



Diös

Q2

INTERIM REPORT JANUARY-JUNE 2019

HIGHLIGHTS

January–June 2019

- **RENTAL INCOME** increased by 3 per cent to SEK 922 million (896)
- **PROPERTY MANAGEMENT INCOME** increased by 11 per cent to SEK 469 million (421)
- **UNREALISED CHANGES IN VALUE** of properties were SEK 131 million (227) and unrealised changes in value of derivatives were SEK 1 million (12)
- **THE PROFIT AFTER TAX** was SEK 493 million (587)
- **EARNINGS PER SHARE** were SEK 3.63 (4.34)



35.8%

Equity ratio



6.7

Interest coverage ratio



53.9%

Loan-to-value ratio

NET PROFIT FOR THE PERIOD, SEKm	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
Income	922	896	1,810
Operating surplus	583	545	1,140
Property management income	469	421	894
Profit before tax	606	657	1,597
Profit after tax	493	587	1,341
Surplus ratio, %	64	62	64
Occupancy rate, %	90	91	91
Equity ratio, %	35.8	34.9	37.2
Property loan-to-value ratio, %	53.9	55.8	53.4
Equity per share, SEK	58.9	52.7	58.3
EPRA NAV per share, SEK	68.7	61.1	67.6

For definitions of key ratios, see page 27.

➤ SIGNIFICANT EVENTS Q2

- Diös signs a contract with El av Sol Nordic on solar panel installations. The first installation will be in Gävle.
- Diös receives 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.

Knut Rost, CEO

HIGHER QUALITY AND NEW PROJECTS

Property management income has continued to improve, increasing by 11 per cent year on year. The surplus ratio has increased, driven by higher rents as well as reduced costs.

Diös' annual rental value has passed the SEK 2 billion mark for the first time, indicating that rents are going up and that the quality of the portfolio has increased. We continue to invest for our tenants and are seeing rising rents. Demand remains very strong in central locations. Vacancies are up slightly due to a number of terminations as well as the vacating of space for new build projects.

We create growth. Sustainable cities are the future, and that's why development is essential. We want to and will continue to drive growth in our cities in line with our urban development strategy, and as a market leader we are in a good position to influence things. People want to live in inspiring cities that are looking to the future and growing.

During the period, we enabled several exciting lets that enhance the experience and content of our cities. Two good examples are the lets to Johan Backéus' restaurant concept in the In:galleria shopping centre in Sundsvall and the Pitcher's gastro pub in central Gävle. This shows a courage to try out new concepts, financial strength and a high level of activity among our employees.

By creating new commercial and residential premises, we are increasing density in and expanding the central areas of our cities. Our major hotel projects in Sundsvall and Umeå are now underway. We have completed the residential project in Falun and are delighted to be handing the property over to the housing association. Right next to the train station in Östersund we will initiate the construction of 85 Nordic Swan-ecolabeled rental apartments in the new Söderbo block. These will mainly be very modern and space-efficient studios and one-bedroom apartments that we are confident will attract strong demand. We are in the final stages of rent negotiations with major tenants on several big projects.

During the period, we actively brought out development rights for a further 50,000 sq.m of space and total potential investments

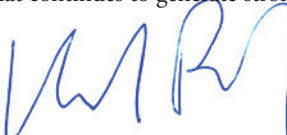


for initiated new builds and development rights now amount to around SEK 5,000 million. The most important consideration is to ensure that these opportunities are used as soon as possible, and it is therefore unlikely that we will be developing everything ourselves.

We are today taking many decisions that help to create a more sustainable environment and we want to inspire others to make sustainable choices. We are enabling our tenants to recharge electric vehicles through investments in charging infrastructure, improving waste sorting facilities in our properties and continue to create smart energy installations, to mention just a few examples. We have continued to install solar panels on our properties and in Gävle work is now commencing on our largest installation to date, which will have a maximum output of around 250 kW.

Long-term market interest rates have been trending down consistently since late 2018, which suggests that we will see few or no further rate hikes from the Riksbank. We continue to enjoy good access to capital for investments and transactions.

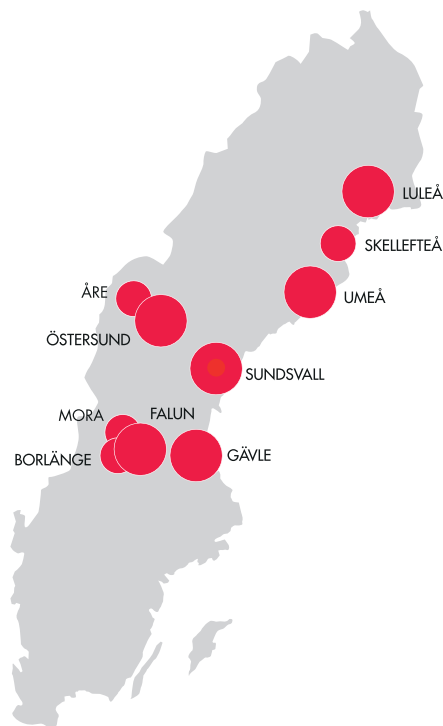
The first half of the year has been good. Several new build projects that will add a further dimension to our business are well under way, and we are cutting our costs and increasing the value and quality of our portfolio. I now look forward to a stable second half with a high level of activity and many new exciting transactions that will increase our profitability. Diös has a unique position and a well diversified property portfolio that continues to generate strong and stable cash flows.


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 attractive places and build long-term value for our tenants, our owners and ourselves.



