

Diös

Q3

INTERIM REPORT JANUARY-SEPTEMBER 2020

Highlights of Q3

January–September 2020

- **Revenue** increased by 1 per cent to SEK 1,406 million (1,386)
- **Property management income** increased by 1 per cent to SEK 729 million (721)
- **Unrealised changes in value** of properties were SEK -131 million (256) and unrealised changes in value of derivatives were SEK 2 million (1)
- **The profit after tax** was SEK 475 million (792)
- **Earnings per share** were SEK 3.55 (5.83)

36.0

Equity ratio, %

6.0

Interest coverage ratio

55.2

Loan-to-value ratio, %

Profit for the period, SEKm

	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
Revenue	1,406	1,386	1,854
Operating surplus	924	895	1,187
Property management income	729	721	952
Profit before tax	598	983	1,302
Profit after tax	475	792	1,050
Surplus ratio, %	68	66	65
Occupancy rate, %	88	90	90
Equity ratio, %	36.0	36.4	36.6
Loan-to-value ratio, properties ¹ , %	55.2	53.6	54.0
Equity per share, SEK	65.0	61.2	63.1
EPRA NRV per share, SEK	75.7	71.2	73.4

¹ Definition changed during the period. For definitions of KPIs, see page 27.

Significant events Q3

- Diös is developing a 3,800 sq.m space in central Sundsvall for Tele2. The lease runs for 10 years and the annual rent is SEK 9 million. Occupancy is scheduled for autumn 2021.
- Anna Dahlgren takes over as Diös' Business Area Manager in Sundsvall after Sofie Stark, who takes over as Property Director, as announced previously.

Chief executive's review

A strong result in a stable market

While remaining mindful of the ongoing situation, I am proud to note that our drive and energy were crucial to the achievement of a strong result for the third quarter. Net leasing of SEK 42 million for the period, and SEK 13 million for the quarter, is a good gauge of our activities and our stable market. Demand for offices in attractive locations remains strong, as also for housing, and we see good opportunities to strengthen our position and conclude further profitable deals in this segment.

Our income from property management was SEK 729 million, which is an increase of 1 per cent on the previous year. This is a result that we are proud of and that points to strength – among our tenants, in our market and in our business. For the fourth quarter we have so far received 95 per cent of our expected rental payments, which is normal. Our costs are lower, and it is satisfying to note that our efforts to improve energy efficiency are having an impact on our bottom line. The surplus ratio for the period improved, to 68 per cent.

We have continued to conclude good, long-term contracts and net leasing for the third quarter was positive, SEK 13 million. A tangible example of this is the lease signed with Tele2 for premises in the In:gal-lerian shopping centre in Sundsvall, where we are converting attractive retail spaces into offices in a super prime location. The office is a part of a company's identity and brand, and I am confident that we will be entering into many profitable contracts by finding the right location and premises for the right tenant. Similar office leases have also been entered into with the Swedish Prosecution Authority and the Swedish Vocational Academy in Bergströms Galleria in Falun. Prime location retailing will remain a key feature of our cities, generating solid profits for Diös, but converting retail premises in less attractive locations for other purposes will generate the highest value over time. Demand for housing remains good as all our cities continue to grow demographically and we are looking at opportunities to increase the residential share of our portfolio through new builds, conversions and acquisitions. Söderbo, our latest residential project where tenants are now moving in, shows that modern residential buildings close to the city are an attractive product, especially when a full range of urban services is available round the corner.



Today 31 per cent of our rental income comes from public-sector organisations and educational institutions. Our property portfolio is well diversified in terms of segments and we have concentrated the portfolio to markets with strong growth prospects. In addition to these high quality characteristics, our portfolio has a high yield, which together with a low financing rate results in very strong cash flows.

The value of the property portfolio increased by SEK 10 million over the period. The increase was driven mainly by good deals and investments in offices while long-term market rents for certain retail premises had a negative impact.

In the third quarter, conditions in capital markets improved, allowing us to increase the volume of commercial paper by around SEK 300 million. There are no further loan maturities in 2020 and in addition to our existing loans we have undrawn overdraft and credit facilities of SEK 700 million.

In most segments sentiment among our tenants is upbeat. Sales in shops and restaurants are up and staffing levels among our office tenants have risen to more normal levels. Offices will continue to be crucial to a company's growth and development and be an important part of a company's brand. Demand remains high for attractive, modern and flexible office space.

No one is unaffected by the pandemic. As existing trends accelerate and new trends arise the challenge is to continue working towards our goals, efficiently and with boldness. We have delivered a strong result for the third quarter and an increase in net leasing. Looking ahead, we see many opportunities to create long-term value for our cities, tenants and shareholders.

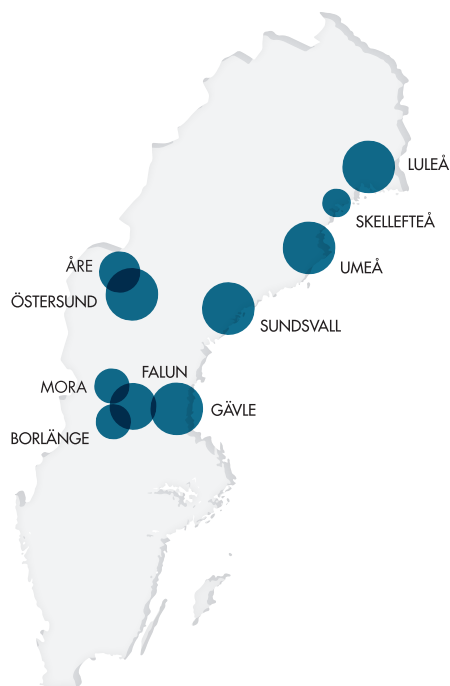


Knut Rost, CEO

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.



335

No. of properties



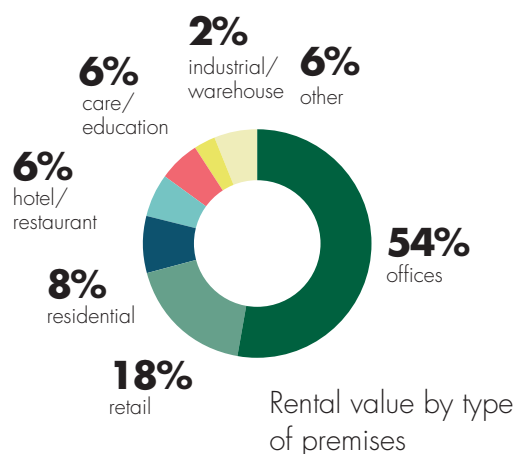
23.8

Property value, SEKbn



1,480

Leasable area, thousand sq.m



Relationships and business

Through **good relationships**, we build a profitable long-term business. With **satisfied employees**, we build good relationships with our tenants. 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.

