WSP Sverige AB in Norr 40:3, Gävle.

## CONTRACT TERM

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

## VACANCIES

At 30 September, the economic vacancy rate was 10 per cent (8) while the vacant area was 15 per cent (13). Economic vacancies are highest in office and retail premises while physical vacancies are highest in office and industrial premises. The economic vacancy rate for the period, excluding discounts, was 10 per cent (8). Vacancies are up slightly due to a number of terminations as well as the vacating of space for new build projects.

## OUR LARGEST TENANTS

TENANTS AT 30 SEP 2019	No. of contracts	Annual contract value, SEK '000	Average lease term, years
Swedish Transport Administration	32	67,162	3.4
Östersund Local Authority	124	39,191	2.7
Swedish Public Employment Service	34	29,322	1.9
Swedish Police Authority	31	24,042	4.4
Swedish Social Insurance Agency	23	23,060	2.6
Ahléns AB	5	22,228	4.8
Folksam ömsesidig sakförsäkring	43	22,058	4.8
Swedish Migration Board	12	21,936	2.6
Telia Sverige AB	33	21,493	9.3
Swedbank AB	12	21,286	4.2
<b>Total, largest tenants</b>	<b>349</b>	<b>291,778</b>	<b>3.8</b>

## LEASES AND MATURITIES

	No. of contracts	Contract value, SEKm	Share of value, %
Leases for premises, maturity year			
2019	251	50	3
2020	843	232	13
2021	736	377	21
2022	571	274	15
2023+	549	677	37
<b>Total</b>	<b>2,950</b>	<b>1,610</b>	<b>89</b>
Residential	1,709	136	8
Other leases <sup>1</sup>	4,051	63	3
<b>TOTAL</b>	<b>8,710</b>	<b>1,809</b>	<b>100</b>

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

## NET LEASING



# BALANCE SHEET AND EQUITY

## »»» CONDENSED CONSOLIDATED BALANCE SHEET, SEKM

ASSETS	2019 30 Sep	2018 30 Sep	2018 31 Dec
Investment properties	22,259	20,178	20,802
Other non-current assets	28	53	54
Right-of-use asset	44	-	-
Current portion of right-of-use asset	5	-	-
Current receivables	243	219	201
Cash and cash equivalents	39	-	-
<b>TOTAL ASSETS</b>	<b>22,618</b>	<b>20,450</b>	<b>21,057</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	8,227	7,388	7,839
Deferred tax liability	1,480	1,242	1,353
Provisions	9	9	9
Interest-bearing liabilities	11,978	11,026	11,099
Overdraft facilities	-	1	198
Non-current lease liability	44	-	-
Current lease liability	5	-	-
Current liabilities	875	784	559
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22,618</b>	<b>20,450</b>	<b>21,057</b>

## »»» CONDENSED STATEMENT OF CHANGES IN EQUITY, SEKM

	Equity	Attributable to shareholders of the parent	Attributable to non-controlling interests
Equity, 31 Dec 2017	6,887	6,841	45
Profit for the period after tax	890	887	3
<b>Comprehensive income for the period</b>	<b>890</b>	<b>887</b>	<b>3</b>
Dividend	-390	-390	-
Equity, 30 Sep 2018	7,388	7,338	48
Profit for the period after tax	451	451	0
<b>Comprehensive income for the period</b>	<b>451</b>	<b>451</b>	<b>0</b>
Equity, 31 Dec 2018	7,839	7,790	49
Profit for the period after tax	792	784	8
<b>Comprehensive income for the period</b>	<b>792</b>	<b>784</b>	<b>8</b>
Dividend	-404	-404	-
Equity 30 Sep 2019	8,227	8,170	57

Columns/rows may not add up due to rounding.





Hejsan! Vårt RAW-fika  
från Cafe Frösö Torvet inne-  
håller massor av Nitter & frön.



# OUR PROPERTIES

## PROPERTY PORTFOLIO

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

## PROPERTY VALUATION

At each closing date, all properties are measured at fair value. The aim is to determine the properties' individual values in a sale executed through a structured transaction between market players. Any portfolio effects are thus not taken into account. Diös' property portfolio is divided into a main portfolio and a subsidiary portfolio. The main portfolio comprises around 75 per cent of the property value, or SEK 16,412 million, and 128 properties. The valuation method requires that an external valuation of the entire main portfolio be made each year. The external valuation is made by valuation consultants Savills, who assess 25 per cent of the main portfolio each quarter. The remaining portion is valued internally. All properties in the main portfolio are also physically inspected by Savills within a three-year period. In addition to the regular inspections, physical visits are also made after major changes. Properties in the secondary portfolio are valued internally with assistance from Savills. All property valuations are based on a number of a number of assumptions about the future and the market. Savills' calculations thus have an uncertainty range of +/- 7.5 per cent. For Diös, this translates into a value range of SEK 20,590 million - SEK 23,928 million. No changes in terms of valuation methodology or approach were made during the period. The valuations were made in accordance with IFRS 13 level 3.

## CHANGE IN PROPERTY VALUE

	30 Sep 2019		30 Sep 2018	
	SEKm	Number	SEKm	Number
Property portfolio, 1 January	20,802	330	19,457	339
ACQUISITIONS	450	6	334	8
Investments in new builds, extensions and conversions	872		484	
Sales	-120	-5	-433	-19
Unrealised changes in value	256		327	
Reclassifications	-		10	
Value of property portfolio, 30 Sep	22,259	331	20,178	328

## CHANGES IN VALUE

Unrealised changes in value for the period totalled SEK 256 million (327) and were due to mainly higher net operating income.

UNREALISED CHANGES IN VALUE	30 Sep 2019		30 Sep 2018	
	SEKm	%	SEKm	%
Change in net operating income, etc.	201	79	202	61
Change in required rate of return	55	21	125	39
<b>Total</b>	<b>256</b>	<b>100</b>	<b>327</b>	<b>100</b>

## CHANGES IN THE PORTFOLIO

One part of our strategy is to continuously strive to concentrate our property portfolio to central locations in our priority cities.

