

Diös

20

Sweden's most inspiring cities!

**"Our market is 15-minute cities that are marked by an active lifestyle choice and very good accessibility."**

**Knut Rost, CEO**

**Diös Fastigheter Annual Report 2020**

# Welcome to Diös

Diös is one of Sweden's leading property companies. In our position as a market leader in our cities, we develop properties, city blocks, neighbourhoods and suburban areas, creating growth for our tenants, our shareholders and ourselves. Through our knowledge in offices, urban service and housing, we offer our tenants the right premises in the right location, leading to lower vacancies and increased profitability.



**SEK 25bn**

property value



**329**

properties



**98%**

non-fossil energy



**162**

employees



**21%**

floor area, environmentally certified properties



**1,455 sq.m**

leasable area

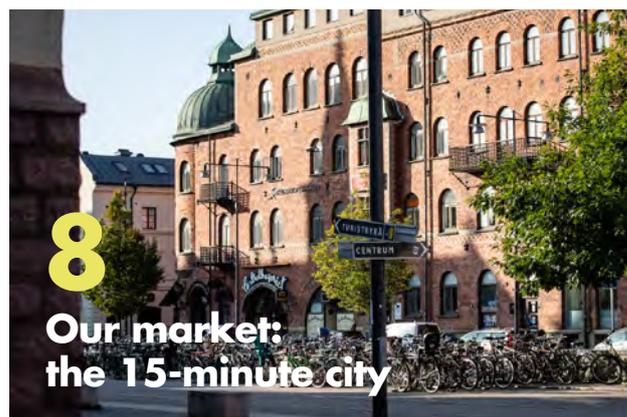
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"The surplus ratio was our strongest ever."

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Chief Executive's review



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Sustainability Report

Diös' formal financial statements are found on pages 56–110 and have been audited by the company's auditors. Diös' Sustainability Report in accordance with the GRI Standards, Core option has been reviewed by the company's auditors. The pages containing the Sustainability Report are referenced in the GRI index on pages 122–123.

# The year that was

We are proud to be able to deliver increased property management income. Our drive and energy and our close relations with our tenants, coupled with our unique market position, enabled us to achieve a strong result for the year. The value of our property portfolio increased, driven by new lets and lower required rates of return lower for homes and offices.

## SEK 958m

property management income

## 7%

the value of the portfolio increased to SEK 24.5bn

## 1%

increased property management income

## 66%

surplus ratio

## SEK 6.81

earnings per share

## SEK 3.30

proposed dividend, evenly divided between two distributions

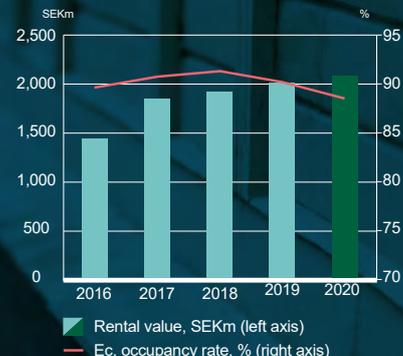
### Market value and property management income



### Operating surplus and surplus ratio



### Rental value and occupancy



# Highlights of 2018

## The impact of the pandemic

This has been a tumultuous, yet still a successful year. Our close dialogue with tenants and our own drive and energy have enabled to deal with the pandemic and its effects. We have prioritised people's health and safety through new and changed ways of running our business. The impact on earnings caused by the pandemic has to some extent been offset by lower costs. The net effect of discounts provided under the government rent support scheme was SEK 17 million.



## High level of letting activity

Net leasing for the year was SEK 51 million. Demand for commercial and residential premises is strong and there is a high level of activity in all our cities. We signed several contracts, including contracts for major investments and new builds, which will have a positive impact on our own growth and the growth of our cities. Good examples include our contract with Tele2 in Sundsvall, the development of the Swedish Social Insurance Agency's offices and the relocation of Dalarna University in Borlänge.