We are convinced that **everything is possible!** That is the starting point for all our business dealings and all our relationships.

Long-term relationships are built on trust. Our aim is to have a reputation for honesty, expertise and professionalism in everything we do. We run our company on the basis of sound business ethics and zero tolerance of 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.

Corporate responsibility

For Diös, responsible business is about taking a comprehensive approach to economic, social and environmental considerations. We want to help combat climate change and make our cities safer 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

	2020 3 mths Jul-Sep	2019 3 mths Jul-Sep	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
INCOME STATEMENT					
Rental income	398	391	1,131	1,114	1,482
Service income	75	74	260	272	372
Other income	5	-	15	-	-
Total income	478	464	1,406	1,386	1,854
Property costs	-143	-152	-482	-491	-667
Operating surplus	335	312	924	895	1,187
Central administration	-17	-16	-53	-51	-73
Net financial items	-47	-44	-142	-123	-162
Property management income	271	252	729	721	952
Change in value, properties	10	125	-133	261	350
Change in value, interest rate derivatives	2	0	2	1	0
Profit before tax	283	378	598	983	1,302
Current tax	-26	-23	-63	-64	-79
Deferred tax	-28	-56	-60	-127	-173
Profit after tax	229	299	475	792	1,050
Profit attributable to shareholders of the parent company	230	295	476	784	1,041
Profit attributable to non-controlling interests	-1	4	-1	8	9
Total	229	299	475	792	1,050
STATEMENT OF COMPREHENSIVE INCOME					
Profit after tax	229	299	475	792	1,050
Comprehensive income for the period	229	299	475	792	1,050
Comprehensive income attributable to shareholders of the parent company	230	295	476	784	1,041
Comprehensive income attributable to non-controlling interests	-1	4	-1	8	9
Total	229	299	475	792	1,050
Earnings per share, SEK	1.72	2.19	3.55	5.83	7.74
Number of shares outstanding at end of period	134,071,020	134,512,438	134,071,020	134,512,438	134,512,438
Average number of shares	134,071,020	134,512,438	134,196,052	134,512,438	134,512,438
Number of treasury shares at end of period	441,418	0	441,418	0	0
Average number of treasury shares	441,418	0	316,386	0	0

There is no dilutive effect, as no potential shares (such as convertibles) exist.
The accounting policies are presented on page 22.
Columns/rows may not add up due to rounding.

Earnings

January–September 2020

PROPERTY MANAGEMENT INCOME

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 729 million (721). This is an increase of 1 per cent compared with the previous year. For comparable properties, our property management income increased by 1 per cent year on year. Our property management income for the period was affected by net rent discounts of SEK 18 million attributable to grants provided under the government rent support scheme. The discounts are of a non-recurring nature.

REVENUE

Revenue for the reporting period was SEK 1,406 million (1,386), representing a 88 per cent (90) economic occupancy rate. For comparable properties, contracted rental income decreased by 1 per cent year on year. Rental income was affected by rent discounts of SEK 33 million attributable to the government rent support scheme. Government support relating to rent discounts totalled SEK 15 million and is accounted for as other income. Other property management income totalled SEK 22 million (24) and consisted mainly of the costs of work on leased premises that are passed on to tenants.

Revenue growth	2020 Jan-Sep	2019 Jan-Sep	Change %
Comparable properties	1,351	1,358	-0.6
Acquired properties	16	0	
Sold properties	2	4	
Contracted rental income	1,369	1,362	
Other property management income	22	24	
Other income	15	-	
Revenue	1,406	1,386	

PROPERTY COSTS

Total property costs were SEK 482 million (491). Tariff-based costs were lower than in the year-before period due to lower winter-related costs and improved energy efficiency. The property tax expense increased as a result of updated assessed values. Of the total property costs, SEK 12 million (11) refers to work on leased premises where the costs are passed on to tenants.

OPERATING SURPLUS

The operating surplus was SEK 924 million (895), representing a surplus ratio of 68 per cent (66). For comparable properties, our operating surplus increased by 3 per cent compared with the previous year.

CENTRAL ADMINISTRATION

The central administration costs amounted to SEK 53 million (51). Central administration includes costs for Group-wide functions such as senior management, IT, annual reports, auditors' fees, legal advice and so on.

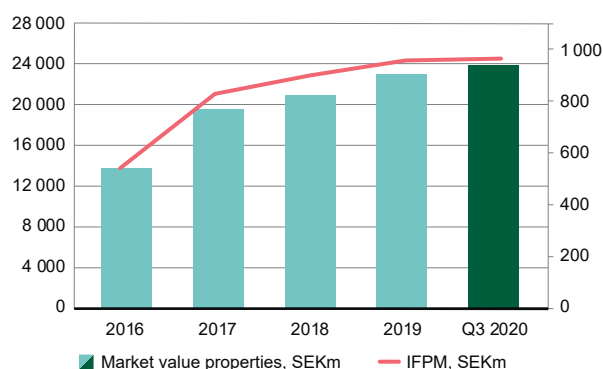
NET FINANCIAL ITEMS

Net financial items for the period were SEK -142 million (-123). The interest costs for the period, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.4 per cent (1.3). The net financial expense increased due to a higher Stibor-90 rate and increased interest-bearing liabilities while reduced bank margins had a positive impact.

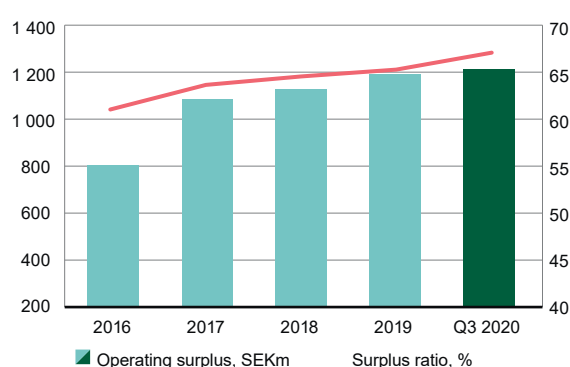
CHANGES IN VALUE, PROPERTIES

The average valuation yield at the end of the period was 5.83 per cent (5.93). At a portfolio level, this represents a change of -0.06 percentage points since year-end. The unrealised change in value

MARKET VALUE AND PROPERTY MANAGEMENT INCOME



OPERATING SURPLUS AND SURPLUS RATIO



The figures for property management income, operating surplus and surplus ratio in Q3 2020 are on a rolling 12-month basis.

was SEK -131 million (256). The change in value is mainly due to a changed short-term inflation assumption that has a negative impact on projected net operating income. The inflation assumption has been adjusted to reflect current and forecast inflation outcomes. Improved net operating income in the office and retail segments had a positive impact. This was offset by a decrease in the market values of certain retail premises due to increased uncertainty and the risk of lower future cash flows. The change in value represented -0.6 per cent (1.2) of market value. At 30 September, the market value was SEK 23,791 million (22,259).