## LIST OF PROPERTY TRANSACTIONS JAN-SEP 2019

### Sold and completed on

Property	Quarter	City	Area, sq.m	Price <sup>1</sup> , SEKm
Nedre Gruvriset 33:156	1	Falun	5,325	80
Portfolio of 4 properties	1	Östersund	15,410	49
<b>Total</b>			<b>20,735</b>	<b>129</b>

### Acquired and completed on

Property	Quarter	City	Area, sq.m	Price <sup>1</sup> , SEKm
Norr 37:4	1	Gävle	7,633	134
Tyr 23	1	BORLÄNGE	9,194	109
Stranden 18:4	1	Mora	3,914	40
Staben 10	1	Östersund	2,375	28
Näringen 18:11	1	Gävle	6,448	114
Noten 3	2	Sundsvall	Land	28
<b>Total</b>			<b>29,564</b>	<b>452</b>

<sup>1</sup> Underlying property value.

## VALUATION ASSUMPTIONS

	30 Sep 2019					30 Sep 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	6.5-5.8	5.2-4.6	9.6-6.8	7.0-6.2	7.0-5.6	6.7-5.8	5.2-4.7	10.0-7.0	7.0-6.0
Cost of capital for discounting to present value, %	8.1	8.2	7.2	10.8	8.8	8.0	8.2	7.2	10.2	8.6
Long-term vacancy, %	5.1	3.9	1.8	15.2	6.0	5.0	3.7	1.6	35.0	5.6

<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.



» Barbro Wärell, Luleå Science Park service centre, with the tenant Gunilla Enquist, Aulis Konsult & Utveckling, Project Manager, Porsön 1:423, Luleå.

## »» INVESTMENTS

We invest continually in our properties to improve, adapt and improve the efficiency of our tenants' premises. During the period, our investments helped to increase the value of the portfolio by SEK 872 million (484).

### IMPROVEMENT, NEW BUILDS AND TENANT ADAPTATIONS

Our investments in our existing portfolio comprise new builds, conversions and extensions as well as energy-saving measures. The investments must result in a higher occupancy rate, increased customer satisfaction, lower costs and a reduced impact on the environment. During the period, SEK 872 million (484) was invested in 759 projects (670). At the end of the period, 36 major<sup>1</sup> projects were ongoing, with a remaining investment volume of SEK 1,127 million and a total investment volume of SEK 1,703 million. During the period, decisions were taken on 68 new investments. The return on completed investments for the period was 7.4 per cent on the invested amount while the return on our ongoing projects was 5.7 per cent. 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.

The hotel projects in Umeå, on the Magne 4 property, and Sundsvall, on the Noten 3 property, are proceeding according to plan. In the residential project involving the construction of 85 rental apartments on the Kräftan 8 property in the Söderbo block in Östersund, the excavation work is currently in its final stages.

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

INVESTMENTS	30 Sep 2019	30 Sep 2018
Investments in new builds	173	0
Investments in improvement properties	127	114
Investments in tenant adaptations	572	370
<b>Total</b>	<b>872</b>	<b>484</b>

## »» PROJECTS AND PROPERTY DEVELOPMENT

Projects refer to the creation of new spaces, property development refers to investments in existing properties in the form of conversions and extensions as well as energy-saving measures.

Type	City	Property	Property type	Leasable area, sq.m	Occupancy rate, %	Planned investment, SEKm	Start of construction	Estimated completion	Environmental category
New build	Sundsvall	Noten 3	Hotel	14,350	100	385	Q1 2019	Q2 2021	BREEAM SE Very good
New build	Umeå	Magne 4	Hotel	14,500	100	400	Q1 2019	Q3 2022	BREEAM SE Very good
New build	Östersund	Kräftan 8	Residential	4,184	-	147	Q2 2019	Q4 2020	Nordic Swan Ecolabel

Projects with an initial investment volume >SEK 100 million.

## »» ENERGY USE AND CARBON DIOXIDE EMISSIONS

	Unit	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep
Heating <sup>1</sup>	kWh/sq.m	55.9	57.1
District cooling <sup>2</sup>	kWh/sq.m	38.1	15.0
Electricity <sup>3</sup>	kWh/sq.m	40.4	43.4
Carbon dioxide, total <sup>4</sup>	g CO <sub>2</sub> /kWh	24.4	24.6
Water	m <sup>3</sup> /sq.m	0.4	0.3

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

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

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

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

All values have been provided by the suppliers. Floor area refers to tempered area. The comparative figures have been updated for the current portfolio and thus show changes for comparable properties.

The target for 2019 is to reduce energy consumption by 3 per cent. The optimisation efforts that were stepped up in the second quarter of 2018, with a clearer focus and technology strategies, have continued to yield fruit. Overall energy use in the period was down by 4.1 per cent.

To lower the environmental impact, we only purchase origin-labelled electricity and we can now see that 98 per cent of our energy use comes from renewable sources.

## »» CERTIFICATIONS

During the period, 12 BREEAM In-Use certification processes were concluded and 2 new processes were started. Our target for the year is to certify 20 properties under the BREEAM In-Use environmental certification standard. The goal for 2019 is to obtain environmental certification for 17 per cent of the portfolio by surface area. We now have 31 properties certified under the Miljöbyggnad, BREEAM In-Use and GreenBuilding standards, which represents approximately 14 per cent of the total area of the property portfolio.

# FINANCING

## CAPITAL STRUCTURE

At 30 September 2019, 36 per cent (36) of Diös' total assets of SEK 22,618 million were financed through equity, 53 per cent (54) through debt and 11 per cent (10) through other capital.

## EQUITY

Equity at 30 September was SEK 8,227 million (7,388). The equity ratio was 36.4 per cent (36.1), which exceeds the target of 35 per cent.

