

Diös



Q4

YEAR-END REPORT JANUARY-DECEMBER 2019

Overview of the year

January–December 2019

- **Revenue** increased by 2 per cent to SEK 1,854 million (1,810)
- **Property management income** increased by 7 per cent to SEK 952 million (894)
- **Unrealised changes in value** of properties were SEK 331 million (678) and unrealised changes in value of derivatives were SEK 0 million (16)
- **The profit after tax** was SEK 1,050 million (1,341)
- **Earnings per share** were SEK 7.74 (9.94)
- **The Board of Directors proposes a dividend** of SEK 3.30 per share (3.00), to be evenly distributed on two occasions

36.6%

Equity ratio

6.6

Interest coverage ratio

53.1%

Loan-to-value ratio

Profit for the period, SEKm

	2019 3 months Oct-Dec	2018 3 months Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Income	468	447	1,854	1,810
Operating surplus	292	283	1,187	1,140
Property management income	231	225	952	894
Profit before tax	319	576	1,302	1,597
Profit after tax	258	451	1,050	1,341
Surplus ratio, %	64	64	65	64
Occupancy rate, %	90	91	90	91
Equity ratio, %			36.6	37.2
Property loan-to-value ratio, %			53.1	53.4
Equity per share, SEK			63.1	58.3
EPRA NAV per share, SEK			73.4	67.6

For definitions of key ratios, see page 27.

Significant events Q4

- The Board of Governors of Dalarna University approves the proposal to relocate the university to Diös' Mimer 1 property in central Borlänge.
- Diös launches the PickPackPost parcel delivery concept in the IN:gallerian shopping centre in Sundsvall.
- Diös' senior management is reorganised and Business Development Manager Lars-Göran Dahl is given expanded responsibilities.
- Diös acquires and completes on a commercial property, Vedkompaniet 2, in central Falun.

Chief executive's review

Knut Rost, CEO

A new chapter – higher goals

Our strong performance continues. Earnings are up, net leasing is strong and the Board proposes an increase in the dividend to SEK 3.30 per share. We are raising our ambitions for continued growth to deliver an annual average growth in property management income per share of 10 percent.

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

Net leasing has remained good and many new contracts were signed in the last quarter. Net leasing has increased, reaching SEK 42 million for the year as a whole, which indicates a strong underlying trend, and we are pleased to note that the level of activity is high in all our cities. One city that is undergoing an extraordinary transformation is Borlänge. We have signed a long green lease with our single largest tenant, the Swedish Transport Administration, which extends the existing lease, and concluded an agreement with Dalarna University for relocation of the university to the centre of Borlänge. Both these deals will boost growth and increase the attractiveness of Borlänge.

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

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

We have continued to acquire centrally located properties and to sell properties outside the city centres. In the fourth quarter, we acquired and completed on a central property in Falun that is a good fit for our



portfolio. Net acquisitions in 2019 totalled SEK 480 million. There are interesting properties for sale in the market, and we intend to strengthen our portfolio further in 2020.

Banks and capital markets are showing strong confidence in Diös, as evidenced by the attractive financing terms we are able to obtain. During the three-month period, we worked hard on refinancing our loans and extended approaching maturities. We improved the terms for the margin on the refinancing that was agreed in the fourth quarter, which offset the effect of rising Stibor rates. Our average interest rate at year-end was a mere 1.2 per cent. After the end of the period, we have signed agreements on approaching maturities of around SEK 5,100 million, extending our average loan maturity to about 3.3 years. Despite the extended maturities, the negotiations resulted in more favourable terms.

The year 2019 can be summed up as a strong and stable year and the beginning of a new chapter in the history of Diös. We will now take the step to become a more complete property company through our ongoing new builds. We provide efficient customer-facing property management services, conclude value-creating deals and engage in new build projects, all of which are key elements of our urban development strategy and crucial to our ability to continue to create growth. We see a big potential in our project portfolio and are therefore raising our target to deliver average growth in property management income of 10 per cent per share, annually, over a three year period.

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

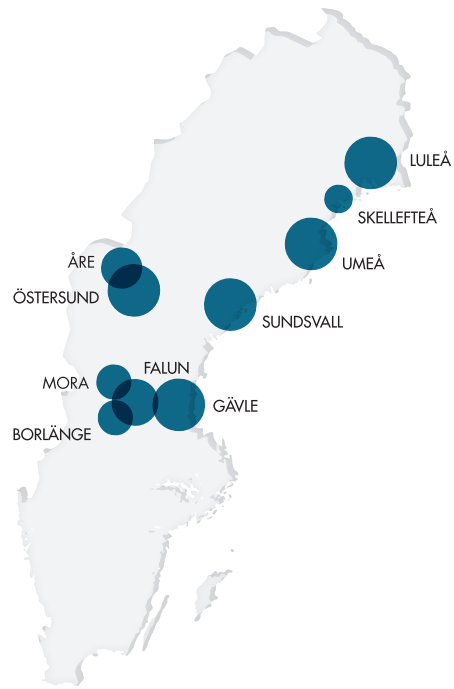


Knut Rost, CEO

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.



333

No. of properties



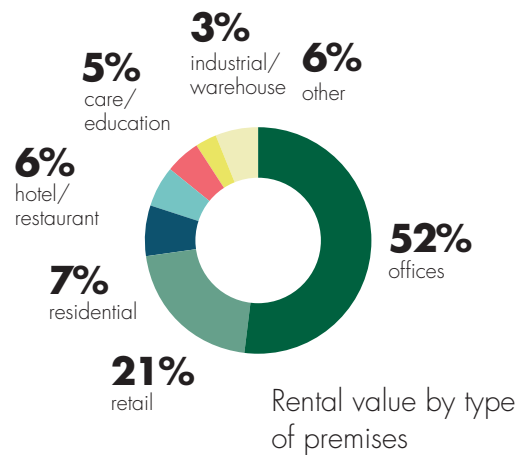
22.9

Property value, SEKbn



1,483

Leasable area, '000 sq.m



Deals and relations

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.