## Transactions

During the year, we both sold and acquired properties. The acquisitions complement our existing portfolio and refer to properties with mainly office and residential space in Skellefteå and Umeå. The properties meet our high requirements for yield, the right location and a mix of tenants. The sold properties, all in Sundsvall, contained industrial, office, retail and warehouse premises.



## Sustainable properties & green energy

Developing and creating efficiencies in our properties is part of our daily work, and when our properties are environmentally certified we receive a confirmation of the value of our efforts. In terms of floor area, 21 per cent of our portfolio has now been environmentally certified.

Self-produced energy from solar panels is an efficient way to use our properties' roofs. In 2020, we invested in solar installations with a total capacity of 1,500 kWp and our completed installations generated 632 MWh during the year.

Our environmentally certified properties and green investments are financed under our green financing framework or through green bank loans.



## Projects & business development

In order to meet increased demand for modern and accessible commercial premises and thereby help to boost growth, we work actively to create new leasable space. Examples of major projects started during the year included the development and extension of a 31,000 sq.m office for the Swedish Transport Administration in Borlänge and a new 10,000 sq.m modern office for the Police Authority in Umeå. We also completed the construction of 85 new apartments in the Söderbo block in Östersund and converted offices into 40 residential apartments in the heart of central Sundsvall.

# 15-minute cities for an active life and good accessibility

**This has been a tough year, but also one of the most successful years for us as a company. We deliver an increased profit, positive net leasing and the highest surplus ratio in our history. The Board of Directors proposes a dividend of SEK 3.30 per share.**

The pandemic has left no one untouched. We have all been affected, both privately and in our working lives. We look to the future with humility, intent on doing our bit to help reduce the spread of infection in close collaboration with our tenants. We operate in a fast-growing market that is best described as 15-minute cities. The hallmarks of our cities are an active lifestyle choice and good accessibility, and we are seeing an increased demand for modern offices and centrally located flats close to urban services. I am proud to announce that Diös generated property management income of SEK 958 million. Our drive and energy, close relations with our tenants and unique market position resulted in strong net leasing of SEK 51 million for the year and an unrealised increase in the value of our portfolio of SEK 198 million. We succeeded in offsetting the shortfall in income resulting from rent discounts by cutting our property costs.

## The attractive 15-minute city

2020 was the year when we and the world underwent a major transition and developed new digital ways of working, living and socialising. We have fundamentally changed our behaviour, but we can see that the office is set to acquire a stronger role as a meeting place, brand carrier and mediator of culture. We have consistently invested in centrally located properties where all urban services, including schools, universities, transports, jobs, shops and sports facilities, are no more than 15 minutes from home. I am convinced that our 15-minute cities, which are less congested and where commuting is easier, will be an even more attractive alternative to the big cities, especially in a time when it is possible to do some of our work remotely.

## Courageous leadership

Leadership is something that is close to my heart and I want all employees to feel a clear responsibility to drive the company towards our

common goals. We often talk about courageous leadership, where leaders at all levels have the courage to make decisions that help to build our business. By decentralising decision-making, we get closer to our tenants. Our brand is created by all of us who work at the company.

## Solar electricity and green leases

Our daily efforts to promote sustainability through adjustments aimed at ensuring the long-term sustainability of our property management business are reflected, for example, in a 4 per cent reduction in energy use and 11 per cent reduction in CO<sub>2</sub> emissions for the year. Our opportunities to help combat climate change are mainly in energy-efficient properties, recycling and heating. We have set a goal of ensuring that all our major leases are 'green' leases, and of expanding our own energy production capacity through further solar panel installations. In the longer term, we aim to be climate-neutral, which means that all our activities need to lead towards this goal.

## Proactive management builds our business

Proof that our 15-minute city positioning is the right one comes from the fact that we signed a strikingly large number of new office leases during the year, including a hallmark deal with Tele2 in Sundsvall. As Tele2 moves to the second floor of In:Gallerian, we are converting 3,800 sq.m of less attractive retail space into very attractive offices while increasing the flow of people in the shopping centre and the surrounding area. Which is exactly how we aim to manage and develop our portfolio!