331

No. of
properties



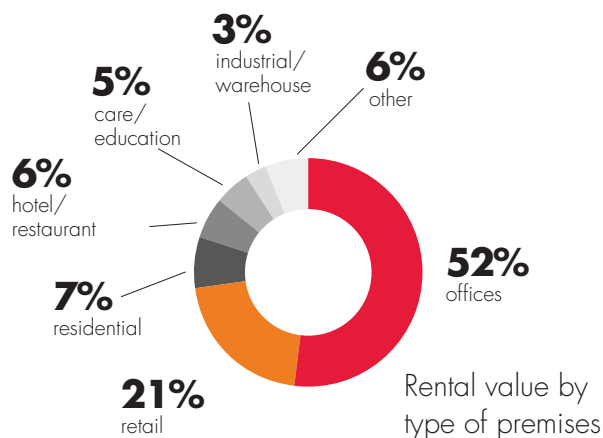
21,9

Property value,
SEKbn



1,473

Leasable
area, '000 sq.m



RELATIONSHIPS AND DEALS



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.



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

INCOME STATEMENT

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

INCOME STATEMENT	2019 3 mths April-June	2018 3 mths April-June	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
Rental income	382	363	723	688	1,436
Service income	82	82	198	207	347
Total income	464	446	922	896	1,810
Property costs	-150	-151	-339	-351	-670
Operating surplus	315	295	583	545	1,140
Central administration	-18	-18	-35	-35	-71
Net financial items	-40	-43	-79	-89	-175
Property management income	257	234	469	421	894
Change in value, properties	71	118	136	224	687
Change in value, interest rate derivatives	0	6	1	12	16
Profit before tax	329	358	606	657	1,597
CURRENT TAX	-18	-22	-41	-39	-90
DEFERRED TAX	-48	22	-72	-31	-166
Profit after tax	263	358	493	587	1,341
Profit attributable to shareholders of the parent company	260	-355	489	584	1,338
Profit attributable to non-controlling interests	3	3	4	3	3
Total	263	358	493	587	1,341
STATEMENT OF COMPREHENSIVE INCOME					
Profit after tax	263	358	493	587	1,341
Comprehensive income for the period	262	358	493	587	1,341
Comprehensive income attributable to shareholders of the parent company	260	-355	489	584	1,338
Comprehensive income attributable to non-controlling interests	3	3	4	3	3
Total	263	358	493	587	1,341
Earnings per share, SEK	1.93	2.64	3.63	4.34	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–June 2019

PROPERTY MANAGEMENT INCOME

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 469 million (421). This is an increase of 11 per cent compared with the previous year. For comparable properties, our property management income increased by 11 per cent year on year.

INCOME

The rental income for the reporting period was SEK 922 million (896), representing a 90 per cent (91) economic occupancy rate. For comparable properties, contracted rental income increased by 4.7 per cent year on year. Other property management income totalled SEK 17 million (9) and consisted mainly of costs for work in leased premises that are passed on to tenants.

REVENUE GROWTH

	2019 Jan-Jun	2018 Jan-Jun	Change %
Comparable properties	880	840	4.7
Acquired properties	25	44	
Sold properties	1	3	
Contracted rental income	906	887	
Other property management income	17	9	
Income	922	896	

PROPERTY COSTS

Total property costs were SEK 339 million (351). Snow- and ice-related costs decreased compared with the same period in 2018. Of total property costs, SEK 7 million (6) refers to work in leased premises for which the costs are passed on to tenants.

OPERATING SURPLUS

The operating surplus was SEK 583 million (545), representing a surplus ratio of 64 per cent (62). For comparable properties, our operating surplus increased by 7 per cent compared with the previous year.

CENTRAL ADMINISTRATION

The central administration expense was SEK 35 million (35). 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

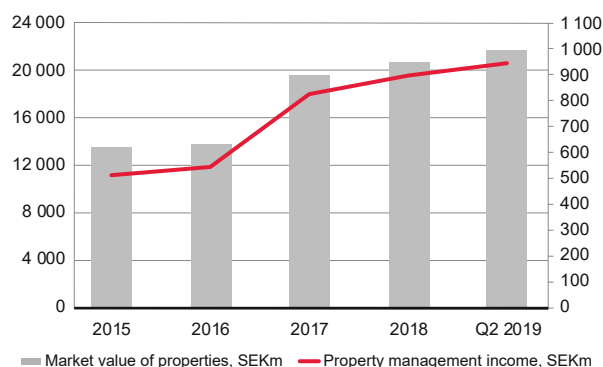
Net financial items for the period were SEK -79 million (-89). The interest costs for the period, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.2 per cent (1.5).

CHANGES IN VALUE, PROPERTIES

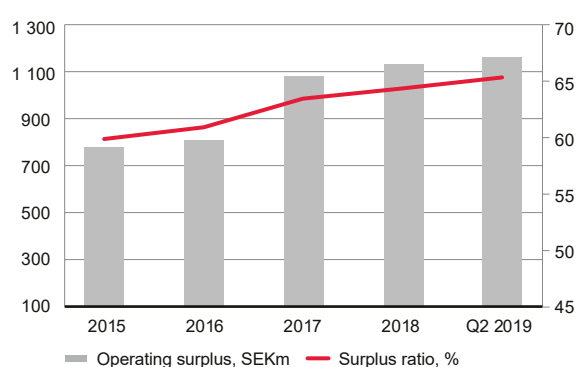
The average valuation yield at the end of the period was 5.91 per cent (6.03). At portfolio level, this represents a change of -0.06 percentage points since year-end. The positive value change of SEK 131 million (227) is mainly attributable to a higher net operating income. The change in value represented 0.6 per cent (1.1) of market value. At 30 June, the market value was SEK 21,845 million (20,060).

During the period, 5 properties (4) were sold, resulting in a realised change in value of SEK 5 million (-3), and 6 properties (3) 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 Q2 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 is of an accounting nature and does not affect cash flow.

During the period, unrealised changes in value on derivatives totalled SEK 1 million (12), which have been fully recognised in income statement.

PROFIT BEFORE TAX

The profit before tax was SEK 606 million (657). 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 493 million (587). The current tax expense is SEK -41 million (-39) 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 -72 million (-31), 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.