Henrik Sjöstrand, Letting Agent, and Emma Widegren, Property Manager. Gästgivaren 3, Östersund.

Income statement

> CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEK M

	2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
INCOME STATEMENT				
Rental income	368	357	1,482	1,436
Service income	100	90	372	374
Total income	468	447	1,854	1,810
Property costs	-176	-164	-667	-670
Operating surplus	292	283	1,187	1,140
Central administration	-22	-19	-73	-71
Net financial items	-39	-39	-162	-175
Property management income	231	225	952	894
Change in value, properties	89	351	350	687
Change in value, interest rate derivatives	-1	0	0	16
Profit before tax	319	576	1,302	1,597
CURRENT TAX	-15	-13	-79	-90
DEFERRED TAX	-46	-112	-173	-166
Profit after tax	258	451	1,050	1,341
Profit attributable to shareholders of the parent company	257	451	1,041	1,338
Profit attributable to non-controlling interests	1	0	9	3
Total	258	451	1,050	1,341
STATEMENT OF COMPREHENSIVE INCOME				
Profit after tax	258	451	1,050	1,341
Comprehensive income for the period	258	451	1,050	1,341
Comprehensive income attributable to shareholders of the parent company	257	451	1,041	1,338
Comprehensive income attributable to non-controlling interests	1	0	9	3
Total	258	451	1,050	1,341
Earnings per share, SEK	1.92	3.35	7.74	9.94
Number of shares at end of period ('000)	134,512	134,512	134,512	134,512
Average number of shares ('000)	134,512	134,512	134,512	134,512
Number of treasury shares at end of period	0	0	0	0
Average number of treasury shares	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–December 2019

PROPERTY MANAGEMENT INCOME

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 952 million (894). This is an increase of 7 per cent compared with the previous year. For comparable properties, our property management income increased by 5.5 per cent year on year.

INCOME

Income for the reporting period was SEK 1,854 million (1,810), 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 33 million (39) and consisted mainly of costs for work in leased premises that are passed on to tenants.

REVENUE GROWTH

	2019 Jan-Dec	2018 Jan-Dec	Change %
Comparable properties	1,768	1,726	2.5
Acquired properties	52	0	
Sold properties	1	45	
Contracted rental income	1,821	1,771	
Other property management income	33	39	
Income	1,854	1,810	

PROPERTY COSTS

Total property costs were SEK 667 million (670). Snow- and ice-related costs decreased compared with the same period in 2018. Of total property costs, SEK 15 million (13) refers to work in leased premises for which the costs are passed on to tenants.

OPERATING SURPLUS

The operating surplus was SEK 1,187 million (1,140), representing a surplus ratio of 65 per cent (64). For comparable properties, our operating surplus increased by 3.3 per cent compared with the previous year.

CENTRAL ADMINISTRATION

The central administration expense was SEK 73 million (71). 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

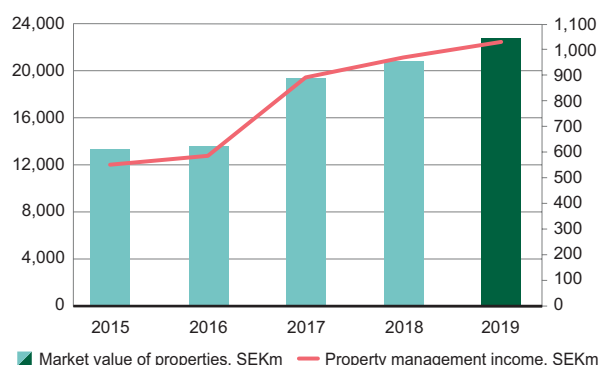
Net financial items for the year totalled SEK -162 million (-175). The interest costs for the year, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.3 per cent (1.6).

CHANGES IN VALUE, PROPERTIES

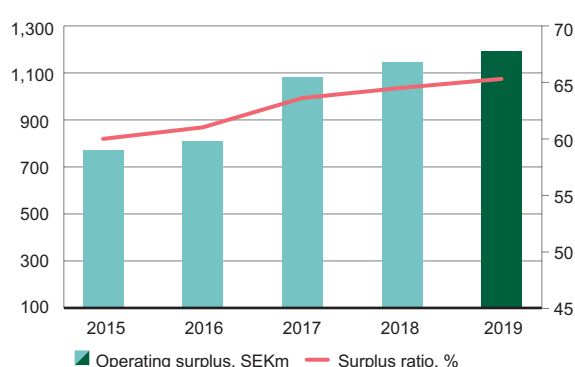
The average valuation yield at year-end was 5.89 per cent (5.97). At portfolio level, this represents a change of -0.08 percentage points since year-end. The positive unrealised value change of SEK 331 million (678) is mainly attributable to a higher net operating income. The change in value represented 1.4 per cent (3.3) of market value. The market value was SEK 22,885 million (20,802) on 31 December.

Five properties (20) were sold during the year and the Falan 20 residential project in Falun was completed, resulting in an overall realised change in value of SEK 19 million (9). We also acquired 9 properties (11).

> MARKET VALUE AND PROPERTY MANAGEMENT INCOME



> OPERATING SURPLUS AND SURPLUS RATIO



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 year, unrealised changes in value on derivatives totalled SEK 0 million (16), which have been fully recognised in the income statement.

PROFIT BEFORE TAX

The profit before tax was SEK 1,302 million (1,597). 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 1,050 million (1,341). Current tax totalled SEK -79 million (-90). This is mainly attributable to tax in subsidiaries which do not have the right to offset losses against Group contributions. Deferred tax was SEK -173 million (-166), 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.