## INTEREST-BEARING LIABILITIES

Interest-bearing liabilities in the Group were SEK 11,979 million (11,026). Of total interest-bearing liabilities, SEK 8,846 million (8,986) refers to bank financing, SEK 1,248 million (1,240) to covered bonds and SEK 1,885 million (800) to commercial paper. The accrued cost of the commercial paper is SEK 1,884 million (800). The loan-to-value ratio in the Group was 53.8 per cent (54.6) at the end of the period. The average annual interest rate for the period, including the cost of derivatives and loan commitments, was 1.2 per cent (1.3) and the interest coverage ratio was 6.7 times (5.7).

## FINANCIAL INSTRUMENTS

Out of the Group's total interest-bearing liabilities, SEK 4,000 million (4,000) has been hedged through derivatives. The market value of the derivatives at 30 September 2019 was SEK -0 million (-0.5). The financial instruments limit the impact of changes in interest rates on our average borrowing cost. The value of derivatives is always zero at maturity. All financial instruments are measured at fair value and

are classified in Level 2 in accordance with IFRS 13, which means that the measurement is based on observable market data (see Note 21 in the Annual Report 2018). Changes in value are recognised through profit or loss.

## SENSITIVITY ANALYSIS

If market interest rates increase by 1 percentage point

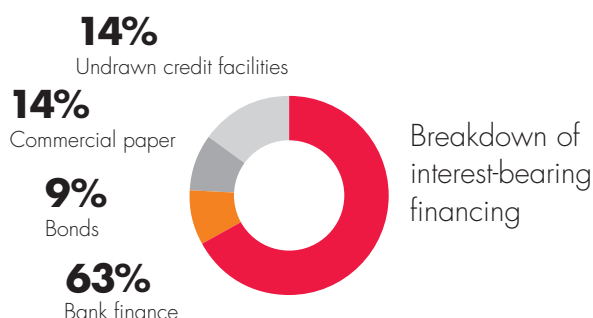
AT 30 SEP 2019	Change in annual average interest rate, %	Change in annual average interest expense, SEKm	Change in market value, SEKm
Loan portfolio excl. derivatives	0.4	+48	
Derivatives portfolio	0.0	0	+0.7
<b>Loan portfolio incl. derivatives</b>	<b>0.4</b>	<b>+48</b>	<b>+0.7</b>

## FIXED-RATE TERMS AND LOAN MATURITIES

The average fixed-rate term, including derivatives, was 0.7 years (1.7) and the average loan maturity 1.8 years (1.7). Of the Group's outstanding loans, SEK 7,137 million (8,357) is subject to fixed interest rates, of which SEK 1,885 million (800) refers to commercial paper.

## CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the period were SEK 39 million (0) and drawn overdraft facilities were SEK 0 million (1). The agreed limit on the overdraft facility was SEK 600 million (600).



## INTEREST RATE AND DEBT MATURITY STRUCTURE AT 30 SEPTEMBER 2019

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate <sup>1</sup> , %	Credit agreements, SEKm	Drawn, SEKm
2019	1,604	0.5	389	389
2020	8,262	1.3	6,313	5,813
2021	2,114	1.1	1,799	1,449
2022	-	-	3,667	2,517
2023	-	-	1,114	1,114
2027	-	-	697	697
<b>Drawn credit facilities</b>	<b>11,979</b>	<b>1.1</b>	<b>13,979</b>	<b>11,979</b>
Undrawn credit facilities <sup>2</sup>	2,000	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 30 September 2019.

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



# CASH FLOW

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

	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
<b>OPERATING ACTIVITIES</b>					
Operating surplus	312	312	895	857	1,140
Central administration	-16	-17	-51	-52	-71
Reversal of depreciation, amortisation and impairment	0	0	2	1	2
Interest received	1	3	3	5	8
Interest paid	-56	-50	-132	-130	-185
Tax paid	-23	-38	-64	-77	-90
<b>Cash flow from operating activities before changes in working capital</b>	<b>218</b>	<b>210</b>	<b>653</b>	<b>604</b>	<b>804</b>
<b>Changes in working capital</b>					
Decrease (+)/increase (-) in receivables	-2	-8	-49	-55	-35
Decrease (-)/increase (+) in current liabilities	28	21	28	45	31
<b>Total changes in working capital</b>	<b>26</b>	<b>13</b>	<b>-21</b>	<b>-10</b>	<b>-4</b>
<b>Cash flow from operating activities</b>	<b>244</b>	<b>223</b>	<b>632</b>	<b>594</b>	<b>800</b>
<b>INVESTING ACTIVITIES</b>					
Investments in new builds, conversions and extensions	-277	-149	-792	-413	-557
Acquisition of properties	-	-173	-312	-284	-371
Sale of properties	-	383	146	438	443
Other non-current financial assets	-	0	-	5	-10
<b>Cash flow from investing activities</b>	<b>-277</b>	<b>61</b>	<b>-958</b>	<b>-254</b>	<b>-495</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	-	-	-202	-195	-390
New borrowing, interest-bearing liabilities	325	-	999	212	312
Repayment and redemption of interest-bearing liabilities	-128	-239	-234	-390	-457
Change in overdraft facility	-125	-45	-198	1	198
<b>Cash flow from financing activities</b>	<b>72</b>	<b>-284</b>	<b>365</b>	<b>-372</b>	<b>-337</b>
<b>Cash flow for the period</b>	<b>39</b>	<b>0</b>	<b>39</b>	<b>-32</b>	<b>-32</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-32</b>	<b>32</b>
<b>Cash and cash equivalents at end of period</b>	<b>39</b>	<b>0</b>	<b>39</b>	<b>0</b>	<b>0</b>

Columns/rows may not add up due to rounding.