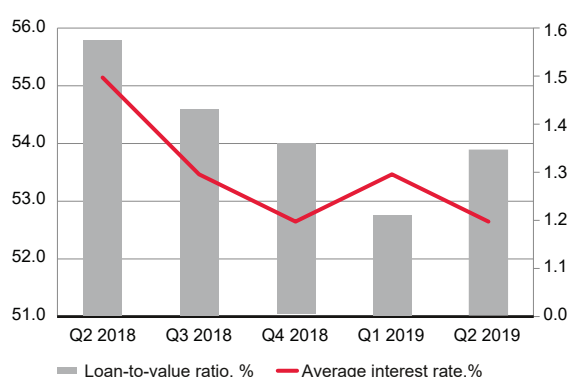
SECOND QUARTER OF 2019

Property management income for the second quarter, i.e. income excluding changes in value and tax, was SEK 257 million (234). The operating surplus was SEK 315 million (295), representing a surplus ratio of 69 per cent (67).

- Rental income for the second quarter was SEK 464 million (446), representing an economic occupancy rate of 90 per cent (91).
- Total property costs were SEK 150 million (151).

Net financial items for the second quarter were SEK -40 million (-43). The profit before tax was SEK 329 million (358), with changes in the value of properties having a positive impact of SEK 71 million (118) and changes in the value of interest rate derivatives adding SEK 0 million (6). Earnings after tax were SEK 263 million (358), of which SEK 48 million (-22) refers to deferred tax and SEK -18 million (-22) 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 (10). The Group also has untaxed reserves of SEK 310 million (181). The fair value of the properties exceeds their tax base by SEK 6,604 million (5,704), less SEK 3,760 million (3,280) 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	469
Tax adjustments	14
Taxable property management income	482
Sale of properties	-46
Change in value, properties	131
Taxable profit	567
Tax for the period	121
Restatement of deferred tax ¹	-8
Tax for the period as per income statement	113

¹ 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 2,981 (3,052). The number of residential leases was 1,713 (1,632). The ten largest tenants represent 16 per cent (16) of Diös' total contracted rental income. At 30 June, 24 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 for the period was SEK 13 million (-2). Noteworthy new lets during the period included those to the Service Administration at the Municipality of Falun in the Falan 23 property in Falun, the Municipality of Borlänge in Hammaren 6 in Borlänge and Lambertsson Sverige AB in Cisternen 4 in Umeå.

LEASE TERM

The average lease term for commercial premises at 30 June was 3.6 years (3.5).

VACANCIES

At 30 June, the economic vacancy rate stood at 9 per cent (8) while physical vacancies were 14 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).

OUR LARGEST TENANTS

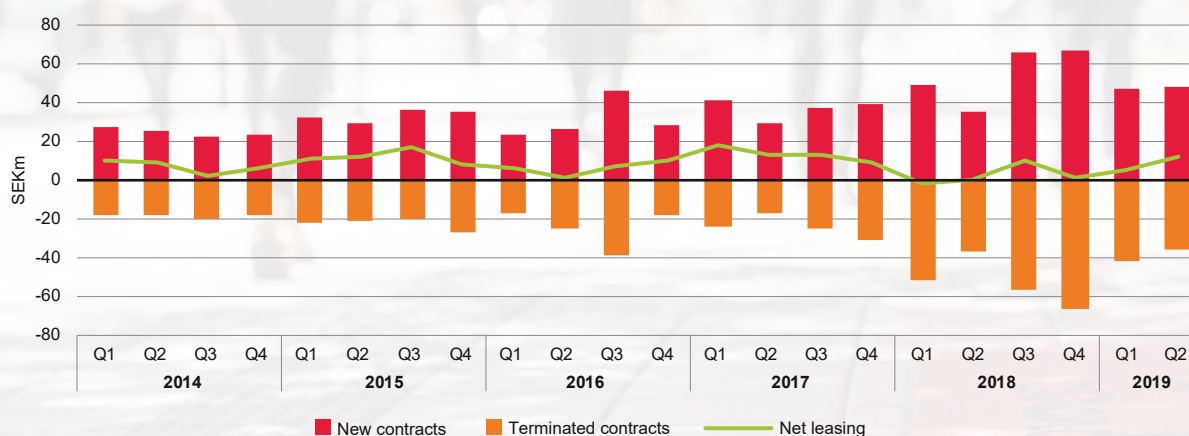
TENANTS AT 30 JUNE 2019	No. of contracts	Annual contract value, SEK '000	Average lease term, years
Swedish Transport Administration	27	66,907	1.8
Östersund Local Authority	123	37,696	2.8
Swedish Public Employment Service	32	29,263	2.0
Swedish Police Authority	31	23,942	4.7
Swedish Social Insurance Agency	24	23,050	2.8
Ahléns AB	5	22,123	5.0
Folksam ömsesidig sakförsäkring	43	21,881	5.0
Swedish Migration Board	12	21,858	2.8
Swedbank AB	12	21,170	4.4
Telia Sverige AB	23	21,017	9.5
Total, largest tenants	332	288,907	3.6

LEASES AND MATURITIES

	Number of contracts	Contract value, SEKm	Share of value, %
Leases for premises, maturity year			
2019	480	88	5
2020	851	308	17
2021	688	370	20
2022	549	283	16
2023+	413	563	31
Total	2,981	1,612	89
Residential	1,713	135	8
Other leases ¹	4,179	63	3
TOTAL	8,873	1,810	100

¹ Other leases refer mainly to garage and parking spaces.