During the period, 2 properties (5) were sold, resulting in a realised change in value of SEK 2 million (5), and 2 properties (6) were acquired.

CHANGES IN VALUE, DERIVATIVES

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

During the period, unrealised changes in value on derivatives totalled SEK 2 million (1), which have been fully recognised in the income statement.

PROFIT BEFORE TAX

The profit before tax was SEK 598 million (983). 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 475 million (792). Current tax totalled SEK -63 million (-64). This is mainly attributable to tax in subsidiaries which do not have the right to offset losses against Group contributions. The deferred tax was SEK -60 million (-127). The change in deferred tax is due to the negative unrealised change in value.

THIRD QUARTER OF 2020

Property management income for the third quarter, i.e. income excluding changes in value and tax, was SEK 271 million (252). The operating surplus was SEK 335 million (312), representing a surplus ratio of 72 per cent (68).

- Rental income for the third quarter was SEK 478 million (464), representing an economic occupancy rate of 90 per cent (90).
- Total property costs were SEK 143 million (152).

Net financial items for the third quarter were SEK -47 million (-44). The profit before tax was SEK 283 million (378). Changes in the value of properties had a positive impact of SEK 10 million (125) while changes in the value of interest rate derivatives had an impact of SEK 2 million (0). Earnings after tax were SEK 229 million (299), of which SEK -28 million (-56) refers to deferred tax and SEK -26 million (-23) to current tax.

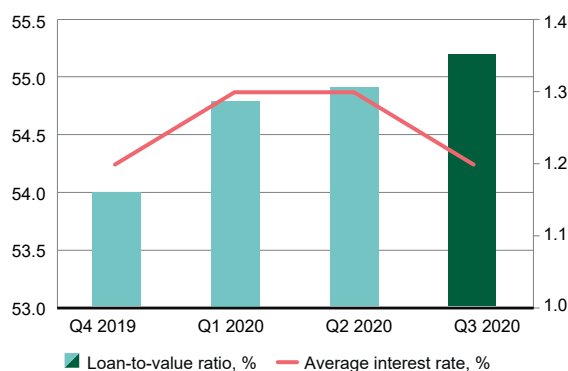
TAX

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 461 million (346). The fair value of the properties exceeds their tax base by SEK 7,230 million (6,838), less SEK 3,811 million (3,760) 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.

AVERAGE INTEREST RATE AND LOAN-TO-VALUE RATIO



TAX CALCULATION FOR THE PERIOD

SEKm	
Profit before tax	598
Nominal tax rate 21.4%	-128
Tax effect of	
Realised changes in value, properties	0
Other tax adjustments	5
Reported tax expense	-123
Of which current tax	-63
Of which deferred tax	-60

Our tenants

TENANTS

Our tenant base is well diversified geographically and in terms of industry. The number of commercial leases was 3,082 (2,950). The number of residential leases was 1,802 (1,709). The ten largest tenants represent 16 per cent (16) of Diös' total contracted rental income. At 30 September, 31 per cent of contracted rental income came from tenants engaged in activities on behalf of the central government, county councils, local authorities or public funded educations.

NET LEASING

Net leasing was SEK 42 million (31) for the period as a whole and SEK 13 million (18) for the third quarter. Notable lets during the period included those to Tele2 in Lyckan 6, Sundsvall and Reijlers, in Pelikanen 6, Luleå.

CONTRACT TERM

The average contract term for commercial premises at 30 September is 4.0 years (3.8).

VACANCIES

At 30 September, the economic vacancy rate was 10 per cent (10) while the vacant area was 14 per cent (15). Adjusted for project-related and non-leasable vacancies, the physical vacancy rate was 12¹ per cent. 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 period, excluding discounts, was 9 per cent (10).

¹Project-related and non-leasable vacancies are sites that have been vacated for new builds and conversion, plus premises that have already been leased but are not yet occupied.

OUR LARGEST TENANTS

TENANTS AT 30 SEP 2020	No. of contract contracts	Annual contract value, SEK '000	Average contract term ¹ , years
Swedish Transport Administration	25	70,299	9.0
Östersund Local Authority	115	36,667	2.3
Swedish Police Authority	31	30,576	8.8
Swedish Public Employment Service	33	30,438	2.1
Swedish Social Insurance Agency	20	26,040	3.5
Ähléns AB	5	22,611	4.0
Folksam ömsesidig sakförsäkring	42	22,337	3.8
Falun Local Authority	11	22,215	5.7
Swedish Migration Board	10	21,785	1.4
Swedbank AB	12	21,601	3.2
Total, largest tenants	304	304,569	5.4

⊗ Tenants in the central, regional or local government sectors.

¹ Includes contracts with completion dates in the future.

LEASES AND MATURITIES

	Number of contracts	Contract value, SEKm	Share of value, %
Leases for premises, maturity year			
2020	261	66	4
2021	853	288	16
2022	647	337	18
2023	606	324	17
2024+	499	627	34
Total	2,866	1,642	89
Residential	1,802	148	8
Other leases ¹	3,497	61	3
Total	8,165	1,851	100

¹ Other leases refer mainly to garage and parking spaces.

NET LEASING



Balance sheet and equity

> CONDENSED CONSOLIDATED BALANCE SHEET, SEK M

ASSETS	2020 30 Sep	2019 30 Sep	2019 31 Dec
Investment properties	23,791	22,259	22,885
Other non-current assets	84	72	81
Current receivables	318	248	221
Cash and cash equivalents	-	39	-
TOTAL ASSETS	24,193	22,618	23,187
EQUITY AND LIABILITIES			
Equity	8,711	8,227	8,484
Deferred tax liability	1,594	1,489	1,533
Interest-bearing liabilities	12,990	11,978	12,145
Overdraft facilities	150	-	206
Non-current lease liability	50	44	53
Current liabilities	698	880	766
TOTAL EQUITY AND LIABILITIES	24,193	22,618	23,187

> CONDENSED STATEMENT OF CHANGES IN EQUITY, SEK M

	Equity	Of which attributable to share- holders of the parent company	Of which attributable to non-controlling interests
Equity, 31 Dec 2018	7,839	7,790	49
<i>Profit for the period after tax</i>	792	784	8
Comprehensive income for the period	792	784	8
<i>Dividend</i>	-404	-404	-
Equity 30 Sep 2019	8,227	8,170	57
<i>Profit for the period after tax</i>	258	257	1
Comprehensive income for the period	258	257	1
Equity, 31 Dec 2019	8,484	8,426	58
<i>Profit for the period after tax</i>	475	476	-1
Comprehensive income for the period	475	476	-1
<i>Share buy-backs</i>	-29	-29	-
<i>Dividend</i>	-221	-221	-
Equity, 30 Sep 2020	8,711	8,654	57

Columns/rows may not add up due to rounding.