## >>> REPORTING BY BUSINESS UNIT AT 30 SEPTEMBER Amounts in SEKm unless otherwise indicated.

### 2019

By business unit	Dalarna	Gävle	Sundsvall	Äre/Östersund	Umeå	Skellefteå	Luleå	Group
Rental income	175	118	177	199	158	84	203	1,114
Service income								
Tariff-based services	31	14	28	38	22	13	25	171
Care and upkeep	16	9	18	22	13	5	18	101
Repair and maintenance	-9	-4	-6	-9	-5	-5	-6	-44
Tariff-based costs	-29	-13	-25	-37	-20	-13	-23	-160
Property tax	-10	-8	-12	-12	-12	-5	-16	-75
Other property costs	-24	-13	-27	-29	-22	-7	-29	-150
Property management	-10	-7	-9	-15	-8	-4	-9	-62
<b>Operating surplus</b>	<b>139</b>	<b>96</b>	<b>142</b>	<b>157</b>	<b>126</b>	<b>69</b>	<b>164</b>	<b>895</b>
Central administration/net financial items	-	-	-	-	-	-	-	-174
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>721</b>
Property, realised	0	-	-	5	-	-	-	5
Property, unrealised	20	14	23	136	-10	48	24	256
Interest rate derivatives	-	-	-	-	-	-	-	1
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>983</b>
Leasable area, sq.m	271,684	160,604	233,490	291,478	200,829	109,126	205,440	1,472,651
Rental value	242	158	252	277	213	105	255	1,502
Economic occupancy rate, %	90	84	87	92	89	96	94	90
Surplus ratio, %	64	73	65	62	67	69	69	66
Property portfolio, 1 January	2,805	1,971	3,424	3,556	3,562	1,430	4,054	20,802
ACQUISITIONS	149	245	28	28	-	-	-	450
Investments in new builds, extensions and conversions	165	137	177	101	151	48	93	872
Sales	-49	-	-	-71	-	-	-	-120
Reclassifications	-	-	-	-	-	-	-	-
Unrealised changes in value	20	14	23	136	-10	48	24	256
<b>Property portfolio, 30 September</b>	<b>3,090</b>	<b>2,367</b>	<b>3,652</b>	<b>3,750</b>	<b>3,703</b>	<b>1,526</b>	<b>4,171</b>	<b>22,259</b>

Columns/rows may not add up due to rounding.







## 2018

By business unit	Dalarna	Gävle	Sundsvall	Åre/Östersund	Umeå	Skellefteå	Luleå	Group
Rental income	167	116	168	183	162	81	200	1,078
Service income								
Tariff-based services	31	16	28	37	22	12	24	171
Care and upkeep	15	12	22	25	14	5	22	114
Repair and maintenance	-8	-5	-8	-9	-9	-5	-8	-53
Tariff-based costs	-28	-15	-27	-36	-20	-12	-22	-161
Property tax	-9	-7	-11	-11	-11	-4	-13	-66
Other property costs	-25	-20	-32	-31	-21	-8	-32	-169
Property management	-10	-7	-10	-11	-7	-4	-9	-58
<b>Operating surplus</b>	<b>133</b>	<b>91</b>	<b>131</b>	<b>145</b>	<b>130</b>	<b>65</b>	<b>161</b>	<b>857</b>
Central administration/Net financial items	-	-	-	-	-	-	-	-188
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>669</b>
Property, realised	1	9	-	-	-	-	-	9
Property, unrealised	1	55	48	55	69	39	60	327
Interest rate derivatives	-	-	-	-	-	-	-	16
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,021</b>
Leasable area, sq.m	263,901	146,523	233,490	304,511	200,829	109,126	205,440	1,463,820
Rental value	229	159	243	265	209	101	247	1,453
Economic occupancy rate, %	92	91	88	91	91	97	95	91
Surplus ratio, %	64	63	61	60	69	68	69	64
Property portfolio, 1 January	2,649	2,045	3,234	3,257	3,272	1,222	3,778	19,457
Acquisitions	-	196	-	-	70	68	-	334
Investments in new builds, extensions and conversions	95	37	65	95	68	21	103	484
Sales	-15	-418	-	-	-	-	-	-433
Reclassifications	2	0	3	1	1	1	1	10
Unrealised changes in value	1	55	48	55	69	39	60	327
<b>Property portfolio, 30 September</b>	<b>2,733</b>	<b>1,915</b>	<b>3,350</b>	<b>3,408</b>	<b>3,480</b>	<b>1,351</b>	<b>3,942</b>	<b>20,178</b>

Columns/rows may not add up due to rounding.



➤ Diös tenant Stadium, Micke Jonsson Store Manager, with Emelie Kjellner, City Centre Manager, Katten 14, Luleå.

## »»» KEY FINANCIAL RATIOS

The interim report presents non-IFRS performance measures. We consider that these measures provide valuable additional information for investors, analysts and the company's management, as they enable the evaluation of relevant trends and the company's performance. As not all companies calculate financial measures in the same way, these are not always comparable with the measures used by other companies. These financial measures should therefore not be viewed as substitutes for IFRS-defined measures. The following table presents non-IFRS measures unless otherwise stated. Definitions of these measures are provided on page 27 and in the descriptions of the purpose of the various measures in the annual report for 2018. The financial targets for 2019 adopted by the Board are presented on page 23 of this report.

Figures refer to SEK million unless otherwise indicated.

	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
Number of shares at end of period ('000)	134,512	134,512	134,512	134,512	134,512
Average number of shares ('000)	134,512	134,512	134,512	134,512	134,512

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

	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
<b>Property management income</b>					
Profit before tax	378	364	983	1,021	1,597
Reversal					
Change in value, properties	-125	-112	-261	-336	-687
Change in value, derivatives	0	-4	-1	-16	-16
<b>Property management income</b>	<b>252</b>	<b>248</b>	<b>721</b>	<b>669</b>	<b>894</b>

### EPRA earnings (property management income after tax)

Property management income	252	248	721	669	894
Reversal, current tax property management income	-22	-22	-63	-63	-77
Minority share of earnings	-4	0	-8	-3	-3
<b>EPRA earnings</b>	<b>226</b>	<b>226</b>	<b>650</b>	<b>603</b>	<b>814</b>
<b>EPRA earnings per share, SEK</b>	<b>1.68</b>	<b>1.68</b>	<b>4.83</b>	<b>4.48</b>	<b>6.05</b>

	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
<b>Loan-to-value ratio</b>					
Interest-bearing liabilities			11,978	11,026	11,099
Investment properties			22,259	20,178	20,802
<b>Loan-to-value ratio, %</b>			<b>53.8</b>	<b>54.6</b>	<b>53.4</b>