The survey among our office tenants that we completed recently supports our offering and our drive to develop our office segment for the future. The survey shows that physical meetings and social interaction are top of the development agenda, and what we feel good and become more creative.

## Project development creates long-term value

In recent years, we have stepped up our project activities to develop our portfolio, increase quality and enable new business. Major projects include new build projects such as the construction of new housing in Östersund and the police station in Umeå as well as conversions and extensions. The new offices that we are building are marked by

high-quality, function-based spaces in locations close to the city centre. By the end of 2023, our project development activities will have resulted in the creation of approximately 100,000 sq.m of leasable floor space, increasing our net operating income from property management by around SEK 130 million. This means that our revenue base will increase substantially over the coming years. In addition, we also expect to expand our portfolio of development rights over the next five-year period.

## Growth through transactions

Our third revenue pillar is transactions, where we completed further transactions in the second half of 2020 that will strengthen our business in the short and long term. Diös' acquisition of Flottarbyn in Umeå in the fourth quarter is a typical example of a property that meets our high expectations for yield, location and tenant mix. It also offers a potential to create additional value through synergies, higher rents and exploitation of development rights.

## Attractive financing and strong prospects

Access to capital and attractive financing conditions are crucial to continued growth. We actively manage our financial risk, and during the year we extended our average fixed rate term through interest rate swaps on very favourable terms. The average interest rate on our loan portfolio at year-end remained one of the lowest in the industry. We have high growth ambitions and see big opportunities to continue to create value through acquisitions, conversions of existing premises, use of development rights, higher rents, reduced vacancies, the completion of major projects and lower costs.

Finally, I would like to say a big thank you to our tenants, employees, partners and shareholders. We will now devote all our energy to the year ahead and continue to build our business. I am optimistic about the future, as our talented employees and our clear ambition will ensure that we continue to create long-term value.



Knut Rost, CEO

## Three reasons to invest in Diös



### A unique position

We are the market-leading property owner in our cities. Our position gives us a unique opportunity to influence the development of the city. Together with the local authority and other players, we drive growth that increases occupancy rates, rental income and the value of our properties.



### Strong and stable cash flows

Our well diversified portfolio, with a good mix of tenants, generates stable revenue streams. Of total revenues, 31 per cent comes from tax-funded activities and 8 per cent from residential properties. This ensures secure, stable revenues with a total yield of around 6 per cent.



### A value-creating project portfolio

We develop new and existing commercial premises as well as housing. This increases the value of our properties, boosts cash flows and increases the flow of people in the city. This creates attractive spaces that have a positive impact on neighbouring businesses. We have 100,000 sq.m under construction and a further 150,000 sq.m in early stages of development.

**“We are seeing increased demand for centrally located offices close to urban services.”**

# Our market: the 15-minute city



# Cities marked by an active lifestyle choice and good accessibility

We are the market leader in our 10 cities, which are best described as 15-minute cities. This means that you can walk, cycle or take the car to work in 15 minutes and also buy food, go to a café or restaurant, take the children to school, enjoy nature and do other things in your everyday life within the same timeframe. We are seeing that public and private companies as well as private individuals are making active lifestyle choices and are attracted by the accessibility that our cities offer.

We have high growth ambitions and have chosen to invest in cities that have a clear focus on development, population growth, universities or colleges, a driven and well established business community, committed local authorities and a highly developed infrastructure.

Our cities have ONE centre and offer all the desired urban services within 15 minutes' reach. The city centre consists of a mixed range of commercial premises as well as residents and visitors, creating a live atmosphere round the clock that makes people feel safe.

A committed and driven local authority that has growth ambitions is a key factor for us as a property owner. All investments that enhance the city's attractiveness and growth benefit the properties in the city centre and have positive spillover effects from individual development projects to other parts of our portfolio.

The presence of a university or college is a key factor behind the city's dynamism and attractiveness. The city is enriched by the presence of young people and a sense of confidence in the future, and many businesses establish a presence there because they see an opportunity to attract skilled labour. Businesses also establish a presence in and around the universities, creating a breeding ground for entrepreneurship and enterprise and bringing an influx of young families.