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 92 per cent (93) commercial properties and 8 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 71 per cent of the property value, or SEK 16,941 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 +/-10.0 per cent. For Diös, this translates into a value range of SEK 21,412 million – SEK 26,170 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 2019.

CHANGE IN PROPERTY VALUE

	30 Sep 2020		30 Sep 2019	
	SEKm	Number of	SEKm	Number
Value of property portfolio, 1 Jan	22,885	333	20,802	330
Acquisitions	38	2	450	6
Investments in new builds, extensions and conversions	1,044		872	
Sales	-45	-2	-120	-5
Unrealised changes in value	-131		256	
Value of property portfolio, 30 Sep	23,791	335 ¹	22,259	331

¹Two properties were created through a reorganisation of the Umeå Magne 4 property.

CHANGES IN VALUE

Unrealised changes in value for the period totalled SEK -131 million (256). The negative change in value is mainly due to changed short-

term valuation assumptions in respect of inflation, and effects net operating income. Realised changes in value attributable to sales during the period totalled SEK -2 million (0).

UNREALISED CHANGES IN VALUE

	30 Sep 2020	30 Sep 2019
	SEKm	SEKm
Change in net operating income, etc.	-373	88
Change in required rate of return	242	168
Total	-131	256

CHANGES IN THE PORTFOLIO

LIST OF PROPERTY TRANSACTIONS JAN-SEP 2020

Sold and completed on

Property	Quarter	City	Area, sq.m	Price ¹ , SEKm
Högom 3:186 and 3:189	3	Sundsvall	5,968	45
Total			5,968	45

¹ Underlying property value.

Acquired and completed on

Property	Quarter	City	Area, sq.m	Price ¹ , SEKm
Mimer 2 and 3	2	Skellefteå	2,859	38
Total			2,859	38

¹ Underlying property value.

INVESTMENTS

We invest continually in our properties to improve, adapt and increase the efficiency of our tenants' premises. During the period, our investments helped to increase the value of the portfolio by SEK 1,044 million (872).

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 result in a higher occupancy rate, increased customer satisfaction, lower costs and a reduced impact on the environment. During the period, SEK 1,044 million (872) was invested in a total of 753 projects (759). At the end of the period, 36 major¹ projects were ongoing, with a remaining investment volume of SEK 1,598 million and a total investment volume of SEK 2,882 million. During the period, decisions were taken on 231 new investments. The return on completed investments for the period was 7.0 per cent on the invested amount while the return on our ongoing projects was 7.5 per cent.

¹ Initial investment volume > SEK 6 million.

VALUATION ASSUMPTIONS

	30 Sep 2020					30 Sep 2019				
	Office	Retail	Residential	Industrial/warehouse	Other	Office	Retail	Residential	Industrial/warehouse	Other
Yield for assessing residual value ¹ , %	6.7-5.5	6.4-5.8	5.3-4.5	9.6-6.8	6.8-6.1	6.8-5.5	6.5-5.8	5.2-4.6	9.6-6.8	7.0-6.2
Cost of capital for discounting to present value, %	7.6	8.0	7.0	10.4	8.4	8.1	8.2	7.2	10.8	8.8
Long-term vacancy, %	4.7	4.0	1.9	14.4	5.6	5.1	3.9	1.8	15.2	6.0

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.

INVESTMENTS	30 Sep 2020	30 Sep 2019
Investments in new builds	336	173
Investments in improvement properties	93	127
Investments in tenant adaptations	615	572
Total	1,044	872

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 9	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
Improvement	Borlänge	Intagan 1	Office	31,000	100	500	Q1 2020	Q3 2022	BREEAM In-use Very good
New build	Umeå	Stigbygeln 2	Office	9,646	100	350	Q2 2020	Q3 2022	BREEAM SE Very good
Improvement	Borlänge	Mimer 1	Education/training	11,175	100	344	Q3 2020	Q3 2022	BREEAM In-use Very good

Projects with an initial investment volume >SEK 100 million.

PROJECTS IN PROGRESS AND DEVELOPMENT RIGHTS

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.

CERTIFICATIONS AND ENERGY

In the third quarter, two properties received environmental certification under the BREEAM In-Use scheme and certification processes for another four properties were initiated. These are expected to be completed in the fourth quarter. Due to restrictions on on-site visits as a result of the Covid-19 pandemic, the target of certifying 12 new properties under BREEAM In-Use in 2020 will not be achieved. We now have 36 properties certified under the Miljöbyggnad and BREEAM In-Use standards, which represents 18 per cent of the total area of the property portfolio.

We have set ourselves the long-term objective of saving energy and we aim to have reduced our energy consumption by 15 per cent by the end of 2022. During the period we reported a 3.3 per cent reduction, which shows that we are on the right track. In order to achieve our long-term goal, we will increase the number of improvements we make and new systems we install during 2020 and 2021.

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

ENERGY USE AND CARBON DIOXIDE EMISSIONS

	Unit	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep
Heating ¹	kWh/sq.m	51.2	51.3
District cooling ²	kWh/sq.m	12.8	15.1
Electricity ³	kWh/sq.m	37.9	40.9
Carbon dioxide, total ⁴	g CO ₂ /kWh	21.4	26.6
Water	m ³ /sq.m	0.3	0.3

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, heating and air conditioning.

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.



Financing

CAPITAL STRUCTURE

At 30 December 2020, 36 per cent (36) of Diös' total assets of SEK 24,193 million were financed through equity, 54 per cent (53) through debt and 10 per cent (11) through other items.

EQUITY

Equity at 30 September was SEK 8,711 million (8,227). During the period, Diös bought back its own shares at a cost of SEK 29 million (-). The equity ratio was 36.0 per cent (36.4), which exceeds the target of 35 per cent.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities in the Group were SEK 12,992 million (11,979). Of total interest-bearing liabilities, SEK 11,188 million (8,846) referred to bank financing, SEK 419 million (1,248) to covered bonds and SEK 1,385 million (1,885) to commercial paper. The accrued cost of the commercial paper is SEK 1,383 million (1,884). At the end of the period, the loan-to-value ratio in the Group was 55.2 per cent (53.8). The annual average interest rate including the cost for derivatives was 1.2 per cent (1.2), including loan commitments, and the interest coverage ratio was 6.0 times (6.7) at 30 September.

Out of the Group's total interest-bearing liabilities, SEK 1,250 million (4,000) has been hedged through derivatives. The market value of the derivatives at 30 September 2020 was SEK 0 million (0). 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 22 in the Annual Report 2019). Changes in value are recognised in the income statement.