NET LEASING



BALANCE SHEET AND EQUITY

»»» CONDENSED CONSOLIDATED BALANCE SHEET, SEKM

ASSETS	2019 30 Jun	2018 30 Jun	2018 31 Dec
Investment properties	21,845	20,060	20,802
Other non-current assets	29	53	54
Right-of-use asset	44	-	-
Current portion of right-of-use asset	5	-	-
Current receivables	246	212	201
Cash and cash equivalents	-	-	-
TOTAL ASSETS	22,169	20,325	21,057
EQUITY AND LIABILITIES			
Equity	7,928	7,084	7,839
Deferred tax liability	1,424	1,217	1,353
Provisions	9	9	9
Interest-bearing liabilities	11,781	11,190	11,099
Overdraft facilities	125	46	198
Non-current lease liability	44	-	-
Current lease liability	5	-	-
Current liabilities	853	779	559
TOTAL EQUITY AND LIABILITIES	22,169	20,325	21,057

»»» CONDENSED STATEMENT OF CHANGES IN EQUITY, SEKM

	Equity	Attributable to shareholders of the parent	Attributable to minority interests
Equity, 31 Dec 2017	6,887	6,841	45
Profit for the period after tax	587	584	3
Comprehensive income for the period	587	584	3
Dividend	-390	-390	-
Equity, 30 Jun 2018	7,084	7,035	48
Profit for the period after tax	755	754	1
Comprehensive income for the period	755	754	1
Equity, 31 Dec 2018	7,839	7,790	49
Profit for the period after tax	493	489	4
Comprehensive income for the period	493	489	4
Dividend	-404	-404	-
Equity, 30 Jun 2019	7,928	7,875	53

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 15,745 million, and 115 properties. The valuation method requires that an external valuation of the entire main portfolio be made each year. The external valuation is made by valuation consultants Savills, who assess 25 per cent of the main portfolio each quarter. The remaining 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 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 20,207 million - SEK 23,483 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 Jun 2019		30 Jun 2018	
	SEKm	Number	SEKm	Number
Property portfolio, 1 January	20,802	330	19,457	339
ACQUISITIONS	450	6	138	3
Investments in new builds, extensions and conversions	583		298	
Sales	-120	-5	-69	-4
Unrealised changes in value	131		227	
Reclassifications	-		10	
Value of property portfolio, 30 June	21,845	331	20,060	338

CHANGES IN VALUE

Unrealised changes in value for the period totalled SEK 131 million (227) and were due to mainly higher net operating income.

UNREALISED CHANGES IN VALUE

	30 Jun 2019	
	SEKm	%
Change in net operating income, etc.	106	81
Change in required rate of return	25	19
Total	131	100

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-JUN 2019

Sold and completed on

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

Acquired and completed on

Property	Quarter	City	Area, sq.m	Price ¹ , 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
Total			29,564	452

¹ Underlying property value.

VALUATION ASSUMPTIONS

	30 Jun 2019					30 Jun 2018				
	Office	Retail	Residential	Industrial/warehouse	Other	Office	Retail	Residential	Industrial/warehouse	Other
Yield for assessing residual value ¹ , %	6.8-5.5	6.7-5.8	5.2-4.6	9.6-6.9	7.0-6.0	7.0-5.6	6.8-5.9	5.3-4.7	8.0-7.0	7.0-6.0
Cost of capital for discounting to present value, %	8.0	8.1	7.3	10.0	8.6	8.1	8.2	7.3	9.8	8.7
Long-term vacancy, %	5.0	3.8	1.8	15.2	5.8	5.0	3.7	1.8	12.0	5.9

¹ 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 583 million (298).

IMPROVEMENT AND TENANT ADAPTATIONS

Our investments in our existing portfolio comprise conversions and extensions as well as energy-saving measures. The investments must result in a higher occupancy rate, increased customer satisfaction, lower costs and a reduced impact on the environment. During the period, SEK 583 million (298) was invested in 617 projects (564). At the end of the period, 34 major¹ improvement projects were ongoing, with a remaining investment volume of SEK 241 million and a total investment volume of SEK 636 million. During the period, decisions were taken on 76 new investments. The return on completed investments for the period was 9.1 per cent on the invested amount while the return on our ongoing projects was 5.8 per cent.

¹ Initial investment volume > SEK 4 million.

NEW BUILDS

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 100,000 sq.m. The estimated investment volume for ongoing and identified projects is around SEK 5,000 million.

The hotel project in Umeå on the Magne 4 property was officially initiated during the period. Towards the end of the period, we also initiated a housing project on the Kräftan 8 property in the Söderbo block in Östersund. The project comprises 85 residential apartments in three buildings with four commercial premises on the ground floor. It is scheduled for completion in the fourth quarter of 2020.

»»» 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	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	BREEAM SE Very good

Projects with an initial investment volume >SEK 100 million.

»»» ENERGY USE AND CARBON DIOXIDE EMISSIONS

	Unit	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun
Heating ¹	kWh/sq.m	49.4	50.8
District cooling ²	kWh/sq.m	12.1	8.3
Electricity ³	kWh/sq.m	27.3	28.9
Carbon dioxide, total ⁴	g CO ₂ /kWh	29.1	29.4
Water	m ³ /sq.m	0.2	0.2

¹ Heating has been adjusted to a normal year.

² District cooling does not include self-produced cooling.

³ Electricity from energy use and tenants where electricity is included in the lease.

⁴ 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 3.8 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, 8 BREEAM In-Use certification processes were concluded and four new processes were started. Our target for the year is to certify 16 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 29 properties certified under the Miljöbyggnad, BREEAM In-Use and GreenBuilding standards, which represents approximately 12 per cent of the total area of the property portfolio.

> FINANCING

CAPITAL STRUCTURE

At 30 June 2019, 36 per cent (35) of Diös' total assets of SEK 22,169 million was funded through equity, 53 per cent (55) through debt securities and 11 per cent (10) through other capital.

EQUITY

At 30 June, equity was SEK 7,928 million (7,084). The equity ratio was 35.8 per cent (34.9), which exceeds the target of 35 per cent.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities in the Group were SEK 11,782 million (11,190). Of total interest-bearing liabilities, SEK 8,982 million (9,150) refers to bank financing, SEK 1,240 million (1,240) to covered bonds and SEK 1,560 million (800) to commercial paper. The accrued cost of the commercial paper is SEK 1,559 million (800). The loan-to-value ratio in the Group was 53.9 per cent (55.8) 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 (1.5) and the interest coverage ratio was 6.7 times (5.6).