While increased growth, skills and higher education create a dynamic, forward-looking environment in our cities, the opening of offices by businesses and government agencies add stability and increase the availability of qualified jobs.

Accessibility is created through good infrastructure and partnerships. Good transport solutions for local and regional travel are a hallmark of our cities. All our cities offer proximity to the airport, a transport hub for bus and train traffic and E-roads while nature, clean water, archipelagos and the mountains are within each reach.

We work actively to create attractive places for experiences and meetings and a mixed range of services. 2020 was the year when we and the world underwent a major transition and developed new digital ways of working, living and socialising. Digitisation has also changed retailers' commercial space requirements. Today, retailers are looking for smaller but truly strategically located premises. Prime location retailing will remain a key feature of our cities, generating solid profits for Diös, but converting retail premises in

## The Diös city

- ✓ A city in Sweden that is growing
- ✓ 60,000–150,000 inhabitants
- ✓ One centre and 15 minutes to everything
- ✓ University or institute of higher education
- ✓ Government agencies opening offices
- ✓ Good transport connections
- ✓ Strong entrepreneurs and businesses
- ✓ A committed and driven local authority
- ✓ A place for shopping and experiences

less attractive locations into offices will generate the highest value over time. Rent levels in our cities allow for this transformation, which benefits our cities. Retail premises in non-prime B and C locations are converted into prime A locations for offices and offices in B and C locations are converted into centrally located housing.

Due to an increasing population, there is strong demand for housing close to urban services. We see long-term population growth in all our cities, and there is a growing need to increase the number of homes in city centre locations.

	Population			Portfolio					
	Population in 2020	Growth in 2020, %	Unemployment, %	No. of properties	Floor area, sq.m	Occupancy rate, %	Surplus ratio, %	Operating surplus, SEKm	Market value, SEKm
Falun	59,530	0.2	5.9	16	108,230	88	65	94	1,668
Borlänge	52,390	-0.4	9.2	15	104,256	92	66	74	1,279
Mora	20,500	0.1	5.7	13	40,868	95	61	28	494
Gävle	102,900	0.5	10.7	34	160,604	88	66	133	2,617
Sundsvall	99,440	0.0	8.5	45	202,945	86	66	192	4,165
Åre	12,050	2.8	8.2	6	29,764	95	58	28	516
Östersund	63,990	0.3	6.9	83	257,830	89	64	187	3,572
Umeå	130,220	1.0	6.4	36	177,859	89	64	160	4,049
Skellefteå	72,840	0.4	6.0	19	116,016	94	67	92	1,686
Luleå	78,550	0.6	7.2	28	205,440	95	68	223	4,271

Source: Statistics Sweden and the Swedish Public Employment Service.

# 7 business units 10 cities

Diös has a presence in ten cities through seven business units, with Falun, Borlänge and Mora making up the Dalarna unit. Each city has its unique characteristics, based on which we adapt our business with the ambition of creating Sweden's most inspiring cities.

## Östersund/Åre

### Significant events in 2020

The Söderbo residential area in Östersund, 85 newly built apartments, is ready for occupancy.

### Projects in progress

Development of Diös' new head office.

### Priorities in 2021

Development of Östersund's new Söder district.



## Dalarna

### Significant events in 2020

Agreement with Dalarna University in Borlänge: relocate the campus to the centre of town.

### Projects in progress

Major 31,000 sq.m redevelopment and expansion of the Swedish Transport Administration's head office in Borlänge.

### Priorities in 2021

Conversion of retail space into offices and care facilities in the Bergström galleria in Falun.



## Gävle

### Significant events in 2020

Expanded premises for the Do-space co-working space.

### Projects in progress

Redevelopment of residential and commercial premises in Wasahuset in the centre.

### Priorities in 2021

Continue to develop the Å-huset office property.



## Luleå

### Significant events in 2020

An agreement on the creation of new offices for the Swedish Pensions Agency is signed.