### Equity ratio

Equity			8,227	7,388	7,839
Total assets			22,618	20,450	21,057
<b>Equity ratio, %</b>			<b>36.4</b>	<b>36.1</b>	<b>37.2</b>

### Interest coverage ratio

Property management income	252	248	721	669	894
Reversal					
Financial costs	45	50	128	141	183
<b>Total</b>	<b>298</b>	<b>297</b>	<b>849</b>	<b>810</b>	<b>1,077</b>
Financial costs	45	50	128	141	183
<b>Interest coverage ratio, times</b>	<b>6.6</b>	<b>6.0</b>	<b>6.7</b>	<b>5.7</b>	<b>5.9</b>

### Net debt to EBITDA

Interest-bearing liabilities as per balance sheet			11,978	11,026	11,099
Cash and cash equivalents			-39	-	-
Overdraft facilities			-	1	198
<b>Net debt</b>			<b>11,939</b>	<b>11,027</b>	<b>11,297</b>
Operating surplus rolling 12 months			1,178	1,123	1,140
Central administration rolling 12 months			-70	-73	-71
Reversal					
Depreciation and amortisation rolling 12 months			5	3	2
<b>EBITDA</b>			<b>1,113</b>	<b>1,053</b>	<b>1,071</b>
<b>Net debt to EBITDA</b>			<b>10.7</b>	<b>10.5</b>	<b>10.5</b>





	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
<b>Net asset value</b>			
Equity as per balance sheet	8,227	7,388	7,839
Minority share of equity	-57	-49	-49
Reversal as per balance sheet			
Fair value of financial instruments	0	-1	-1
Deferred tax on temporary differences	1,409	1,266	1,299
<b>EPRA NAV (long-term net asset value)</b>	<b>9,579</b>	<b>8,604</b>	<b>9,088</b>
<b>EPRA NAV (long-term net asset value) per share, SEK</b>	<b>71.2</b>	<b>64.0</b>	<b>67.6</b>
<b>Deductions</b>			
Fair value of financial instruments	1	1	1
Estimated actual deferred tax on temporary differences, approx. 4% <sup>1</sup>	-263	-219	-242
<b>EPRA NNAV (short-term net asset value)</b>	<b>9,317</b>	<b>8,386</b>	<b>8,847</b>
<b>EPRA NNAV (short-term net asset value) per share, SEK</b>	<b>69.3</b>	<b>62.3</b>	<b>65.8</b>

<sup>1</sup> Estimated actual deferred tax has been calculated at approx. 4 per cent based on a discount rate of 3 per cent. The calculation is based on the assumption that the property portfolio will be realised over a period of 50 years, with 10 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 6 per cent.

<b>OTHER KEY RATIOS</b>	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
Return on equity, %	3.6	4.2	9.8	12.4	18.2
Equity per share, SEK			61.2	54.9	58.3

#### Cash flow per share, SEK

Profit before tax	378	364	983	1,021	1,597
Reversal					
Unrealised change in value, properties	-125	-100	-256	-327	-678
Unrealised change in value, derivatives	0	-4	-1	-16	-16
Depreciation and amortisation	1	1	4	2	2
CURRENT TAX	-23	-38	-64	-77	-90
<b>Total</b>	<b>231</b>	<b>223</b>	<b>667</b>	<b>604</b>	<b>815</b>
Average number of shares ('000)	134,512	134,512	134,512	134,512	134,512
<b>Cash flow per share, SEK</b>	<b>1.72</b>	<b>1.66</b>	<b>4.96</b>	<b>4.48</b>	<b>6.05</b>

Earnings per share, SEK	2.19	2.25	5.83	6.59	9.94
Debt/equity ratio, times			1.5	1.5	1.4

<b>OTHER INFORMATION</b>	2019 3 mths Jul-Sep	2018 3 mths Jul-Sep	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
Contracted rental income, SEKm	456	443	1 362	1 330	1 771
Economic occupancy rate, %	90	91	90	91	91
Surplus ratio, %	68	70	66	64	64

#### EPRA vacancy rate

Estimated market rent for vacant space	216	154	151
Annualised rental value for the whole portfolio	1,996	1,904	1,936
<b>EPRA vacancy rate, %</b>	<b>10.8</b>	<b>8.1</b>	<b>7.8</b>



# PARENT COMPANY

The activities of the parent company consist of central Group functions as well as the ownership and operation of the Group's subsidiaries. Income totalled SEK 133 million (127) and the profit after tax was SEK 33 million (614). Income referred chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents at 30 September 2019 were SEK 27 million (0) and drawn overdraft facilities were SEK 0 million (3).

External interest-bearing liabilities, excluding overdraft facilities, totalled SEK 2,738 million (3,157), of which SEK 1,885 million (800) referred to outstanding commercial paper. The average annual interest rate based on the situation at 30 September 2019 was 0.9 per cent (1.0). The parent company prepares its financial reports in compliance with RFR 2 Financial Reporting for Legal Entities.

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

INCOME STATEMENT	2019 9 mths Jan-Sep	2018 9 mths Jan-Sep	2018 12 mths Jan-Dec
Income	133	127	164
<b>Gross profit</b>	<b>133</b>	<b>127</b>	<b>164</b>
Central administration	-155	-150	-204
<b>Operating profit</b>	<b>-22</b>	<b>-23</b>	<b>-40</b>
Income from investments in Group companies	-	599	611
Financial income	237	182	253
Financial costs	-182	-141	-222
<b>Profit after financial items</b>	<b>33</b>	<b>618</b>	<b>602</b>
CURRENT TAX	-	-4	-
<b>Profit after tax</b>	<b>33</b>	<b>614</b>	<b>602</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Profit after tax	33	614	602
<b>Comprehensive income for the year</b>	<b>33</b>	<b>614</b>	<b>602</b>

## »»» CONDENSED PARENT COMPANY BALANCE SHEET, SEKM

ASSETS	2019 30 Sep	2018 30 Sep	2018 31 Dec
Investments in Group companies	2,271	2,124	2,124
Receivables from Group companies	13,647	11,076	11,214
Other assets	22	17	21
Cash and cash equivalents	27	-	-
<b>TOTAL ASSETS</b>	<b>15,967</b>	<b>13,217</b>	<b>13,359</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	2,935	3,319	3,307
Interest-bearing liabilities	2,738	3,157	2,238
Liabilities to Group companies	10,069	6,515	7,579
Overdraft facilities	-	3	201
Other liabilities	225	223	34
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,967</b>	<b>13,217</b>	<b>13,359</b>



» Emma Widegren, Property Manager.