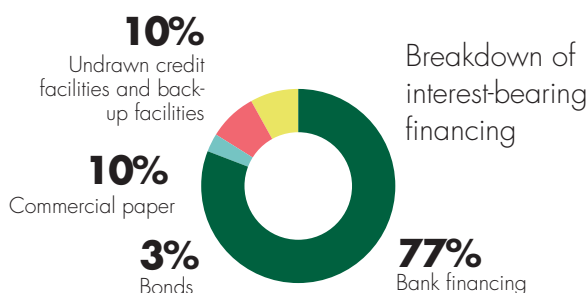
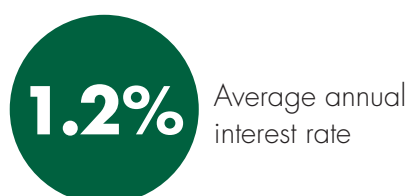
SENSITIVITY ANALYSIS	If market interest rates increase by 1 percentage point		
	Change in annual average interest rate, %	Change in annual average interest expense, SEKm	Change in market value, SEKm
AT 30 SEPTEMBER 2020			
Loan portfolio excl. derivatives	0.9	+116	
Derivatives portfolio	0.0	0	+0.0
Loan portfolio incl. derivatives	0.9	+116	+0.0

FIXED-RATE TERMS AND LOAN MATURITIES

The average fixed-rate term, including derivatives, was 0.3 years (0.7) and the average loan maturity 2.8 years (1.8). Of the Group's outstanding loans, SEK 1,385 million (7,137) is subject to fixed interest rates, of which SEK 1,385 million (1,885) refers to commercial paper.

CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the period were SEK 0 million (39) and drawn overdraft facilities were SEK 150 million (0). The agreed limit on the overdraft facility was SEK 600 million (600).



> INTEREST RATE AND DEBT MATURITY STRUCTURE AT 30 SEPTEMBER 2020

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm
2020	3,342	1.1	0	0
2021	5,678	1.1	2,586	2,206
2022	3,288	1.4	6,333	5,244
2023	-	-	2,887	2,887
2024	684	1.2	892	892
>2026	-	-	1,764	1,764
Total	12,992	1.2	14,461	12,992
Undrawn credit facilities ²	1,469	0.0		
Financial instruments	1,250	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 September 2020.

² The cost of undrawn credit facilities affects the average annual interest rate by 0.04 percentage points.

Cash flow

CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEK M

	2020 3 mths Jul-Sep	2019 3 mths Jul-Sep	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
OPERATING ACTIVITIES					
Operating surplus	335	312	924	895	1,187
Central administration	-16	-16	-50	-51	-69
Reversal of depreciation, amortisation and impairment	1	0	1	2	2
Interest received	1	1	4	3	4
Interest paid	-37	-56	-137	-132	-170
Tax paid	-26	-23	-63	64	-79
Cash flow from operating activities before changes in working capital	258	218	679	653	875
Changes in working capital					
Decrease (+)/increase (-) in receivables	-3	-2	-97	-49	-29
Decrease (-)/increase (+) in current liabilities	13	28	-208	28	62
Total changes in working capital	10	26	-305	-21	33
Cash flow from operating activities	268	244	374	632	908
INVESTING ACTIVITIES					
Investments in new builds, conversions and extensions	-325	-277	-919	-792	-1,027
Acquisition of properties	-	-	-38	-312	-450
Sale of properties	45	-	45	146	146
Cash flow from investing activities	-280	-277	-912	-958	-1,331
FINANCING ACTIVITIES					
Dividends paid	-221	-	-221	-202	-404
Share buy-backs	-	-	-29	-	-
New borrowing, interest-bearing liabilities	201	325	903	999	1,071
Repayment and redemption of interest-bearing liabilities	-24	-128	-59	-234	-252
Change in overdraft facility	56	-125	-56	-198	8
Cash flow from financing activities	12	72	538	365	423
Cash flow for the period	0	39	0	39	0
Cash and cash equivalents at beginning of period	0	0	0	0	0
Cash and cash equivalents at end of period	0	39	0	39	0

Columns/rows may not add up due to rounding.

➤ **REPORTING BY BUSINESS UNIT AT 30 SEPTEMBER** Amounts in SEKm unless otherwise indicated.

2020

By business unit	Dalarna	Gävle	Sundsvall	Äre/Östersund	Umeå	Skellefteå	Luleå	Group
Rental income	187	122	178	200	156	85	202	1,131
Service income								
Tariff-based services	31	16	25	32	20	12	25	161
Care and upkeep	15	10	17	22	13	5	17	99
Other income	2	2	2	3	2	1	3	15
Repair and maintenance	-10	-4	-8	-8	-6	-3	-6	-44
Tariff-based costs	-28	-13	-25	-32	-19	-12	-22	-151
Property tax	-10	-9	-12	-13	-12	-5	-16	-77
Other property costs	-24	-17	-25	-28	-23	-8	-26	-150
Property management	-10	-7	-10	-12	-8	-4	-9	-60
Operating surplus	153	101	143	164	125	71	168	924
Central administration/net financial items	-	-	-	-	-	-	-	-195
Property management income	-	-	-	-	-	-	-	729
Property, realised	-	-	-2	-	-	-	-	-2
Property, unrealised	-26	-14	5	14	-36	4	-78	-131
Interest rate derivatives	-	-	-	-	-	-	-	2
Profit before tax	-	-	-	-	-	-	-	598
Leasable area, sq.m	277,782	160,604	227,410	291,478	200,829	116,016	205,440	1,479,559
Rental value	259	171	256	286	215	110	259	1,555
Economic occupancy rate, %	90	87	86	89	88	93	94	88
Surplus ratio, %	65	68	65	65	66	69	69	68
Property portfolio, 1 January	3,197	2,468	3,803	3,828	3,789	1,590	4,210	22,885
Acquisitions	-	-	-	-	-	38	-	38
Investments in new builds, extensions and conversions	197	95	296	150	202	19	85	1,044
Sales	-	-	-45	-	-	-	-	-45
Reclassifications	-	-	-	-	-	-	-	-
Unrealised changes in value	-26	-14	5	14	-36	4	-78	-131
Property portfolio, 30 September	3,368	2,549	4,059	3,992	3,955	1,651	4,217	23,791

Columns/rows may not add up due to rounding.



2019

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

Columns/rows may not add up due to rounding.



Diös tenant HouseBe, Totten 1:68 in Äre.

FINANCIAL KPIS

The interim reports uses non-IFRS KPIs. 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 KPIs in the annual report for 2019. The financial targets for 2020 adopted by the Board are presented on page 23 of this report.

Figures refer to SEK million unless otherwise indicated.