FINANCIAL INSTRUMENTS

Out of the Group's total interest-bearing liabilities, SEK 4,000 million (4,600) has been hedged through derivatives. At 30 June 2019, the market value of the derivative portfolio was SEK 0 million (-4). 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

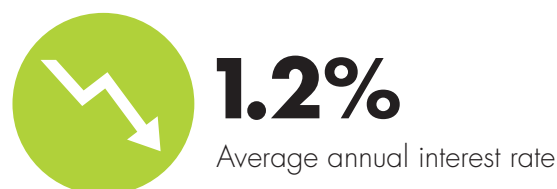
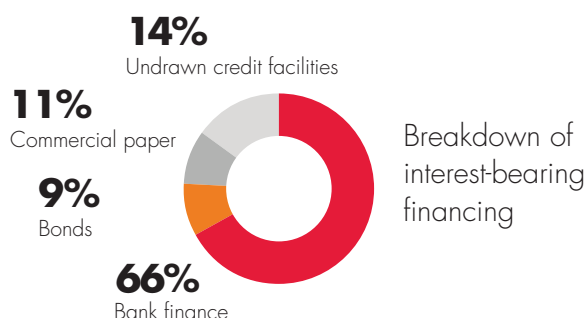
AT 30 JUNE 2019	Change in average annual interest rate, %	Change in average annual interest expense, SEKm	Change in market value, SEKm
Loan portfolio excl. derivatives	0.4	+50	
Derivatives portfolio	0.0	0	+0.4
Loan portfolio incl. derivatives	0.4	+50	+0.4

FIXED-RATE TERMS AND LOAN MATURITIES

The average fixed-rate term, including derivatives, was 0.9 years (1.9) and the average loan maturity 2.1 years (2.0). Of the Group's outstanding loans, SEK 6,814 million (8,410) is subject to fixed interest rates.

CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the period were SEK 0 million (0) and drawn overdraft facilities were SEK 125 million (46). The agreed limit on the overdraft facility was SEK 600 million (600).



>>> INTEREST RATE AND DEBT MATURITY STRUCTURE AT 30 JUNE 2019

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm
2019	2,142	0.5	582	582
2020	7,722	1.3	6,157	5,657
2021	1,919	1.2	1,601	1,251
2022	-	-	3,530	2,478
2023	-	-	1,117	1,117
2027	-	-	697	697
Drawn credit facilities	11,782	1.2	13,684	11,782
Undrawn credit facilities ²	1,902	0.1		
Financial instruments	4,000	0.0		
TOTAL		1.2		

¹ Average annual interest rate refers to the average interest rate based on interest rate terms and the outstanding liability as at 30 June 2019.

² 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 April-June	2018 3 mths April-June	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
OPERATING ACTIVITIES					
Operating surplus	315	295	583	545	1,140
Central administration	-18	-18	-35	-35	-71
Reversal of depreciation, amortisation and impairment	2	1	2	1	2
Interest received	1	1	2	2	8
Interest paid	-45	-51	-76	-80	-185
Tax paid	-18	-22	-41	-39	-90
Cash flow from operating activities before changes in working capital	237	206	435	394	804
Changes in working capital					
Decrease (+)/increase (-) in receivables	58	54	-47	-47	-35
Decrease (-)/increase (+) in current liabilities	-9	-35	0	24	31
Total changes in working capital	49	19	-47	23	-4
Cash flow from operating activities	286	225	388	371	800
INVESTING ACTIVITIES					
Investments in new builds, conversions and extensions	-306	-139	-515	-264	-557
Acquisition of properties	-	-69	-312	-111	-371
Sale of properties	-	-	146	55	443
Other non-current financial assets	-	5	-	5	-10
Cash flow from investing activities	-306	-203	-681	-315	-495
FINANCING ACTIVITIES					
Dividends paid	-202	-195	-202	-195	-390
New borrowing, interest-bearing liabilities	452	37	674	212	312
Repayment and redemption of interest-bearing liabilities	-19	-33	-106	-151	-457
Change in overdraft facility	-211	46	-73	46	198
Cash flow from financing activities	20	-145	293	-88	-337
Cash flow for the period	0	-123	0	-32	-32
Cash and cash equivalents at beginning of period	0	123	0	32	32
Cash and cash equivalents at end of period	0	0	0	0	0

Columns/rows may not add up due to rounding.

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

2019

By business unit	Dalarna	Gävle	Sundsvall	Åre/Östersund	Umeå	Skellefteå	Luleå	Group
Rental income	114	78	113	128	103	55	132	723
Service income								
Tariff-based services	23	10	21	28	16	9	18	126
Care and upkeep	11	6	13	15	10	4	13	73
Repair and maintenance	-5	-2	-4	-6	-4	-3	-4	-28
Tariff-based costs	-21	-10	-19	-27	-15	-9	-17	-119
Property tax	-6	-5	-7	-7	-7	-3	-9	-44
Other property costs	-15	-9	-21	-20	-15	-5	-21	-107
Property management	-7	-4	-6	-10	-6	-3	-6	-41
Operating surplus	93	63	91	101	82	46	107	583
Central administration/net financial items	-	-	-	-	-	-	-	-114
Property management income	-	-	-	-	-	-	-	469
Property, realised	0	-	-	5	-	-	-	5
Property, unrealised	-12	9	0	76	6	21	31	131
Interest rate derivatives	-	-	-	-	-	-	-	1
Profit before tax	-	-	-	-	-	-	-	606

Leasable area, sq.m	271,684	160,604	233,490	291,478	200,829	109,126	205,440	1,472,651
Rental value	161	104	167	185	142	71	171	1,001
Economic occupancy rate, %	91	84	87	92	89	96	95	90
Surplus ratio, %	64	73	62	59	65	67	66	64

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	145	94	84	58	102	41	59	583
Sales	-49	-	-	-71	-	-	-	-120
Reclassifications	-	-	-	-	-	-	-	-
Unrealised changes in value	-12	9	0	76	6	21	31	131
Property portfolio, 30 June	3,038	2,319	3,536	3,647	3,670	1,492	4,144	21,845

Columns/rows may not add up due to rounding.