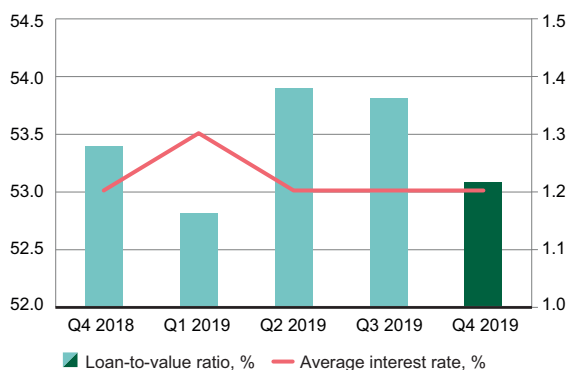
FOURTH QUARTER 2019

Property management income for the fourth quarter, i.e. income excluding changes in value and tax, was SEK 231 million (225). The operating surplus was SEK 292 million (283), representing a surplus ratio of 64 per cent (64).

- Rental income for the fourth quarter was SEK 468 million (447), representing an economic occupancy rate of 90 per cent (91).
- Total property costs were SEK 176 million (164).

Net financial items for the fourth quarter were SEK -39 million (-39). The profit before tax was SEK 319 million (576). Changes in the value of properties had a positive impact of SEK 89 million (351) while changes in the value of interest rate derivatives had an impact of SEK -1 million (0). Earnings after tax were SEK 258 million (451), of which SEK -46 million (-112) refers to deferred tax and SEK -15 million (-13) 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 (0). The Group also has untaxed reserves of SEK 361 million (245). The fair value of the properties exceeds their tax base by SEK 7,038 million (6,288), less SEK 3,792 million (3,502) in deferred tax relating to asset acquisitions. The tax liability has been calculated using the new tax rate of 20.6 per cent, as no significant reversal of the tax liability is expected to be made in 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 YEAR

SEKm	
Profit before tax	1,302
Nominal tax rate 21.4%	-279
Tax effect of	
Realised changes in value, properties	10
Restatement of deferred tax ¹	8
Other tax adjustments	10
Reported tax expense	-251
Of which current tax	-78
Of which deferred tax	-173

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

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



Our tenants

TENANTS

Our tenant base is well diversified geographically and in terms of industry. The number of commercial leases was 2,985 (3,007). The number of residential leases was 1,745 (1,635). The ten largest tenants represent 16 per cent (16) of Diös' total contracted rental income. At 31 December, 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 42 million (10) for the year as a whole and SEK 11 million (1) for the fourth quarter. Notable lets during the period included those to the Luleå University of Technology in Porsön 1:423, Luleå and CWT Sverige AB in Falan 23, Falun.

CONTRACT TERM

The average contract term for commercial premises at 31 December is 3.6 years (3.2).

VACANCIES

At 31 December, the economic vacancy rate was 9 per cent (8) while the vacant area was 14 per cent (13).

Economic vacancies are highest in office and retail premises while physical vacancies are highest in office and industrial/warehouse premises. The economic vacancy rate for the year, excluding discounts, was 9 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

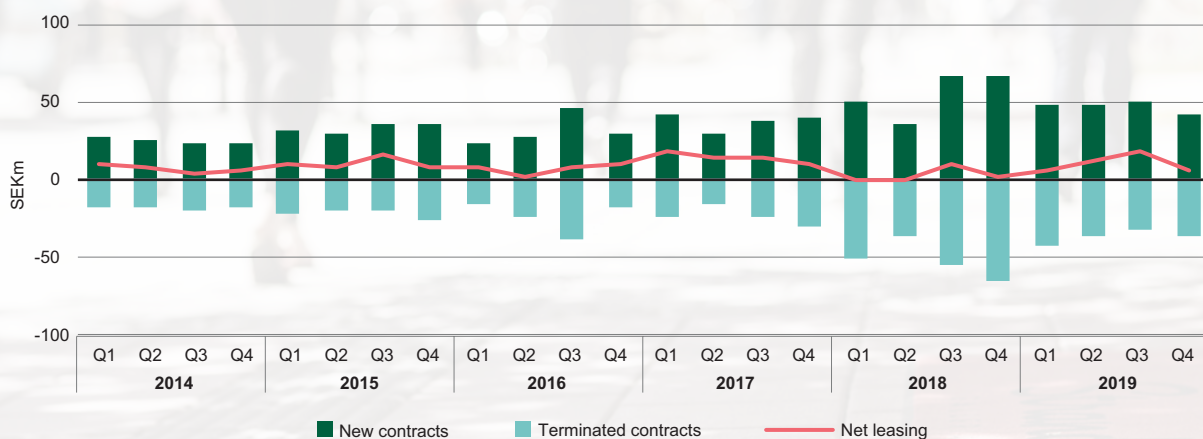
TENANTS AT 31 DEC 2019	No. of contracts	Annual contract value, SEK '000	Average lease term, years
Swedish Transport Administration	25	69,468	4.3
Östersund Local Authority	122	39,393	2.6
Swedish Public Employment Service	34	29,312	2.0
Swedish Police Authority	32	24,085	4.2
Swedish Social Insurance Agency	23	23,062	2.5
Falun Local Authority	10	22,949	2.3
Ahléns AB	6	22,440	4.5
Folksam ömsesidig sakförsäkring	42	22,050	4.5
Swedish Migration Board	10	21,567	2.3
Telia Sverige AB	33	21,493	9.0
Total, largest tenants	337	295,819	3.8

> LEASES AND MATURITIES

	No. of contracts	Contract value, SEKm	Share of value, %
Leases for premises, maturity year			
2020	914	231	12
2021	807	381	21
2022	583	268	14
2023	412	306	17
2024+	269	463	25
Total	2,985	1,649	89
Residential	1,745	140	8
Other leases ¹	3,967	64	3
TOTAL	8,697	1,853	100

¹ Other leases refer mainly to garage and parking spaces.