	2020 3 mths Jul-Sep	2019 3 mths Jul-Sep	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
Number of shares outstanding at end of period (thousands)	134,071	134,512	134,071	134,512	134,512
Average number of shares ('000)	134,071	134,512	134,196	134,512	134,512

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

	2020 3 mths Jul-Sep	2019 3 mths Jul-Sep	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
Property management income					
Profit before tax	283	378	598	983	1,302
Reversal					
Change in value, properties	-10	-125	133	-261	-350
Change in value, derivatives	-2	0	-2	-1	0
Property management income	271	252	729	721	952

EPRA earnings (property management income after tax)

Property management income	271	252	729	721	952
Current tax attributable to property management income	-29	-22	-35	-63	-78
Profit attributable to non-controlling interests	1	-4	1	-8	-9
EPRA earnings	243	226	695	650	865
EPRA earnings per share, SEK	1.81	1.68	5.18	4.83	6.43

Loan-to-value ratio

Interest-bearing liabilities			12,990	11,978	12,145
Reversal					
Cash and cash equivalents			0	-39	0
Drawn overdraft facilities			150	-	206
Net debt			13,140	11,939	12,351
Investment properties			23,791	22,259	22,885
Loan-to-value ratio, %			55.2	53.6	54.0

Equity ratio

Equity			8,711	8,227	8,484
Total assets			24,193	22,618	23,187
Equity ratio, %			36.0	36.4	36.6

Interest coverage ratio

Property management income	271	252	729	721	952
Reversal					
Financial costs	48	45	146	128	170
Total	319	298	875	849	1,122
Financial costs	48	45	146	128	170
Interest coverage ratio, times	6.7	6.6	6.0	6.7	6.6

Net debt to EBITDA

Interest-bearing liabilities			12,990	11,978	12,145
Cash and cash equivalents			0	-39	0
Overdraft facilities			150	-	206
Net debt			13,140	11,939	12,351
Operating surplus rolling 12 months			1,216	1,178	1,187
Central administration rolling 12 months			-75	-70	-73
Reversal					
Depreciation and amortisation rolling 12 months			5	5	5
EBITDA			1,146	1,113	1,119
Net debt to EBITDA			11.5	10.7	11.0

During the year, EPRA has issued new directives relating to the reporting of new KPIs. The EPRA NAV and EPRA NNNAV KPIs have been replaced by the EPRA NRV, EPRA NTA and EPRA NDV KPIs. Below both the old and the new KPIs are reported to indicate the transition in accordance with EPRA's guidelines. The aim of this is to show the company's value on the basis of different scenarios. For more information, see the definitions on page 27.

	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
Net asset value			
Equity	8,711	8,227	8,484
Equity relating to non-controlling interests	-57	-57	-58
Reversal as per balance sheet			
Fair value of financial instruments	0	0	0
Deferred tax on temporary differences	1,489	1,409	1,450
EPRA NAV (long-term net asset value)	10,143	9,579	9,876
EPRA NAV (long-term net asset value) per share	75.7	71.2	73.4
Deductions:			
Fair value of financial instruments	0	1	0
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-278	-263	-270
EPRA NNNAV (short-term net asset value)	9,865	9,317	9,606
EPRA NNNAV (short-term net asset value) per share, SEK	73.6	69.3	71.4

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.

	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
Equity	8,711	8,227	8,484
Equity relating to non-controlling interests	-57	-57	-58
Reversal			
Fair value of financial instruments	0	0	0
Deferred tax on temporary differences	1,489	1,409	1,450
EPRA NRV	10,143	9,579	9,876
EPRA NRV per share	75.7	71.2	73.4
Deductions:			
Fair value of financial instruments	0	1	0
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-278	263	-270
EPRA NTA	9,865	9,317	9,606
EPRA NTA per share	73.6	69.3	71.4

Equity as per balance sheet	8,711	8,227	8,484
Equity relating to non-controlling interests	-57	-57	-58
EPRA NDV	8,654	8,170	8,426
EPRA NDV per share	64.5	60.7	62.6

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.

> FINANCIAL KPIS, CONTINUED

OTHER KPIS	2020 3 mths Jul-Sep	2019 3 mths Jul-Sep	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
Return on equity, %	2.6	3.6	5.5	9.8	12.8
Equity per share, SEK			65.0	61.2	63.1
Earnings per share, SEK	1.72	2.19	3.55	5.83	7.74

Cash flow per share, SEK

Profit before tax	283	378	598	983	1,302
Reversal					
Unrealised change in value, properties	-12	-125	131	-256	-331
Unrealised change in value, derivatives	-2	0	-2	-1	0
Depreciation and amortisation	2	1	4	4	5
Current tax	-26	-23	-63	-64	-79
Total	245	231	668	667	897
Average number of shares ('000)	134,071	134,512	134,196	134,512	134,512
Cash flow per share, SEK	1.83	1.72	4.98	4.96	6.67

OTHER INFORMATION	2020 3 months Jul-Sep	2019 3 mths Jul-Sep	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
Contracted rental income, SEKm	465	456	1,369	1,362	1,821
Economic occupancy rate, %	90	90	88	90	90
Surplus ratio, %	72	68	68	66	65
Debt/equity ratio, times			1.5	1.5	1.4

EPRA vacancy rate

Estimated market rent for vacant space			191	216	182
Annualised rental value for the whole portfolio			2,032	1,996	2,018
EPRA vacancy rate, %			9.4	10.8	9.0



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. Revenue totalled SEK 146 million (133) and the profit after tax was SEK 143 million (33). Income referred chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents at 30 September 2020 were SEK 0 million (27) and drawn overdraft facilities were SEK 181

million (0). External interest-bearing liabilities, excluding overdraft facilities, totalled SEK 3,380 million (2,738), of which SEK 1,382 million (1 885) referred to outstanding commercial paper. The average annual interest rate based on the situation at 30 September 2020 was 1.2 per cent (0.9). 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

	2020 9 mths Jan-Sep	2019 9 mths Jan-Sep	2019 12 mths Jan-Dec
INCOME STATEMENT			
Revenue	146	133	171
Gross profit	146	133	171
Central administration	-156	-155	-215
Operating profit	-10	-22	-44
Income from interests in Group companies	100	-	92
Change in value, interest rate derivatives	2	0	0
Financial income	265	237	330
Financial costs	-214	-182	-254
Profit after financial items	143	33	124
Appropriations	-	-	-8
Profit after appropriations	143	33	116
Current tax	-	-	-5
Profit after tax	143	33	111
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax	143	33	111
Comprehensive income for the year	143	33	111

CONDENSED PARENT COMPANY BALANCE SHEET, SEKM

	2020 30 Sep	2019 30 Sep	2019 31 Dec
ASSETS			
Investments in Group companies	2,266	2,271	2,263
Receivables from Group companies	14,621	13,647	13,618
Other assets	24	22	23
Cash and cash equivalents	-	27	-
TOTAL ASSETS	16,911	15,967	15,904
EQUITY AND LIABILITIES			
Equity	2,907	2,935	3,013
Untaxed reserves	8	-	8
Interest-bearing liabilities	3,380	2,738	2,853
Liabilities to Group companies	10,403	10,069	9,761
Overdraft facilities	181	-	226
Other liabilities	32	225	43
TOTAL EQUITY AND LIABILITIES	16,911	15,967	15,904



Other information

► EMPLOYEES AND ORGANISATION

The number of employees on 30 September 2020 was 161 (157), of whom 67 were women (65). The majority of our employees, 107 people (104), work in our business units and the rest at our head office in Östersund. Our new Pick-Pack-Post concept currently employs four people, all women.