# OTHER INFORMATION

## EMPLOYEES AND ORGANISATION

The number of employees at 30 September 2019 was 157 (159), of whom 65 were women (64). The majority of our employees, 104 people (108), work in our business units and the rest at our head office in Östersund.

## RISKS AND UNCERTAINTIES

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

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

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

PROPERTY VALUE SENSITIVITY ANALYSIS	Change in property value, %		
	-7.5	0.0	+7.5
Property value, SEKm	20,590	22,259	23,928
Equity ratio, %	31.3	36.4	40.7
Loan-to-value ratio, %	58.2	53.8	50.1

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

CASH FLOW SENSITIVITY ANALYSIS	Change	Impact on earnings, SEKm <sup>1</sup>
Contracted rental income	+/- 1%	+/- 18
Economic occupancy rate	+/- 1 percentage point	+/- 20
Property costs	+/- 1%	+/- 7
Interest rate on interest-bearing liabilities	+/- 1 percentage point	+/- 48

<sup>1</sup> Annualised.

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

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

No material changes in the assessment of risks have been made after the publication of the annual report for 2018. For more information on risks and risk management, see Diös' annual report for 2018, pages 60-64.

## 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.

## SEASONAL VARIATIONS

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

## ACCOUNTING POLICIES

Diös complies with EU-adopted IFRS standards and the interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The report for the parent company is prepared in accordance with RFR 2 Financial Reporting for Legal Entities and the Swedish Annual Accounts Act. Disclosures under IAS 34 are provided elsewhere in the interim report than in a note. The accounting policies applied in the interim report are consistent with the accounting policies applied when preparing the consolidated financial statements and Annual Report for 2018<sup>1</sup>, Note 1, with the exception of the introduction of IFRS 16 Leases. In the parent company leases of vehicles are still accounted for as operating leases in accordance with the exemption provided for under RFR 2.

New or amended IFRS standards and new interpretations which have not yet become effective:

### IFRS 16 LEASES

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 is 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 vehicle 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 have been 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 minor leases have been identified, such as leases for office equipment and similar items. 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

ACCOUNTING POLICIES CONTINUE ON THE NEXT PAGE >>>



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 are 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. A table showing the change and the impact on key ratios as at 1 January 2019 is presented below.

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

<sup>1</sup> The Annual Report 2018 is available at [www.dios.se](http://www.dios.se).

## ▶▶▶ BALANCE SHEET AT 1 JANUARY 2019 AFTER ADOPTION OF IFRS 16 LEASES

	Balance sheet items at 1 January 2019	Restatement under IFRS 16	Restated balance sheet items 1 January 2019
<b>Assets</b>			
Investment properties	20,802		20,802
Right-of-use asset	-	44 <sup>1</sup>	44
Other non-current assets	54		54
Current receivables	201		201
Current portion of right-of-use asset	-	5 <sup>1</sup>	5
Cash and cash equivalents	0		0
<b>Total assets</b>	<b>21,057</b>	<b>49</b>	<b>21,106</b>
<b>Equity</b>	<b>7,839</b>		<b>7,839</b>
Retained earnings	0	0	0
Deferred tax liability	1,353		1,353
Provisions	9		9
Interest-bearing liabilities	11,099		11,099
Non-current lease liability	-	44 <sup>2</sup>	44
Overdraft facilities	198		198
Current liabilities	559		559
Current lease liability	-	5 <sup>2</sup>	5
<b>Total equity and liabilities</b>	<b>21,057</b>	<b>49</b>	<b>21,106</b>

<sup>1</sup> Refers to the recognition of ground rent of SEK 35 million and vehicle lease liabilities of SEK 14 million.

<sup>2</sup> Refers to the recognition of ground rent of SEK 35 million, all of which is classified as long-term liability, and to car-related liabilities, of which the current portion refers to the estimated portion maturing within 1 year.

<b>Impact on key ratios</b>		
Property management income, SEKm	894	894
Loan-to-value ratio, %	53.4	53.5
Equity ratio, %	37.2	37.1
Interest coverage ratio, %	5.9	5.8
Surplus ratio, %	64.0	64.8

### TRANSITION FROM OPERATING LEASES IAS 17 TO IFRS 16 LEASES AS AT 1 JANUARY 2019

Operating lease commitments at 31 December 2018	49
Finance lease liabilities at 31 December 2018	0
Short-term leases	0
Low-value leases	0
<i>Impact of reclassification to finance leases under IFRS 16:</i>	
Ground rent	35
Leased vehicles	14
Recognised lease liability opening balance sheet 1 January 2019	49

In the opening balance sheet as at 1 January 2019, Diös has used a weighted average marginal borrowing rate of 5.9 per cent in determining the lease liability for grounds rents and a rate of 7.9 per cent in determining the lease liability for vehicles.