> NET LEASING



Balance sheet and equity

> CONDENSED CONSOLIDATED BALANCE SHEET, SEKM

ASSETS	2019 31 Dec	2018 31 Dec
Investment properties	22,885	20,802
Other non-current assets	28	54
Right-of-use asset	53	-
Current receivables	221	201
TOTAL ASSETS	23,187	21,057
EQUITY AND LIABILITIES		
Equity	8,484	7,839
Deferred tax liability	1,524	1,353
Provisions	9	9
Interest-bearing liabilities	12,145	11,099
Overdraft facilities	206	198
Non-current lease liability	53	-
Current liabilities	766	559
TOTAL EQUITY AND LIABILITIES	23,187	21,057

> CONDENSED STATEMENT OF CHANGES IN EQUITY, SEKM

	Equity	Attributable to shareholders of the parent company	Of which attributable to non-controlling interests
Equity, 31 Dec 2017	6,887	6,841	45
<i>Profit for the period after tax</i>	1,341	1,338	3
Comprehensive income for the period	1,341	1,338	3
<i>Dividend</i>	-390	-390	-
Equity, 31 Dec 2018	7,839	7,790	49
<i>Profit for the period after tax</i>	1,050	1,041	9
Comprehensive income for the period	1,050	1,041	9
<i>Dividend</i>	-404	-404	-
Equity, 31 Dec 2019	8,484	8,426	58

Columns/rows may not add up due to rounding.



Diös tenant Jazzköket Bistro, Östersund.

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 16,582 million, and 126 properties. The valuation method requires that an external valuation of the entire main portfolio be made each year. The external valuation is made by valuation consultants Savills, who assess 25 per cent of the main portfolio each quarter. 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 21,169 million - SEK 24,601 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. For more information, see Note 11 in the Annual Report 2018.

CHANGE IN PROPERTY VALUE

	2019		2018	
	SEKm	Number	SEKm	Number
Value of property portfolio, 1 Jan	20,802	330	19,457	339
Acquisitions	600	9	420	11
Investments in new builds, extensions and conversions	1,273		677	
Sales	-120	-5	-441	-20
Unrealised changes in value	331		678	
Reclassifications	-		10	
Value of property portfolio, 31 Dec	22,885	333	20,802	330

CHANGES IN VALUE

Unrealised changes in value for the year totalled SEK 331 million (678) and were due to mainly higher net operating income.

UNREALISED CHANGES IN VALUE	31 Dec 2019		31 Dec 2018	
	SEKm	%	SEKm	%
Change in net operating income, etc.	268	81	549	81
Change in required rate of return	63	19	129	19
Total	331	100	678	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-DEC 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
Mimer 4 and 7	4	Skellefteå	4,031	53
Vedkompaniet 2	4	Falun	5,667	97
Total			39,262	602

¹ Underlying property value.

VALUATION ASSUMPTIONS

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

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 1,273 million (677) over the year.

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 1,273 million (677) was invested in 927 projects (799). At the end of the period, 27 major¹ projects were ongoing, with a remaining investment volume of SEK 1,414 million and a total investment volume of SEK 2,134 million. In the fourth quarter, decisions were taken on 163 new investments. The return on completed investments for the period was 7.9 per cent on the invested amount while the return on our ongoing projects, excluding new builds, was 6.5 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.

In the first half of 2020, we will initiate a new build for the Swedish Police Authority in the Stigbygeln 2 property in Umeå and the development of the head office of the Swedish Transport Administration in the Intagan 1 property in Borlänge. The project for Dalarna University in the Mimer 1 property in Borlänge is expected to commence after 30 June 2020.

¹Initial investment volume > SEK 6 million.

INVESTMENTS	31 Dec 2019	31 Dec 2018
Investments in new builds	339	16
Investments in improvement properties	147	174
Investments in tenant adaptations	787	487
Total	1,273	677

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	444	Q1 2019	Q2 2021	BREEAM SE Very good
New build	Umeå	Magne 4	Hotel	14,500	100	410	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 12 mths Jan-Dec	2018 12 mths Jan-Dec
Heating ¹	kWh/sq.m	84.8	85.7
District cooling ²	kWh/sq.m	15.1	18.5
Electricity ³	kWh/sq.m	55.1	58.7
Carbon dioxide, total ⁴	g CO ₂ /kWh	26.9	25.8
Water	m ³ /sq.m	0.4	0.4

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

To reduce our environmental impact, we only buy origin-labelled electricity from renewable sources. In total, 98 per cent of our purchased energy comes from non-fossil energy production.

CERTIFICATIONS

During the year, 20 buildings were certified under the BREEAM In-Use scheme. Our goal for 2019 was to obtain environmental certification for 17 per cent of the total floor space of our portfolio. We now have 36 properties certified under the Miljöbyggnad, BREEAM In-Use and GreenBuilding standards, which represents 17 per cent of the total area of the property portfolio. We thus reached the target for the year.

Financing

CAPITAL STRUCTURE

At 31 December 2019, 37 per cent (37) of Diös' total assets of SEK 23,187 million were financed through equity, 52 per cent (53) through debt and 11 per cent (10) through other items.

EQUITY

Equity at 31 December was SEK 8,484 million (7,839). The equity ratio was 36.6 per cent (37.2), which exceeds the target of 35 per cent.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities in the Group were SEK 12,145 million (11,099).