### Projects in progress

Major renovation and environmental certification of the offices of the Swedish Transport Administration in central Luleå.

### Priorities in 2021

Drive the planning processes for the Biet and Tjädem blocks using development rights for a total of 27,300 sq.m.



## Skellefteå

### Significant events in 2020

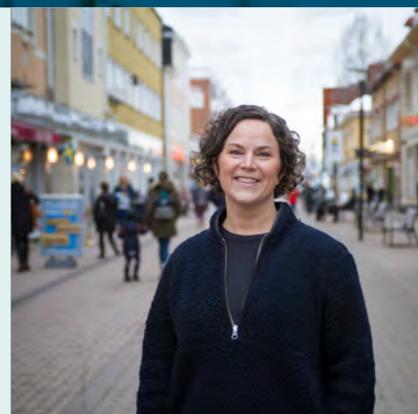
Acquisition of two central residential and office properties.

### Projects in progress

Development and renovation of office space in the city centre.

### Priorities in 2021

Meet the rising demand for offices by developing existing central properties.



## Umeå

### Significant events in 2020

Acquisition of two commercial properties, Flottarbyn.

### Projects in progress

Construction of a new hotel and the police authority's regional head office.

### Priorities in 2021

Drive the planning process for the Vale block to ensure that development rights for 10,000 sq.m of new residential space acquire legal force.



## Sundsvall

### Significant events in 2020

An agreement is signed with Tele2 for 3,800 sq.m of office space in former retail premises in IN:Gallerian.

### Projects in progress

Construction of a new hotel in the central part of town.

### Priorities in 2021

Convert less attractive offices into homes.



Read more about our cities on our website: [investors.dios.se/Sweden/om-dios/var-marknad](https://investors.dios.se/Sweden/om-dios/var-marknad)

# The Diös city – the right positioning for the coming decades

**Coupled with the challenges of climate change and changes in globalisation, a growing population and continued urbanisation put our cities in a very good position for continued growth.**

## Population growth and urbanisation

The global population and Sweden's population are growing rapidly. According to Statistics Sweden, Sweden's population is set increase by 70,000–80,000 people annually over the coming years. Urbanisation continues to gather pace. People are relocating from the big cities to areas within commuting distance as well as to cities with 10,000–100,000 inhabitants. Medium-sized cities that offer housing and educational opportunities are benefiting. The Swedish population continues to grow and is expected to exceed 11 million in eight years' time, an increase of nearly 600,000.

## Globalisation

The strongest driving force behind globalisation is technological development and innovation, which generate trade and an exchange of products and services. Sweden is an export-dependent nation. Our prosperity is based on strong global companies that supply processed raw materials, high technology and global services. Sweden is thus benefiting from continued globalisation and is completely dependent on global trade to sustain the economy, as a large part of Swedish companies' production is manufactured all over the world. Globalisation was challenged in 2020 due to mounting geopolitical tensions, negative climate effects and the exposure of major weaknesses in the supply chain as a result of the Covid-19 pandemic, and a growing number of industrial companies are now considering reshoring some of their production to Sweden.

## Climate change

Climate change continues, ever tougher measures are required and all businesses are expected to help ensure that properties are sustainable. Our greatest climate impact and challenge is in the construction process and in



energy use in our properties. We have initiated a project to map and analyse the impact of the construction process with a view to using the results to supplement our energy statistics and enable action plans for the future. Our assessment is that our existing properties are relatively well positioned to tackle climate change, but local risk assessments are planned to enable us to continue to develop a resilient property portfolio.

Access to renewable energy is good in our regions. Cities where housing, jobs and educational institutions are within 15 minutes' reach provide better opportunities for sustainable travel options.

## Technological development and digitisation

Technological advances and digitisation are creating new opportunities. New technology in property management and construction is making it possible to cut costs, notably in the form of reduced waste in the construction process, lower construction and management costs and lower energy use per square metre. We have, for example, reduced our CO<sub>2</sub> emissions through a number of solar installations and provided renewable energy.