## »»» SUMMARY OF QUARTERLY RESULTS

	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Income, SEKm	464	464	457	447	467	446	450	443
Operating surplus, SEKm	312	315	268	283	312	295	250	266
Property management income, SEKm	252	257	212	225	248	234	187	197
Profit for the period, SEKm	299	263	230	451	303	358	229	256
Surplus ratio, %	68	69	60	64	70	67	56	61
Economic occupancy rate, %	90	90	91	91	91	91	92	91
Return on equity, %	3.6	3.3	2.9	5.9	4.2	5.0	3.3	3.8
Equity ratio, %	36.4	35.8	36.9	37.2	36.1	34.8	35.3	34.9
Property loan-to-value ratio, %	53.8	53.9	52.8	53.4	54.6	55.8	56.7	57.1
Average interest rate at end of period, % <sup>1</sup>	1.2	1.2	1.3	1.2	1.3	1.5	1.5	1.5
Interest coverage ratio, times	6.6	7.1	6.2	6.3	6.0	6.3	4.9	4.8
Property management income per share, SEK	1.87	1.91	1.57	1.67	1.84	1.74	1.38	1.46
Earnings per share after tax, SEK	2.19	1.93	1.71	3.35	2.25	2.64	1.70	1.91
Equity per share, SEK	61.1	58.9	60.0	58.3	54.9	52.7	52.9	51.2
Market price per share, SEK	85.9	68.7	76.3	56.4	56.9	53.8	56.4	55.8

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

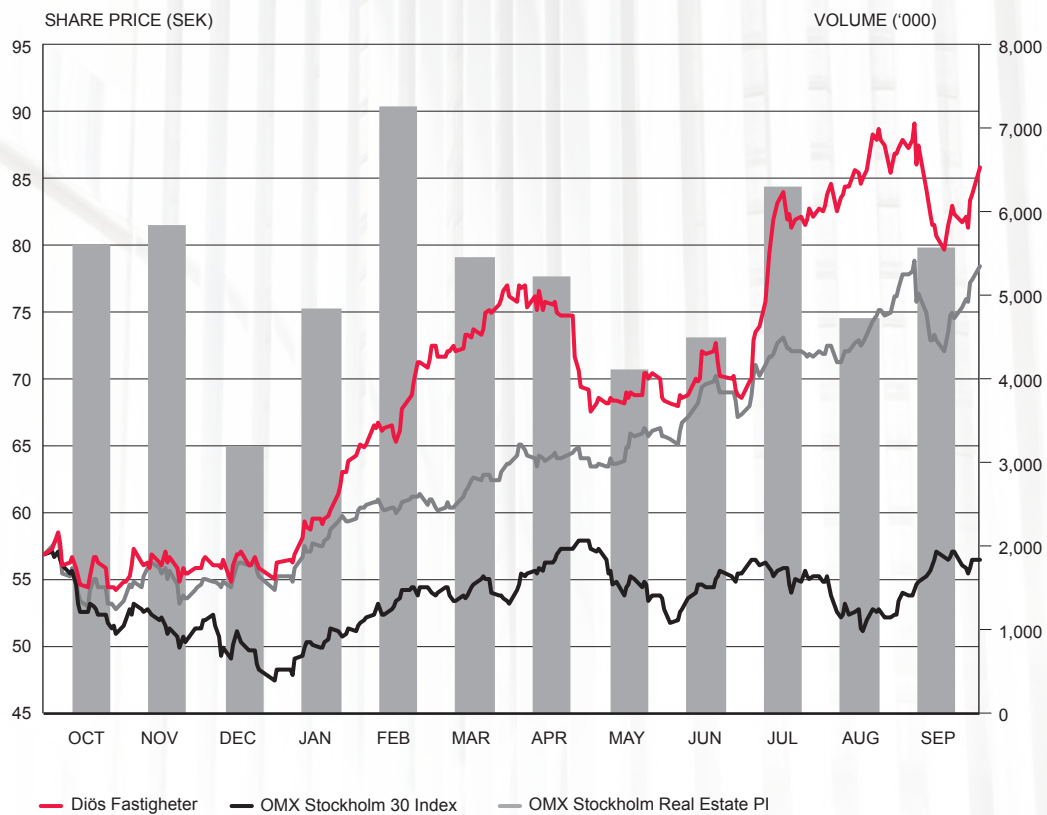
## »»» TARGETS

OPERATIONAL AND FINANCIAL TARGETS	Outcome Jan-Sep 2019	Target 2019
Growth in property management income per share <sup>1</sup> , %	9	>5
Surplus ratio, %	66	65
Energy use, %	-4.1	-3
Environmentally certified properties, % of total area	14	17
Employee satisfaction index	-	76
Customer satisfaction index	-	67
Return on equity <sup>1</sup> , %	16	>12
Distribution of profit for the year <sup>2</sup> , %	-	~50
Loan-to-value ratio, %	53.8	<55
Equity ratio, %	36.4	>35

<sup>1</sup> Rolling twelve months

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

## > SHARE PRICE PERFORMANCE



## > THREE REASONS TO INVEST IN DIÖS



### A DIVERSIFIED PORTFOLIO

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



### AN ATTRACTIVE YIELD

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



### VALUE GROWTH THROUGH INCREASED CASH FLOW

Since 2013, the cash flow per share has increased by 86 per cent. This is the result of effective management, energy-saving measures, profitable investments and a tenant-focused organisation.



# SHARE INFORMATION

## SHARE PERFORMANCE

Diös' share price at the end of the period was SEK 85.9 (56.9), which represents a market capitalisation of SEK 11,555 million (7,654), and the return for the past 12 months was 51.0 per cent (9.4). If the dividend is included, the total return on the shares for the period was 58.3 per cent (12.2). The graph on the preceding page shows share prices for the past 12 months for both Diös and the indexes. The return on the OMX Stockholm 30 Index was -0.9 per cent (-1.5) and the return on the OMX Stockholm Real Estate PI index 37.9 per cent (11.0).

At 30 September, Diös Fastigheter AB had 13,805 shareholders (14,270). The share of foreign-owned shares was 24.9 per cent (20.2) while the total number of shares during the period remained unchanged at 134,512,438 (134,512,438). The single largest shareholder was AB Persson Invest, with 15.4 per cent (15.4) of the shares. The ten largest shareholders accounted for 54.7 per cent (56.6) of the total number of shares and voting rights.

The Annual General Meeting 2019 resolved to authorise the company to buy back ten per cent of the total number of outstanding shares of the company. No repurchases were made during the period.