Of total interest-bearing liabilities, SEK 9,062 million (8,769) refers to bank financing, SEK 1,248 million (1,240) to covered bonds and SEK 1 835 million (1,090) to commercial paper. The accrued cost of the commercial paper is SEK 1,834 million (1,090). At the end of the year, the loan-to-value ratio in the Group was 53.1 per cent (53.4). The average annual interest rate, including the cost of derivatives and loan commitments, was 1.2 per cent (1.2) and the interest coverage ratio for the year was 6.6 times (5.9).

FINANCIAL INSTRUMENTS

Out of the Group's total interest-bearing liabilities, SEK 4,000 million (4,000) has been hedged through derivatives. At 31 December 2019, the market value of the derivative portfolio was SEK 0,3 million (0,5). The financial instruments limit the impact of changes in interest rates

on our average borrowing cost. All financial instruments are measured at fair value and are classified in Level 2 in accordance with IFRS 13, which means that the measurement is based on observable market data (see Note 21 in the Annual Report 2018). Changes in value are recognised through profit or loss.

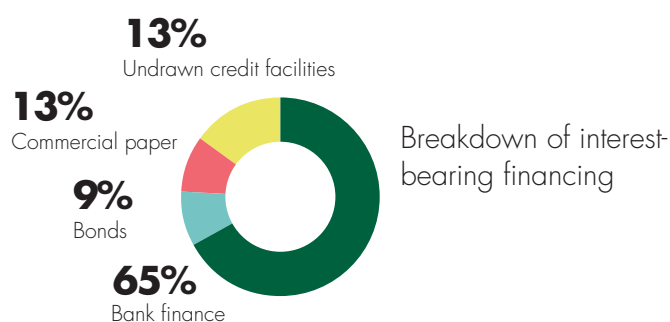
AT 31 DEC 2019	If market interest rates increase by 1 percentage point		
	Change in average annual interest rate, %	Change in average annual interest cost, SEKm	Change in market value, SEKm
Loan portfolio excl. derivatives	0.4%	SEK +53m	
Derivatives portfolio	0.0%	SEK 0m	SEK +0.3m
Loan portfolio incl. derivatives	0.4%	SEK +53m	SEK +0.3m

FIXED-RATE TERMS AND LOAN MATURITIES

The average fixed-rate term, including derivatives, was 0.5 years (1.4) and the average loan maturity 1.6 years (2.0). Of the Group's outstanding loans, SEK 6,883 million (7,327) is subject to fixed interest rates, of which SEK 1,835 million (1,090) refers to commercial paper.

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 206 million (198). The agreed limit on the overdraft facility was SEK 600 million (600).



> INTEREST RATE AND DEBT MATURITY STRUCTURE AT 31 DECEMBER 2019

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm
2020	9,572	1.2	6,411	5,911
2021	2,573	1.2	2,446	2,261
2022	-	-	3,315	2,165
2023	-	-	1,112	1,112
2027	-	-	697	697
Drawn credit facilities	12,145	1.2	13,980	12,145
Undrawn credit facilities ²	1,835	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 31 December 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, SEK M

	2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
OPERATING ACTIVITIES				
Operating surplus	292	283	1,187	1,140
Central administration	-21	-19	-69	-71
Reversal of depreciation, amortisation and impairment	0	1	2	2
Interest received	1	3	4	8
Interest paid	-38	-55	-170	-185
Tax paid	-15	-13	-79	-90
Cash flow from operating activities before changes in working capital	219	200	875	804
Changes in working capital				
Decrease (+)/increase (-) in receivables	20	20	-29	-35
Decrease (-)/increase (+) in current liabilities	34	-14	62	31
Total changes in working capital	54	6	33	-4
Cash flow from operating activities	273	206	908	800
INVESTING ACTIVITIES				
Investments in new builds, conversions and extensions	-235	-157	-1,027	-557
Acquisition of properties	-138	-87	-450	-371
Sale of properties	-	5	146	443
Other non-current financial assets	-	-2	-	-10
Cash flow from investing activities	-373	-241	-1,331	-495
FINANCING ACTIVITIES				
Dividends paid	-202	-195	-404	-390
New borrowing, interest-bearing liabilities	72	100	1,071	312
Repayment and redemption of interest-bearing liabilities	-15	-67	-252	-457
Change in overdraft facility	206	197	8	198
Cash flow from financing activities	61	35	423	-337
Cash flow for the period	-39	0	0	-32
Cash and cash equivalents at beginning of period	39	0	0	32
Cash and cash equivalents at end of period	0	0	0	0

Columns/rows may not add up due to rounding.

REPORTING BY BUSINESS UNIT AT 31 DECEMBER Amounts in SEKm unless otherwise indicated.

2019

By business unit	Dalarna	Gävle	Sundsvall	Åre/Östersund	Umeå	Skellefteå	Luleå	Group
Rental income	240	157	234	260	210	112	269	1,482
Service income								
Tariff-based operations	42	19	39	53	30	18	35	237
Care and upkeep	21	12	23	31	18	7	23	135
Repair and maintenance	-13	-6	-8	-13	-7	-5	-7	-59
Tariff-based costs	-40	-18	-36	-51	-28	-18	-31	-222
Property tax	-14	-11	-16	-17	-16	-7	-20	-101
Other property costs	-32	-17	-36	-42	-30	-10	-39	-206
Property management	-13	-9	-12	-19	-10	-5	-12	-80
Operating surplus	192	126	188	203	168	92	217	1,187
Central administration/net financial items	-	-	-	-	-	-	-	-235
Property management income	-	-	-	-	-	-	-	952
Property, realised	14	-	-	5	-	-	-	19
Property, unrealised	-6	44	69	145	13	50	15	331
Interest rate derivatives	-	-	-	-	-	-	-	0
Profit before tax	-	-	-	-	-	-	-	1,302
Leasable area, sq.m	277,782	160,604	233,490	291,478	200,829	113,157	205,440	1,482,780
Rental value	327	214	337	371	285	143	342	2,018
Economic occupancy rate, %	91	84	87	92	89	95	94	90
Surplus ratio, %	65	70	64	60	66	68	68	65
Property portfolio, 1 January	2,805	1,971	3,424	3,556	3,562	1,430	4,054	20,802
Acquisitions	246	245	28	28	-	53	-	600
Investments in new builds, extensions and conversions	201	208	282	170	214	57	141	1,273
Sales	-49	-	-	-71	-	-	-	-120
Reclassifications	-	-	-	-	-	-	-	-
Unrealised changes in value	-6	44	69	145	13	50	15	331
Property portfolio, 31 December	3,197	2,468	3,803	3,828	3,789	1,590	4,210	22,885