Right now, we are seeing that the growth of e-commerce is leading to an increased need for premises that can be used as delivery points, logistics centres and warehouses in the best central locations.

As a result of the pandemic, the home has become a workplace for many people. The main positive effects of homeworking are time savings, a simplified work-life balance, less travel and a reduced environmental impact. Yet there are also obvious disadvantages to working from home. In the course of the year, we became aware of the stress that is created when the boundary between work and leisure is blurred and how the lack of everyday social interaction among colleagues thwarts creativity and development.

A recently completed office survey among our tenants revealed that physical meetings and social interaction are top of the development agenda and crucial to our feeling of well-being and for becoming more creative. We have no doubt that the need for offices will remain but believe the role of the office will be clarified, as the office transitions from being primarily a workspace to become an inspiring meeting place for social interaction, creativity and work.



## Trends

### Trend 1: Polarisation

We are noticing an increase in demand for offices in the very heart of the city, the central business district (CBD). The old mantra of “Location, location, location” has been nuanced. Today, the emphasis is more on matching the right location and premises to the tenant’s business and their need for urban services and infrastructure. In industry parlance, we say that the market is becoming more polarised.

### Trend 2: Densification

There is growing demand for city centre locations that is driving development and densification, injecting new life into unused spaces. Our projects team is continuously identifying spaces that can become developable land where new buildings can be constructed, including land, flat roofs, car parks and courtyards.

### Trend 3: Attractive offices for creative meetings

Remote working is a trend that has accelerated during the pandemic and that has undoubtedly changed the way we work, the role of the office and the office market. The office will continue to have an increased role as a mediator of culture and meeting place for creative work. The growth of co-working in our cities enables individual remote working in a creative environment outside the home.

## The office’s continued key role as a meeting place

A recent survey among our office tenants shows that the role of the office as a meeting place and forum for creative and social exchange has been strengthened by the pandemic. The results indicate that modern and flexible offices will continue to be important hubs for businesses’ culture and development, and that the ability to combine office work with homeworking is something that many will value even after the pandemic.

# 89%

of our tenants say that social and physical interaction with colleagues is important or very important for the organisation’s well-being and development.

# 73%

of our tenants say that social spaces for spontaneous and planned meetings are a key factor for the ability to do a good job.

# 83%

of our tenants believe that social interaction with colleagues is the main reason for wanting to work from the office.

## Collaboration & competition

As a major player and a driving force behind our cities’ growth and development, we need to be humble, responsive and accessible. Collaboration with other property companies, the local authority and the business community is crucial for driving planning processes, creating opportunities for new business or office openings and further growth.

We meet our peers in the industry on the transaction side and in competing for tenants.

When it comes to acquiring properties and development rights in attractive city centre locations, competition has increased and there are now more players who are interested in our markets. Increased interest means higher prices for properties and development rights, which increases the value of our entire portfolio. The property companies we encounter are most of the large property companies in Sweden, such as SBB, Kungsleden, Nyfosa,

Castellum, NP3 and Balder. We also meet strong local players such as Baltic and Galären as well as other stakeholders in the form of pension funds that are looking for alternative investments in real estate.

We have the advantage of having strong local roots through our personal commitment to our cities. Close partnerships, knowledge and relationships are important factors for growing your business and having satisfied tenants.

# Macroeconomic outlook – continued population growth

## Sweden

**Sweden's population continued to increase in 2020. The repo rate was 0 per cent during the year and inflation remains low. Sweden's GDP growth proved resilient relative to other European countries and is expected to pick up speed in the second half of 2021.**

The population increased by around 52,700 people in 2020, bringing it close to 10.5 million. The Covid-19 pandemic led to a contraction of growth in Sweden, with GDP declining by 2.8 per cent in 2020. Employment decreased by one percentage point and unemployment reached 8.5 per cent. As a result of the coming mass vaccination campaign in the first half of 2021, Sweden's National Institute of Economic Research (KI, 17 Dec 2020) expects the recovery to gather pace from the second

quarter and forecasts GDP growth of 3.2 per cent in 2021 and 3.5 per cent in 2022.