During the period, Nordstjernan AB flagged that the company intends to exercise its option from Bengtssons Tidnings AB and thus increase its shareholding to over 10 per cent of the total number of shares. Bengtssons Tidnings AB flagged a holding of less than 5 per cent. The ten largest shareholders of Diös Fastigheter AB according to Euroclear Sweden AB are shown in the table above.

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

## RETURN AND NET ASSET VALUE

Our goal is to generate a return on equity in excess of the risk-free rate plus 12 per cent. On an annualised basis, the return for the

period was 13 per cent (17). Equity at the end of the year was SEK 8,227 million (7,388) and the long-term net asset value, EPRA NAV, was SEK 9,579 million (8,604). On a per share basis, EPRA NAV was SEK 71.2 (64.0), which means that the share price at 30 September represented 121 per cent (89) of the long-term net asset value. The net asset value per share for the period, expressed as EPRA NNNNAV, was SEK 69.3 (62.3).

## EARNINGS

Earnings per share for the period were SEK 5.83 (6.59) while long-term earnings per share, expressed as EPRA EPS, were SEK 4.83 (4.48). EPRA EPS, which is designed to show an entity's long-term earnings per share, is calculated as property management income after deducting 21.4 per cent corporation tax attributable to property management income less minority share of earnings.

## LARGEST SHAREHOLDERS

of Diös Fastigheter AB at 30 September 2019

SHAREHOLDER	No. of shares	Capital and votes, %
AB Persson Invest	20,699,443	15.4
Backahill Inter AB	14,095,354	10.5
Nordstjernan AB	13,574,748	10.1
Pensionskassan SHB Försäkringsförening	8,096,827	6.0
Handelsbankens Fonder	5,150,000	3.8
SEB Fonder	2,922,969	2.2
Avanza Pension	2,819,942	2.1
Swedbank Robur fonder	2,200,000	1.6
Sten Dybeck, including company and family	1,997,700	1.5
BlackRock	1,968,522	1.5
<b>Total, largest shareholders</b>	<b>73,525,505</b>	<b>54.7</b>
Other shareholders	60,986,933	45.3
<b>TOTAL</b>	<b>134,512,438</b>	<b>100.0</b>



## »»» REVIEW OF THE REPORT

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

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

Östersund, 25 October 2019

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*

## »»» AUDITOR'S REVIEW REPORT

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

### INTRODUCTION

We have conducted a review of the interim financial information for Diös Fastigheter AB (publ) on 30 September 2019 and the nine-month period ending on that date. Responsibility for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express a conclusion on the interim report based on our review.

### FOCUS AND SCOPE OF THE REVIEW

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

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

### CONCLUSION

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

Östersund, 25 October 2019  
Deloitte AB  
Richard Peters, Authorised Public Accountant

## »»» FINANCIAL CALENDAR

Year-end report January–December 2019	11 February 2020
Annual Report 2019	Week 13, 2020
Annual General Meeting 2020	2 April 2020
Q1 Interim report January–March 2020	23 April 2020
Q2 Interim report January–June 2020	3 July 2020
Q3 Interim report January–September 2020	23 October 2020

## »»» EVENTS AFTER THE REPORTING DATE

On 1 October, it was communicated in a press release that Diös' Nomination Committee for the Annual General Meeting 2020 will consist of Bob Persson (AB Persson Invest), Stefan Nilsson (Pensionskassan SHB Försäkringsförening), Carl Engström (Nordstjernan AB) and Magnus Swärdh (Backahill Inter AB).



# DEFINITIONS

## NUMBER OF SHARES AT END OF PERIOD

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

## RETURN ON EQUITY

Profit for the period attributable to parent company shareholders divided by average equity attributable to parent company shareholders. Average equity is defined as the sum of the opening and closing balance divided by two.

## LOAN-TO-VALUE RATIO, PROPERTIES

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

## YIELD

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

## 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.

## EQUITY PER SHARE

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

## ECONOMIC OCCUPANCY RATE

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 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.

## EPRA VACANCY RATE

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

## PROPERTY MANAGEMENT INCOME

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

## AVERAGE NUMBER OF SHARES

Number of shares outstanding at the beginning of the period, adjusted by the number of shares issued or repurchased during the period weighted by the number of days that the shares were outstanding, in relation to the total number of days in the period.

## CONTRACTED RENTAL INCOME

Rents invoiced for the period less rent losses and rent discounts including service income.

## RENTAL VALUE

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

## COMPARABLE PROPERTIES

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

## CASH FLOW PER SHARE

Profit before tax, adjusted for unrealised changes in value plus depreciation/amortisation less current tax, divided by the average number of shares.

## NET 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.

## 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 or changes the use of the premises.

**Tenant improvements** – properties undergoing conversion or minor improvements to premises.

## EARNINGS PER SHARE

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

## INTEREST COVERAGE RATIO

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

## SERVICE INCOME

Income from tariff-based operations and income from care and upkeep.

## DEBT/EQUITY RATIO

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

## EQUITY RATIO

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

## SURPLUS RATIO

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

## FOR FURTHER INFORMATION, PLEASE CONTACT:

Knut Rost, CEO, +46 (0)770-33 22 00, +46 (0)70-555 89 33, knut.rost@dios.se

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

*This constitutes information which Diös Fastigheter AB is required to publish under the EU's Market Abuse Regulation. The information was submitted for publication through the above contact person on 25 October 2019, at 07:00 CEST.*



A man and a woman are smiling and talking in a rustic setting. The woman, on the left, has long brown hair and is wearing a dark blue button-down shirt with the 'Diös' logo on the pocket. The man, on the right, has a beard and is wearing a black t-shirt and brown leather apron. He has a tattoo on his left forearm. They are standing in front of a brick wall with hanging greenery and warm lights.

*Diös*

**DIÖS FASTIGHETER AB (PUBL)**

PRÄSTGATAN 39, BOX 188, 831 22 ÖSTERSUND, SWEDEN, TEL: +46 (0)770-33 22 00  
CRN: 556501-1771. REGISTERED OFFICE ÖSTERSUND. WWW.DIOS.SE