Columns/rows may not add up due to rounding.



2018

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

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

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

	2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Property management income				
Profit before tax	319	576	1,302	1,597
Reversal				
Change in value, properties	-89	-351	-350	-687
Change in value, derivatives	1	0	0	-16
Property management income	231	225	952	894
EPRA earnings (property management income after tax)				
Property management income	231	225	952	894
Reversal, current tax property management income	-15	-13	-78	-77
Minority share of earnings	-1	0	-9	-3
EPRA earnings	215	212	865	814
EPRA earnings per share, SEK	1.60	1.58	6.43	6.05

	2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Loan-to-value ratio				
Interest-bearing liabilities			12,145	11,099
Investment properties			22,885	20,802
Loan-to-value ratio, %			53.1	53.4

	2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Equity ratio				
Equity			8,484	7,839
Total assets			23,187	21,057
Equity ratio, %			36.6	37.2

	2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Interest coverage ratio				
Property management income	231	225	952	894
Reversal				
Financial costs	42	42	170	183
Total	273	267	1,122	1,077
Financial costs	42	42	170	183
Interest coverage ratio, times	6.5	6.3	6.6	5.9

	2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Net debt to EBITDA				
Interest-bearing liabilities as per balance sheet			12,145	11,099
Cash and cash equivalents			-	-
Overdraft facilities			206	198
Net debt			12,351	11,297
Operating surplus			1,187	1,140
Central administration			-73	-71
Reversal				
Depreciation and amortisation			5	2
EBITDA			1,119	1,071
Net debt to EBITDA			11.0	10.5

	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Net asset value		
Equity as per balance sheet	8,484	7,839
Minority share of equity	-58	-49
Reversal as per balance sheet		
Fair value of financial instruments	0	-1
Deferred tax on temporary differences	1,450	1,299
EPRA NAV (long-term net asset value)	9,876	9,088
EPRA NAV (long-term net asset value) per share, SEK	73.4	67.6
Deductions		
Fair value of financial instruments	0	1
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-270	-242
EPRA NNAV (short-term net asset value)	9,606	8,847
EPRA NNAV (short-term net asset value) per share, SEK	71.4	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 Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Return on equity, %	3.1	5.9	12.8	18.2
Equity per share, SEK			63.1	58.3

Cash flow per share, SEK

Profit before tax	319	576	1,302	1,597
Reversal				
Unrealised change in value, properties	-75	-351	-331	-678
Unrealised change in value, derivatives	1	0	0	-16
Depreciation and amortisation	1	1	5	2
CURRENT TAX	-15	-13	-79	-90
Total	231	213	897	815
Average number of shares ('000)	134,512	134,512	134,512	134,512
Cash flow per share, SEK	1.71	1.58	6.67	6.05
Earnings per share, SEK	1.92	3.35	7.74	9.94
Debt/equity ratio, times			1.4	1.4

OTHER INFORMATION	2019 3 mths Oct-Dec	2018 3 mths Oct-Dec	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
Contracted rental income, SEKm	459	441	1,821	1,771
Economic occupancy rate, %	90	91	90	91
Surplus ratio, %	64	64	65	64

EPRA vacancy rate

Estimated market rent for vacant space			182	151
Annualised rental value for the whole portfolio			2,018	1,936
EPRA vacancy rate, %			9.0	7.8



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 171 million (164) and the profit after tax was SEK 111 million (602). Profit after tax includes SEK 20 million (600) in dividends from Group companies, Group contributions received of SEK 92 million (11) and Group contribution paid of SEK 20 million (0). Income referred chiefly to services sold to the Group's subsidiaries.

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

	2019 12 mths Jan-Dec	2018 12 mths Jan-Dec
INCOME STATEMENT		
Income	171	164
Gross profit	171	164
Central administration	-215	-204
Operating profit	-44	-40
Income from interests in Group companies	92	611
Financial income	330	253
Financial costs	-254	-222
Profit after financial items	124	602
Appropriations	-8	0
Profit after appropriations	116	602
CURRENT TAX	-5	-
Profit after tax	111	602
STATEMENT OF COMPREHENSIVE INCOME		
Profit after tax	111	602
Comprehensive income for the year	111	602

Cash and cash equivalents at 31 December 2019 were SEK 0 million (0) and drawn overdraft facilities were SEK 226 million (201). External interest-bearing liabilities, excluding overdraft facilities, totalled SEK 2,853 million (2,238), of which SEK 1,835 million (1 090) referred to outstanding commercial paper. The average annual interest rate based on the situation at 31 December 2019 was 1.0 per cent (1.0). The parent company prepares its financial reports in compliance with RFR 2 Financial Reporting for Legal Entities.