2018

By business unit	Dalarna	Gävle	Sundsvall	Åre/Östersund	Umeå	Skellefteå	Luleå	Group
Rental income	108	78	106	119	102	53	123	688
Service income								
Tariff-based services	22	12	20	27	16	9	17	122
Care and upkeep	11	9	17	18	10	4	17	86
Repair and maintenance	-6	-3	-4	-5	-5	-3	-4	-30
Tariff-based costs	-21	-12	-19	-26	-15	-9	-15	-116
Property tax	-6	-5	-7	-7	-7	-3	-9	-44
Other property costs	-16	-14	-23	-23	-15	-5	-24	-120
Property management	-7	-5	-7	-8	-5	-3	-6	-40
Operating surplus	87	60	82	94	81	43	99	545
Central administration/Net financial items	-	-	-	-	-	-	-	-124
Property management income	-	-	-	-	-	-	-	421
Property, realised	-	-3	-	-	-	-	-	-3
Property, unrealised	5	5	30	40	85	26	36	227
Interest rate derivatives	-	-	-	-	-	-	-	12
Profit before tax	-	-	-	-	-	-	-	657
Leasable area, sq.m	266,682	216,692	233,490	304,511	201,214	109,126	205,440	1,537,155
Rental value	153	109	161	177	138	67	164	969
Economic occupancy rate, %	92	90	88	91	91	97	95	91
Surplus ratio, %	62	61	58	58	64	66	64	62
Property portfolio, 1 January	2,649	2,045	3,234	3,257	3,272	1,222	3,778	19,457
Acquisitions	-	-	-	-	70	68	-	138
Investments in new builds, extensions and conversions	60	26	41	59	32	13	67	298
Sales	-	-69	-	-	-	-	-	-69
Reclassifications	2	0	3	1	0	2	1	10
Unrealised changes in value	5	5	30	40	85	26	36	227
Property portfolio, 30 June	2,715	2,007	3,309	3,356	3,459	1,331	3,882	20,060

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 April-June	2018 3 mths April-June	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
Number of shares at end of period, thousands (<i>balance sheet KPIs</i>)	134,512	134,512	134,512	134,512	134,512
Average number of shares, thousands (<i>income statement KPIs</i>)	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 April-June	2018 3 mths April-June	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
Property management income					
Profit before tax	329	358	606	657	1,597
Reversal					
Change in value, properties	-71	-118	-136	-224	-687
Change in value, derivatives	0	-6	-1	-12	-16
Property management income	257	234	469	421	894
EPRA earnings (property management income after tax)					
Property management income	257	234	469	421	894
Reversal, current tax property management income	-18	-24	-41	-41	-77
Minority share of earnings	-3	-3	-4	-3	-3
EPRA earnings	236	207	424	377	814
EPRA earnings per share, SEK	1.75	1.54	3.15	2.80	6.05

	2019 3 mths April-June	2018 3 mths April-June	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
Loan-to-value ratio					
Interest-bearing liabilities			11,781	11,190	11,099
Investment properties			21,845	20,060	20,802
Loan-to-value ratio, %			53.9	55.8	53.4

Equity ratio					
Equity			7,928	7,084	7,839
Total assets			22,169	20,325	21,057
Equity ratio, %			35.8	34.9	37.2

Interest coverage ratio					
Property management income	257	234	469	421	894
Reversal					
Financial costs	42	44	82	92	183
Total	299	278	551	513	1,077
Financial costs	42	44	82	92	183
Interest coverage ratio, times	7.1	6.3	6.7	5.6	5.9

Net debt to EBITDA					
Interest-bearing liabilities as per balance sheet			11,781	11,190	11,099
Cash and cash equivalents			0	0	0
Overdraft facilities			125	46	198
Net debt			11,906	11,236	11,297
Operating surplus rolling 12 months			1,178	1,098	1,140
Central administration rolling 12 months			-71	-72	-71
Reversal					
Depreciation and amortisation rolling 12 months			2	2	2
EBITDA			1,109	1,028	1,071
Net debt to EBITDA			10.7	10.9	10.5



	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
Net asset value			
Equity as per balance sheet	7,928	7,084	7,839
Minority share of equity	-53	-48	-49
Reversal as per balance sheet			
Fair value of financial instruments	0	4	-1
Deferred tax on temporary differences	1,360	1,179	1,299
EPRA NAV (long-term net asset value)	9,236	8,219	9,088
EPRA NAV (long-term net asset value) per share, SEK	68.7	61.6	67.6
Deductions			
Fair value of financial instruments	0	-4	1
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-247	-219	-242
EPRA NNAV (short-term net asset value)	8,989	7,997	8,847
EPRA NNAV (short-term net asset value) per share, SEK	66.8	59.9	65.8

¹ 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.