KI predicts that the weak economic environment will continue into 2021 and expects continued high unemployment in 2021. Many employers and jobs have disappeared in the service sector as a result of the pandemic. Many of these jobs are expected to return.

### Financial savings, the repo rate and inflation

Local authorities' negative financial savings are holding back employment in the public sector, which increased marginally during the year. The Riksbank kept the repo rate at 0 per cent throughout 2020 and is signalling that it will remain at this level until 2024, after which it will be raised.

Inflation is forecast by the Riksbank to remain slightly below 2 per cent over the coming two years while KI has a more cautious view of inflation. Amid continued low wage growth and a decline in import prices and electricity prices, KI expects inflation to be 1.6 per cent measured as CPIF in 2021.

### The property market

According to Pangea, the total transaction volume in Sweden in 2020 was SEK 188 billion. Foreign investors have been showing a growing interest and accounted for around 27 per cent of the transaction volume.

Commercial property values continued to rise during the year, albeit at a slower pace than previously. Low interest rates, reduced vacancies and rising rents continued to exert upward pressure on property values. The general economic expansion in Sweden and in our cities has a certain impact on demand for offices and retail premises. Prices of houses and flats have increased sharply and the increase has been relatively even across the country. Housing values are realised through new builds and generational shifts as new homeowners buy at market prices. This in turn means that debt is increasing faster than house prices, making Swedish households more sensitive to regulations and interest rate changes that affect disposable income.

Our PopUpMarket concept, InGallerian, Sundsvall.



# 1 million

available workers in labour market regions around our cities

## Diös' cities

**In aggregate, the population in our cities increased by nearly 3,000 in 2020. This represents an increase of 0.43 per cent, which is roughly in line with Sweden as a whole. Åre, Umeå and Gävle have seen the strongest growth.**

The effects of the pandemic have affected unemployment in our regions to a lesser extent than in the metropolitan regions. Basic industries have the biggest impact on economic growth in northern Sweden and are expected to remain stable. Growth in the IT sector is still strong and is expected to remain so. Demand for labour creates a favourable environment for continued growth in technical education and opportunities for universities and colleges in our cities.

The property market in our cities is marked by high total returns and low volatility in property values. The volatility in the total return on properties was about 5 per cent lower

during the period 1996–2020 compared with Stockholm. The main reason for the lower volatility is the higher yield on the properties.

### Transaction market

In 2020, properties worth SEK 14 billion changed hands in our market. By municipality, the transaction volume was highest in Skellefteå while residential properties had the highest turnover segment-wise. The diagrams below show the complete distribution. Interest in property investments in Sweden was very strong during the year, especially in the autumn.

### The rental market

Given the circumstances, the office market has continued to show strength and we have entered into several new attractive contracts. It is clear that location is becoming an increasingly important part of the tenant's brand and this is driving rents in central locations. Office rents grew most in Skellefteå and Umeå, with top rents of over SEK 2,600 per sq.m. The share of publicly funded tenants looking for central locations of

a high standard has increased, pointing to the importance of the right location and quality also for office tenants in central, regional and local government.

### Retail

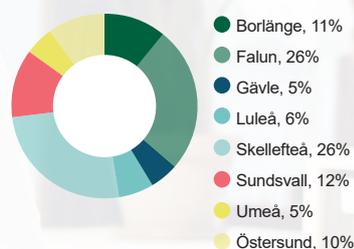
Rents for centrally located retail properties and shopping centres in good locations remained stable in 2020. Vacancies have remained largely flat, but there is a clearer differentiation between attractive and less attractive locations in this segment. Rents are increasing for the most attractive store locations, while less attractive locations look stable with slightly reduced rents. Changing consumption patterns and continued growth in e-commerce are creating uncertainty about returns for retailers, especially for shopping centres, and the risk premium in the valuation therefore increased slightly during the year. To increase the attractiveness of the city centre shopping areas, we are making changes to store concepts and offers, especially for the big, established chains. These players are launching new, updated concepts and solutions in the major cities.