› CONDENSED PARENT COMPANY BALANCE SHEET, SEKM

	2019 31 Dec	2018 31 Dec
ASSETS		
Investments in Group companies	2,263	2,124
Receivables from Group companies	13,618	11,214
Other assets	23	21
Cash and cash equivalents	-	-
TOTAL ASSETS	15,904	13,359
EQUITY AND LIABILITIES		
Equity	3,013	3,307
Untaxed reserves	8	0
Interest-bearing liabilities	2,853	2,238
Liabilities to Group companies	9,761	7,579
Overdraft facilities	226	201
Other liabilities	43	34
TOTAL EQUITY AND LIABILITIES	15,904	13,359



Emma Widegren, Property Manager.

Other information

► EMPLOYEES AND ORGANISATION

The number of employees as at 31 December 2019 was 153 (158), of whom 67 were women (63). The majority of our employees, 101 people (104), work in our business units and the rest at our head office in Östersund. The number of employees was down compared with 2018 due to a number of vacancies, which will be filled in the first quarter of 2020.

► 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	21,169	22,885	24,601
Equity ratio, %	31.5	36.6	41.0
Loan-to-value ratio, %	57.4	53.1	49.4

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	+/- 53

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 p 16a are provided elsewhere in the interim report than in a note. All property-related transactions in the fourth quarter have been recognised based on calculations of the preliminary consideration. The calculation of the final consideration will be completed in the first quarter of 2020. 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.

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,

ACCOUNTING POLICIES CONTINUE ON THE NEXT PAGE ►

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 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.

¹The 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			
Equity	7,839		7,839
Retained earnings	0	0	0
Deferred tax liability	1,353		1,353
Provisions	9		9
Interest-bearing liabilities			
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	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

	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income, SEKm	468	464	464	457	447	467	446	450
Operating surplus, SEKm	292	312	315	268	283	312	295	250
Property management income, SEKm	231	252	257	212	225	248	234	187
Profit for the period, SEKm	258	299	263	230	451	303	358	229
Surplus ratio, %	64	68	69	60	64	70	67	56
Economic occupancy rate, %	90	90	90	91	91	91	91	92
Return on equity, %	3.1	3.6	3.3	2.9	5.9	4.2	5.0	3.3
Equity ratio, %	36.6	36.4	35.8	36.9	37.2	36.1	34.8	35.3
Property loan-to-value ratio, %	53.1	53.8	53.9	52.8	53.4	54.6	55.8	56.7
Average interest rate at end of period, % ¹	1.2	1.2	1.2	1.3	1.2	1.3	1.5	1.5
Interest coverage ratio, times	6.5	6.6	7.1	6.2	6.3	6.0	6.3	4.9
Property management income per share, SEK	1.72	1.87	1.91	1.57	1.67	1.84	1.74	1.38
Earnings per share after tax, SEK	1.92	2.19	1.93	1.71	3.35	2.25	2.64	1.70
Equity per share, SEK	63.1	61.1	58.9	60.0	58.3	54.9	52.7	52.9
Market price per share, SEK	85.8	85.9	68.7	76.3	56.4	56.9	53.8	56.4

¹ Includes expenses relating to commitment fees and derivatives.

> TARGETS

OPERATIONAL AND FINANCIAL TARGETS	Outcome Jan-Dec 2019	Target 2019	Target 2020
Growth in property management income per share, %	6	>5	>10 ¹
Surplus ratio, %	65	65	65
Energy use, %	-3	-3	-3
Environmentally certified properties, % of total area	17	17	not defined
Employee satisfaction index	-	76	not defined
Customer satisfaction index	68	67	not defined
Return on equity, %	12.8	>12	>12
Distribution of profit for the year ² , %	49.8 ³	~50	~50
Loan-to-value ratio, %	53.1	<55	<55
Equity ratio, %	36.6	>35	>35

¹ In average over a three year period.

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

³ The Board of Directors' proposal.

Three reasons to invest in Diös



A unique position

As the market-leading private property owner in our cities, we are in a strong position to influence things. Through close relations with decisions-makers and other players, we drive growth. This growth is reflected in higher rents, rising market values and reduced vacancies.



Strong and stable cash flows

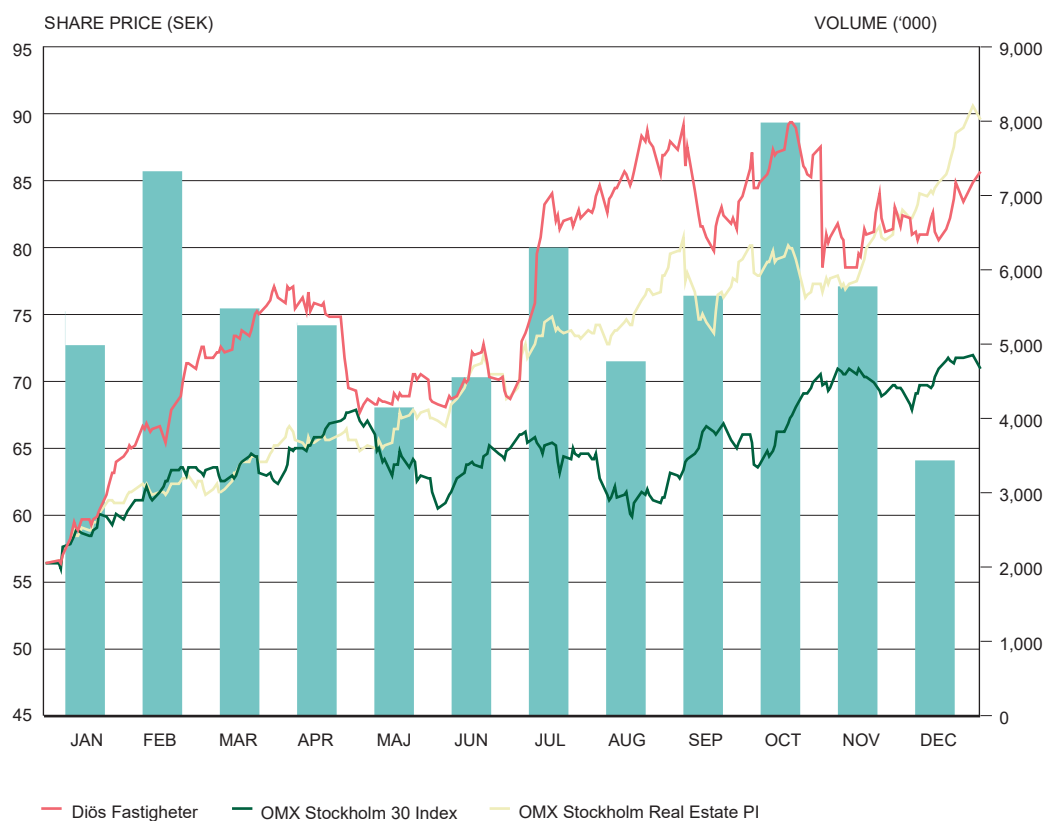
Since 2013, the cash flow per share has increased by 80 per cent. A well diversified portfolio and a good mix of tenants generate stable revenue streams. 26 per cent of our revenue comes from the public sector.