OTHER KEY RATIOS	2019 3 mths April-June	2018 3 mths April-June	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
Return on equity, %	3.3	5.0	6.2	8.4	18.2
Equity per share, SEK			58.9	52.7	58.3

Cash flow per share, SEK

Profit before tax	329	358	606	657	1,597
Reversal					
Unrealised change in value, properties	-71	-118	-131	-227	-678
Unrealised change in value, derivatives	0	-6	-1	-12	-16
Depreciation and amortisation	1	0	2	1	2
CURRENT TAX	-18	-22	-41	-39	-90
Total	241	212	435	380	815
Average number of shares ('000)	134,512	134,512	134,512	134,512	134,512
Cash flow per share, SEK	1.79	1.58	3.24	2.83	6.05

Earnings per share, SEK	1.93	2.64	3.63	4.34	9.94
Debt/equity ratio, times			1.5	1.6	1.4

OTHER INFORMATION	2019 3 mths April-June	2018 3 mths April-June	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
Contracted rental income, SEKm	456	442	906	887	1,771
Economic occupancy rate, %	90	91	90	91	91
Surplus ratio, %	69	67	64	62	64

EPRA vacancy rate

Estimated market rent for vacant space	178	153	154
Annualised rental value for the whole portfolio	1,975	1,921	1,904
EPRA vacancy rate, %	9.0	8.0	8.1



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 92 million (88) and the profit after tax was SEK 22 million (604). Net sales referred chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents were SEK 0 million (0) at 30 June 2019 and drawn overdraft facilities were SEK 130 million (49). External interest-bearing

liabilities, excluding overdraft facilities, totalled SEK 2,512 million (3,306), of which SEK 1,560 million (800) referred to outstanding commercial paper. The average annual interest rate based on the situation at 30 June 2019 amounted to 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

	2019 6 mths Jan-Jun	2018 6 mths Jan-Jun	2018 12 mths Jan-Dec
INCOME STATEMENT			
Income	92	88	164
Gross profit	92	88	164
Central administration	-109	-104	-204
Operating profit	-17	-16	-40
Income from investments in Group companies	-	599	611
Financial income	154	115	253
Financial costs	-115	-93	-222
Profit after financial items	22	605	602
CURRENT TAX	-	-1	-
Profit after tax	22	604	602
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax	22	604	602
Comprehensive income for the year	22	604	602

»»» CONDENSED PARENT COMPANY BALANCE SHEET, SEKM

	2019 30 June	2018 30 June	2018 31 Dec
ASSETS			
Investments in Group companies	2,124	2,124	2,124
Receivables from Group companies	12,849	10,809	11,214
Other assets	21	25	21
Cash and cash equivalents	-	-	-
TOTAL ASSETS	14,994	12,958	13,359
EQUITY AND LIABILITIES			
Equity	2,925	3,309	3,307
Interest-bearing liabilities	2,512	3,306	2,238
Liabilities to Group companies	9,199	6,071	7,579
Overdraft facilities	130	49	201
Other liabilities	226	223	34
TOTAL EQUITY AND LIABILITIES	14,994	12,958	13,359



» Emma Widegren, Property Manager.

OTHER INFORMATION

EMPLOYEES AND ORGANISATION

The number of employees on 30 June 2019 was 158 (155), of whom 64 were women (61). The majority of our employees, 105 people (100), 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	20,207	21,845	23,483
Equity ratio, %	30.6	35.8	40.2
Loan-to-value ratio, %	58.3	53.9	50.2

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 ¹
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	+/- 50

¹ 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. All property-related transactions have been recognised based on calculations of the preliminary consideration. The calculation of the final consideration will be completed in the third quarter of 2019. The economic outcome for the Falan residential property will be presented in the third quarter. 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 2018¹, 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

ACCOUNTING POLICIES CONTINUE ON THE NEXT PAGE



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 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.

¹ The Annual Report 2018 is available at 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
Assets			
Investment properties	20,802		20,802
Right-of-use asset	-	44 ¹	44
Other non-current assets	54		54
Current receivables	201		201
Current portion of right-of-use asset	-	5 ¹	5
Cash and cash equivalents	0		0
Total assets	21,057	49	21,106
Equity	7,839		7,839
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 ²	44
Overdraft facilities	198		198
Current liabilities	559		559
Current lease liability	-	5 ²	5
Total equity and liabilities	21,057	49	21,106

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

² 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.

Impact on key ratios		
Property management income, SEKm	1,597	1,597
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 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Income, SEKm	464	457	447	467	446	450	443	436
Operating surplus, SEKm	315	268	283	312	295	250	266	287
Property management income, SEKm	257	212	225	248	234	187	197	222
Profit for the period, SEKm	263	230	451	303	358	229	256	192
Surplus ratio, %	69	60	64	70	67	56	61	67
Economic occupancy rate, %	90	91	91	91	91	92	91	91
Return on equity, %	3.3	2.9	5.9	4.2	5.0	3.3	3.8	2.9
Equity ratio, %	35.8	36.9	37.2	36.1	34.8	35.3	34.9	33.9
Property loan-to-value ratio, %	53.9	52.8	53.4	54.6	55.8	56.7	57.1	57.8
Average interest rate at end of period, % ¹	1.2	1.3	1.2	1.3	1.5	1.5	1.5	1.6
Interest coverage ratio, times	7.1	6.2	6.3	6.0	6.3	4.9	4.8	5.5
Property management income per share, SEK	1.91	1.57	1.67	1.84	1.74	1.38	1.46	1.65
Earnings per share after tax, SEK	1.93	1.71	3.35	2.25	2.64	1.70	1.91	1.43
Equity per share, SEK	58.9	60.0	58.3	54.9	52.7	52.9	51.2	49.3
Market price per share, SEK	68.7	76.3	56.4	56.9	53.8	56.4	55.8	52.0

¹ Includes expenses relating to commitment fees and derivatives.