► RISKS AND UNCERTAINTIES

EFFECTS OF COVID-19

The business will be affected by Covid-19 in both the short and the long term. Our assessment is that the risk of doubtful debts and bad debts has increased in the short term. Tenants in particularly vulnerable sectors, such as hotels, cafés, restaurants and stores selling consumer durables, have a reduced turnover and a lower footfall, which affects their ability to make payments and their liquidity. This in turn increases the risk of them stopping or postponing their rent payments. A shortage of workers because of illness or caring responsibilities and a lack of materials may have an impact on our projects and result in them being delayed and/or becoming more costly. In the longer term, a reduction in economic activity and rising unemployment could affect the demand for commercial premises, which in turn could have a negative impact on rents and property values and also lead to an increase in long-term vacancies and a negative effect on financing covenants. New financing and refinancing may become more difficult and/or more expensive, as access to bank and capital market financing could be limited.

The effects of Covid-19 restrictions or measures can affect us in the following ways:

- Monthly rather than quarterly payments affect liquidity.
- Restrictions on gatherings and travel can have a negative impact on the tourism and hospitality industry. This could affect sales and therefore have an impact on turnover leases. Leases with a turnover-based element almost always have a base rent. The proportion of leases with a turnover-based element is around 6 per cent of contracted rental income.

GENERAL RISKS

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 market 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 KPIs. 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, %		
	-10.0	0.0	+10.0
Property value, SEKm	21,412	23,791	26,170
Equity ratio, %	29.0	36.0	41.7
Loan-to-value ratio, %	61.4	55.2	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	+/-116

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 occurred since the publication of the annual report for 2019, except the risks relating to Covid-19 described above. For more information on risks and risk management, see Diös' annual report for 2019, pages 60-62, 76 and 80.

► 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 and not in a note. All property-related transactions in the third quarter have been recognised based on calculations of the preliminary consideration. The calculation of the final consideration will be completed in the fourth quarter of 2020. The rent discounts agreed with tenants in accordance with the directives on government rent support for property owners as well as other support schemes are recognised in the income statement in the same periods as the costs which the grants are intended to compensate for. The accounting policies applied in preparing the interim report are consistent with the accounting policies applied in preparing the consolidated financial statements and annual accounts for 2019¹, Note 1.

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

¹ The Annual Report 2019 is available at www.dios.se.

> SUMMARY OF QUARTERLY RESULTS

	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue, SEKm	478	450	478	468	464	464	457	447
Operating surplus, SEKm	335	299	290	292	312	315	268	283
Property management income, SEKm	271	229	229	231	252	257	212	225
Profit for the period, SEKm	229	57	189	258	299	263	230	451
Surplus ratio, %	72	69	62	64	68	69	60	64
Economic occupancy rate, %	90	84	91	90	90	90	91	91
Return on equity, %	2.6	0.7	2.2	3.1	3.6	3.3	2.9	5.9
Equity ratio, %	36.0	35.5	36.5	36.6	36.4	35.8	36.9	37.2
Property loan-to-value ratio, %	55.2	54.9	54.8	54.0	53.6	54.5	54.4	54.3
Average interest rate at end of period, % ¹	1.2	1.3	1.3	1.2	1.2	1.2	1.3	1.2
Interest coverage ratio, times	6.7	5.3	6.1	6.5	6.6	7.1	6.2	6.3
Property management income per share, SEK	2.02	1.71	1.70	1.72	1.87	1.91	1.57	1.67
Earnings per share after tax, SEK	1.72	0.42	1.42	1.92	2.19	1.93	1.71	3.35
Equity per share, SEK	65.0	63.3	64.5	63.1	61.1	58.9	60.0	58.3
Market price per share, SEK	63.5	62.3	66.3	85.8	85.9	68.7	76.3	56.4

¹ Includes expenses relating to commitment fees and derivatives.

> TARGETS

OPERATIONAL AND FINANCIAL TARGETS	Outcome Jan-Sep 2020	Target 2020
Growth in property management income per share, %	2 ¹	10 ²
Surplus ratio, %	68	65
Energy use, %	-3	-3
Return on equity, annualised, %	8.7	>12
Distribution of profit for the year ³ , %	24.8	~50
Loan-to-value ratio, %	55.2	<55
Equity ratio, %	36.0	>35

¹ Rolling 12 months

² The growth in property management income per share will be 10 per cent on average during the period 2020-2022.

³ Profit after tax, excluding unrealised changes in value and deferred tax related to 2019.

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. A diversified portfolio of centrally located properties provides flexibility and the option of converting properties if demand changes.