An exciting project portfolio

By developing new and existing premises, we increase the value of our properties and boost our cash flow, but above all we create a greater flow of people in the city. This creates attractive spaces that have a positive impact on neighbouring businesses. We have 100,000 sq.m of gross floor space under construction and a further 100,000 sq.m in early stages of development.

DIÖS SHARE PRICE PERFORMANCE 2019



Share information

SHARE PERFORMANCE

Diös' share price at the end of the year was SEK 85.8 (56.4), which represents a market capitalisation of SEK 11,541 million (7,580), and the return for the past 12 months was 52.3 per cent (-1.1). If the dividend is included, the total return on the shares for the period was 58.1 per cent (6.5). 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 -25.8 per cent (-10.7) and the return on the OMX Stockholm Real Estate PI index 59.2 per cent (9.7).

At 31 December, Diös Fastigheter AB had 14,688 shareholders (13,921). The share of foreign-owned shares was 24.8 per cent (20.6) 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 53.4 per cent (54.1) 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 year, Nordstjernan AB exercised its option from Bengtssons Tidnings AB, increasing its shareholding to over 10 per cent of the total number of shares. 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. The annual return was 12.8 per cent (18.2). Equity at the end of the year was SEK 8,484 million (7,839) and the long-term net asset value, EPRA NAV, was SEK 9,876 million (9,088). On a per share basis, EPRA NAV was SEK 73.4 (67.6), which means that the share price at 31 December represented 117 per cent (83) of the long-term net asset value. The net asset value per share for the year, expressed as EPRA NNNNAV, was SEK 71.4 (65.8).

EARNINGS

Earnings per share for the year were SEK 7.74 (9.94) while long-term earnings per share, expressed as EPRA EPS, were SEK 6.43 (6.05). 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 December 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	4,300,000	3.2
Avanza Pension	2,895,159	2.2
Swedbank Robur fonder	2,459,500	1.8
BlackRock	2,067,698	1.5
Sten Dybeck, including company and family	2,022,000	1.5
ODIN Fonder	1,623,221	1.2
Total, largest shareholders	71,833,950	53.4
Other shareholders	62,678,488	46.6
TOTAL	134,512,438	100.0



> REVIEW OF THE REPORT

The Board of Directors and the CEO declare that the financial statement gives a true and fair view of the operations, financial position and income of the company and the Group, and describes the principal risks and uncertainties faced by the company and the Group's companies. This financial statement 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, 11 February 2020

Bob Persson
Chairman

Eva Nygren
Board member

Ragnhild Backman
Board member

Anders Nelson
Board member

Peter Strand
Board member

Tomas Mellberg
Board member
Employee representative

Knut Rost
Chief Executive Officer

> FINANCIAL CALENDAR

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 23 January, the Nomination Committee published its proposal, to be put before the AGM on 2 April, to expand Diös' Board with one further Director, nominating Tobias Lönnevall (Nordstjernan AB) as a new Director.

> FOR FURTHER INFORMATION, PLEASE CONTACT

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

This constitutes information which Diös Fastigheter AB is required to publish under the EU's Market Abuse Regulation. The information was submitted for publication through the above contact person on 11 February 2020, at 7:00 a.m. CET.

Definitions

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.

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.

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.

CONTRACTED RENTAL INCOME

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

DEBT/EQUITY RATIO

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

EARNINGS PER SHARE

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

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.

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.

EQUITY PER SHARE

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

EQUITY RATIO

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

INTEREST COVERAGE RATIO

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

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.

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.

NUMBER OF SHARES AT END OF PERIOD

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

PROJECT PROPERTY

Refers to a property that is intended to be redeveloped or improved. Divided into the following sub-categories:

New builds – land and properties with ongoing new builds or that are undergoing complete redevelopment.

Improvement property – properties with ongoing or planned conversion or extension work that materially affects the property's operating surplus or standard and/or changes the use of the property.

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

PROPERTY MANAGEMENT INCOME

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

RENTAL VALUE

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

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.

SERVICE INCOME

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

SURPLUS RATIO

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

YIELD

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

A woman with blonde hair, wearing a black and white striped shirt and dark pants, is sitting in a large, light-colored wicker hanging chair. She is holding a silver laptop on her lap and looking towards the camera. The chair is suspended by thick ropes. In the background, there is a modern office environment with glass walls and a perforated metal screen. A person is partially visible behind the screen. The lighting is warm and natural, suggesting an indoor setting with large windows.

Diös

DIÖS FASTIGHETER AB (PUBL)

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