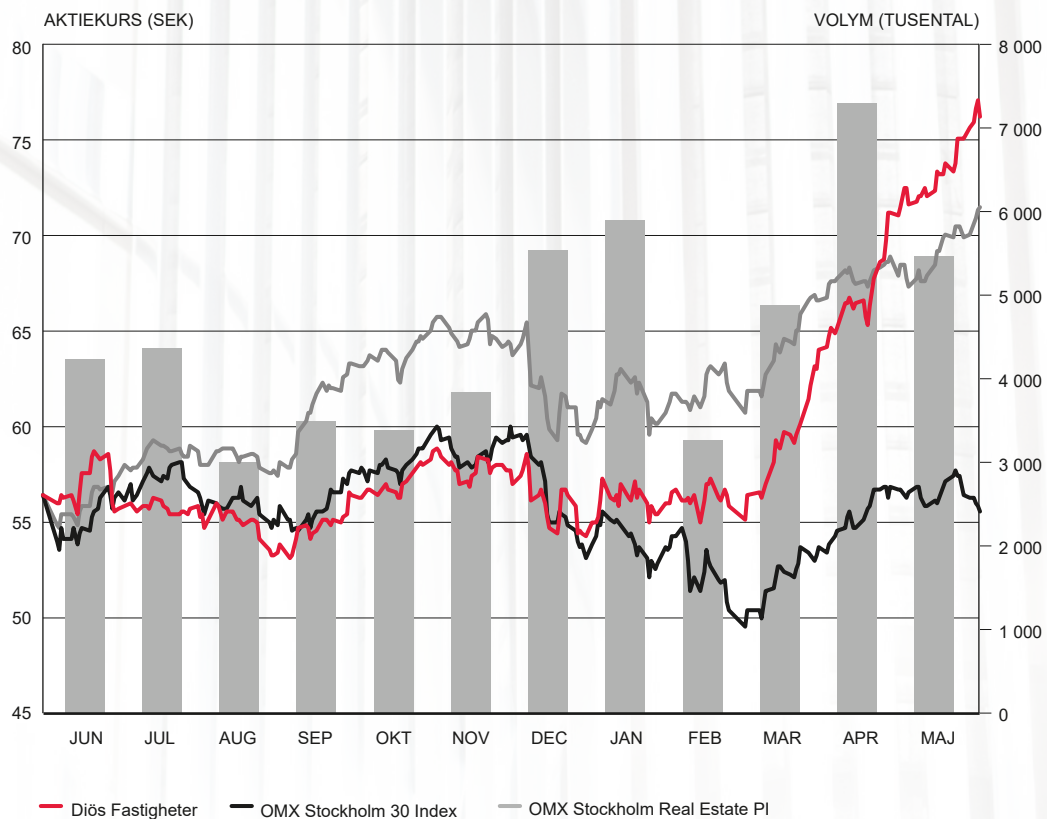
»»» TARGETS

OPERATIONAL AND FINANCIAL TARGETS	Outcome Jan-Jun 2019	Target 2019
Growth in property management income per share ¹ , %	7	>5
Surplus ratio, %	64	65
Energy use, %	-3.8	-3
Environmentally certified properties, % of total area	12	17
Employee satisfaction index	-	76
Customer satisfaction index	-	67
Return on equity ¹ , %	16	>12
Distribution of profit for the year ² , %	-	~50
Loan-to-value ratio, %	53.9	<55
Equity ratio, %	35.8	>35

¹ Rolling twelve months

² Profit after tax, excluding unrealised changes in value and deferred tax.

> SHARE PRICE PERFORMANCE



> THREE REASONS TO INVEST IN DIÖS



DIVERSIFIED PROPERTY PORTFOLIO

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



ATTRACTIVE YIELD

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



VALUE GROWTH THROUGH INCREASED CASH FLOW

Since 2013, the cash flow per share has increased by 82 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 68.7 (53.8), which represents a market capitalisation of SEK 9,241 million (7,230), and the return for the past 12 months was 27.8 per cent (15.3). If the dividend is included, the total return on the shares for the period was 34.0 per cent (18.3). 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 3.0 per cent (-2.7) and the return on the OMX Stockholm Real Estate PI index 30.4 per cent (3.0).

At 31 May, Diös Fastigheter AB had 13,613 shareholders (14,478). The share of foreign-owned shares was 24.1 per cent (20.7) 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 53.8 per cent (57.4) 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.

No new changes of ownership were flagged during the period. The ten largest shareholders of Diös Fastigheter AB according to Euroclear Sweden AB are shown 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 12 per cent (17). Equity at the end of the year was SEK 7,928 million (7,084) and the long-term net asset value, EPRA NAV, was SEK 9,236 million (8,219). On a per share basis, EPRA NAV was SEK 68.7 (61.1), which means that the share price at 30 June represented xx per cent (88) of long-term NAV. The net asset value per share for the period, expressed as EPRA NNNNAV, was SEK 66.8 (59.5).

EARNINGS

Earnings per share for the period were SEK 3.63 (4.34) while long-term earnings per share, expressed as EPRA EPS, were SEK 3.15 (2.80). 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 31 May 2019

SHAREHOLDER	No. of shares	Capital and voting rights, %
AB Persson Invest	20,699,443	15.4
Backahill Inter AB	14,095,354	10.5
Pensionskassan SHB Försäkringsförening	8,096,827	6.0
Nordstjernan AB	6,787,374	5.0
Bengtssons Tidnings AB	6,787,374	5.0
Handelsbankens Fonder	5,150,000	3.8
SEB Fonder	3,600,707	2.7
Avanza Pension	3,119,515	2.3
Thompson, Siegel & Walmsley LLC	2,068,979	1.5
Sten Dybeck, including company and family	1,954,000	1.5
Total, largest shareholders	72,359,573	53.7
Other shareholders	62,152,865	46.3
TOTAL	134,512,438	100.0



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

Financial reports can be viewed in full on Diös' website, www.dios.se.

Östersund, 5 July 2019

Bob Persson
Chairman

Ragnhild Backman
Board member

Peter Strand
Board member

Eva Nygren
Board member

Anders Nelson
Board member

Tomas Mellberg
Board member
Employee representative

Knut Rost
Chief Executive Officer

»»» FINANCIAL CALENDAR

Q3 Interim Report January-September 2019

25 October 2019

»»» EVENTS AFTER THE REPORTING DATE

There have been no significant events since the reporting date.

» FOR FURTHER INFORMATION, PLEASE CONTACT:

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

*This constitutes information which Diös Fastigheter AB is required to publish under the EU's Market Abuse Regulation and the Swedish Securities Market Act.
The information was submitted for publication through the above contact person on 5 July 2019, at 07:00 CEST.*

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 and 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.



Diös

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