Strong and stable cash flows

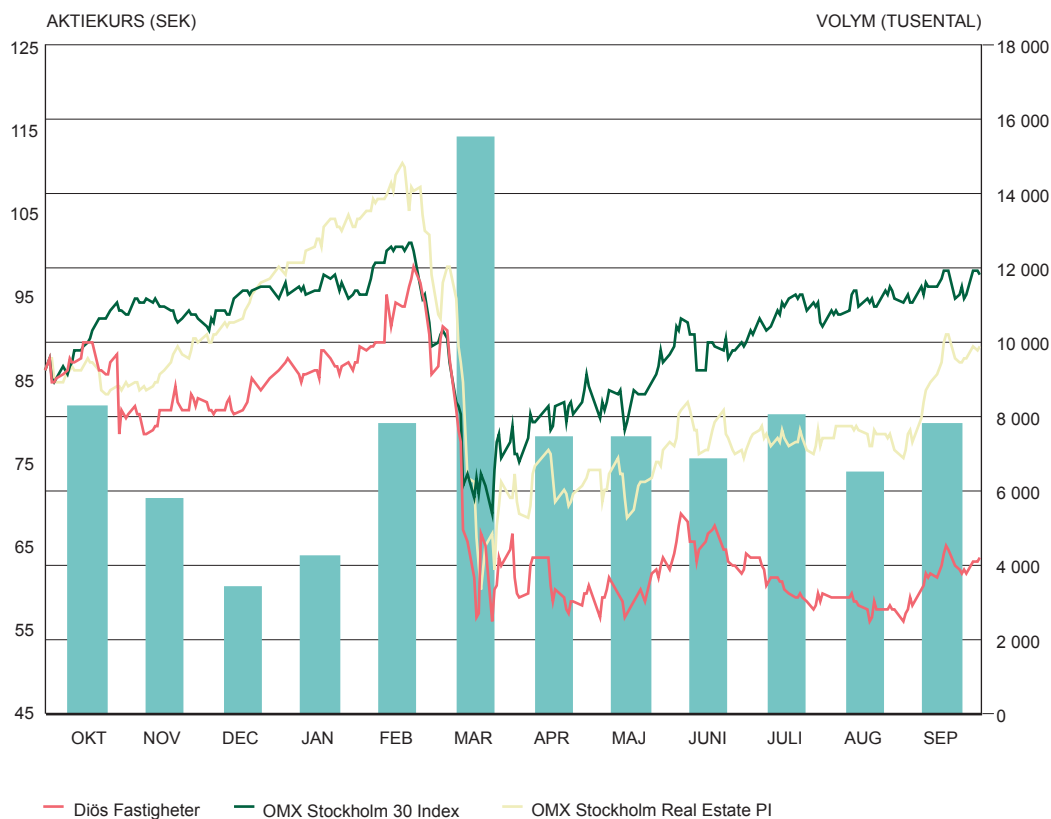
Since 2013, the cash flow per share has increased by 80 per cent. A well diversified portfolio and a good mix of tenants generate stable revenues. A total of 31 per cent of our revenue comes from the public sector.



An exciting project portfolio

By developing new and existing properties we create growth in the form of increased property values and cash flows. This also 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 the early stages of development.

> DIÖS SHARE PRICE PERFORMANCE



Share information

SHARE PERFORMANCE

Diös' share price at the end of the period was SEK 63.5 (85.9), which represents a market capitalisation of SEK 8,542 million (11,555), and the return for the past 12 months was -26.1 per cent (51.0). If the dividend is included, the total return on the shares for the period was -22.8 per cent (58.3). 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 11.0 per cent (-0.9) and the return on the OMX Stockholm Real Estate PI index was 18.7 per cent (37.9).

At 30 September, Diös Fastigheter AB had 18,202 shareholders (13,805). The share of foreign-owned shares was 23.2 per cent (24.9) 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 52.7 per cent (54.7) of the total number of shares and voting rights.

The Annual General Meeting 2020 resolved to authorise the company to buy back ten per cent of the total number of outstanding shares of the company. At 30 September, 441,418 shares had been repurchased at an average price of SEK 64.6.

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 7 per cent (13). Equity at the end of the year was SEK 8,711

million (8,227) and the long-term net asset value, EPRA NRV, was SEK 10,143 million (9,579). On a per share basis, EPRA NAV was SEK 75.7 (71.2), which means that the share price at 30 September represented 84 per cent (121) of the long-term net asset value. The net asset value per share for the period, expressed as EPRA NTA, was SEK 73.6 (69.3).

EARNINGS

Earnings per share for the period were SEK 3.55 (5.83) while long-term earnings per share, expressed as EPRA EPS, were SEK 5.18 (4.83). EPRA EPS, which is designed to show an entity's long-term earnings per share, is calculated as property management income after deducting 21.4 per cent corporation tax attributable to property management income less minority share of earnings.

> LARGEST SHAREHOLDERS

of Diös Fastigheter AB at 30 September 2020

SHAREHOLDER	No. of shares	Capital and votes, %
AB Persson Invest	20,699,443	15.4
Backahill Inter AB	14,095,354	10.5
Nordstjerman AB	13,574,748	10.1
Pensionskassan SHB Försäkringsförening	8,096,827	6.0
Avanza Pension	3,400,774	2.5
Swedbank Robur fonder	2,422,700	1.8
Norges Bank	2,204,849	1.6
PriorNilsson Fonder	2,198,896	1.6
BlackRock	2,172,344	1.6
Sten Dybeck, including company and family	2,090,549	1.6
Total, largest shareholders	70,956,484	52.7
Acquisition of own shares	441,418	0.3
Other shareholders	63,114,536	47.0
TOTAL	134,512,438	100.0

Source: Euroclear, compiled by Modular Finance



➤ REVIEW OF THE REPORT

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

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

Östersund, 23 October 2020

Bob Persson
Chairman

Peter Strand
Board member

Eva Nygren
Board member

Ragnhild Backman
Board member

Tobias Lönnevall
Board member

Anders Nelson
Board member

Tomas Mellberg
Board member
Employee representative

Knut Rost
Chief Executive Officer

➤ AUDITOR'S REVIEW REPORT

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

INTRODUCTION

We have conducted a review of the interim financial information for Diös Fastigheter AB (publ) on 30 September 2020 and the nine-month period ending on that date. Responsibility for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express a conclusion on the interim report based on our review.

FOCUS AND SCOPE OF THE REVIEW

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

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

CONCLUSION

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

Östersund, 23 October 2020
Deloitte AB
Richard Peters, Authorised Public Accountant

➤ FINANCIAL CALENDAR

Q4 Financial statement January–December 2020	12 February 2021
Annual Report 2020	Week 13, 2021
Annual General Meeting 2021	13 April 2021
Q1 Interim Report January–March 2021	24 April 2021
Q2 Interim Report January–June 2021	5 July 2021
Q3 Interim Report January–September 2021	22 October 2021

➤ 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. The information was submitted for publication through the above contact person on 23 October 2020, at 07:00 CEST.

Definitions

Definitions of key ratios were changed during the period.

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/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 non-controlling interests' share of the equity, divided by the number of outstanding shares at the end of the period.

EPRA NDV/NET DISPOSAL VALUE PER SHARE

Equity at the end of the period as per balance sheet adjusted for the non-controlling interests' share of the equity, divided by the number of outstanding shares.

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 non-controlling interests' share of equity, divided by the number of shares outstanding at the end of the period.

EPRA NRV/NET REINSTATEMENT VALUE PER SHARE

Equity at the end of the period as per balance sheet after reversal of interest rate derivatives and deferred tax attributable to temporary differences in properties and non-controlling interests' share of the equity, divided by the number of outstanding shares.

EPRA NTA/NET TANGIBLE ASSETS PER SHARE

Equity at the end of the period as per balance sheet adjusted for the fair value of interest rate derivatives and actual deferred tax attributable to temporary differ-

ences in properties and non-controlling interests' share of the equity, divided by the number of outstanding shares.

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 [NEW DEFINITION](#)

Net debt divided by the carrying amount of the properties at the end of the period.

NET DEBT

Net debt is calculated as interest-bearing liabilities less cash and cash equivalents plus drawn overdraft facilities.

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:

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.

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

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.

Diös



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