#### POPULATION GROWTH FORECAST 2027

	Growth	Current situation
Falun	4%	59,530
Borlänge	6%	52,390
Mora	6%	20,500
Gävle	7%	102,900
Sundsvall	4%	99,440
Åre	14%	12,050
Östersund	8%	63,990
Umeå	11%	130,220
Skellefteå	8%	72,840
Luleå	7%	78,550

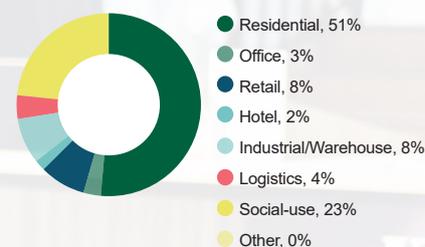
Source: Statistics Sweden and local authority websites

#### TRANSACTION VALUE BY MUNICIPALITY



Source: Pangea Research

#### TRANSACTION VALUE BY SEGMENT



Source: Pangea Research



# Goals & strategy

# Our business model

In our position as a market leader in our cities, we develop our properties, city blocks, neighbourhoods and suburban areas, creating growth for our tenants, our shareholders and ourselves. Through our knowledge in offices, urban services and housing, we offer our tenants the right premises in the right location, creating conditions for reduced vacancies and increased profitability.

## VISION

### To create Sweden's most inspiring cities.



#### Mission

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



#### Business concept

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



#### Core values

**Simple.** We are clear, open and honest.

**Close.** We are interested, listen and are available.

**Active.** We turn words into deeds, take our responsibility and dare to make decisions.



#### Our promise to tenants

**Everything is possible!** We want our tenants to do well and everything is possible! Our tenants are our primary focus – if they thrive we thrive.

## Strategy

### Urban development

By focusing on our business and on long-term growth, we own and develop our properties, city blocks, neighbourhoods and suburban areas. We offer and are experts in offices, premises for urban services and housing. We thereby create a better foundation for our tenants to grow and deliver an attractive return for our shareholders. That's what we mean by urban development.

# How we help cities to grow and develop

**A city is a place for meetings, shopping, experiences and business. The long-term success of our cities depends on population growth, which is the source of the cities' economic development. As the population increases, there is a need for new housing, jobs and urban services.**

Our strategy is to drive this growth and create a positive feedback loop for growth and

development. Thanks to our market-leading position, we have great opportunities to realise our vision of creating Sweden's most inspiring cities. We have the knowledge of what makes meeting places, homes and offices attractive. We are also convinced that attractive places where people want to be, live and work help to build long-term value for the city's stakeholders and our shareholders.

We cannot drive urban development on our own, but do so in collaboration with property owners, local businesses, tenants

and local authorities. With a common agenda and long-term goals, the process becomes smoother and the results better.

Making use of existing infrastructure and urban services through densification is a good approach. We are continuously renewing and developing our portfolio of properties. We are gradually introducing new technologies and building materials that make our properties more sustainable and energy-efficient. With commitment, knowledge and a desire to learn, we convert insights into actions that drive things forward.



## The building blocks of urban development

### The growth of the city

An attractive city will grow. Requirements and needs are changing at an ever faster pace and we are continuously developing the city's content and range of services to ensure that they remain relevant. The "right" location for a company's office is becoming increasingly important for the brand and the company's ability to attract the right talent. Micro-locations and clusters are emerging where businesses, residents and visitors work together to benefit from each other. As the density increases, so does the flow of people.

### The city's 'new' role

The significance of the city has changed as cities have gone from being centres of trade to places where people meet. We make the most of the benefits of digitisation while the public living room becomes even more important as a place where we can share our digital lives and experiences. We go shopping with our phone so that we can check out offers in other stores or take a selfie in a fitting room. Social and digi-physical meeting places are also becoming increasingly prominent in our cities as retail spaces are joined by more restaurants and cafés equipped with digital infrastructure for digital meetings, remote working and online shopping.

### Sustainable cities

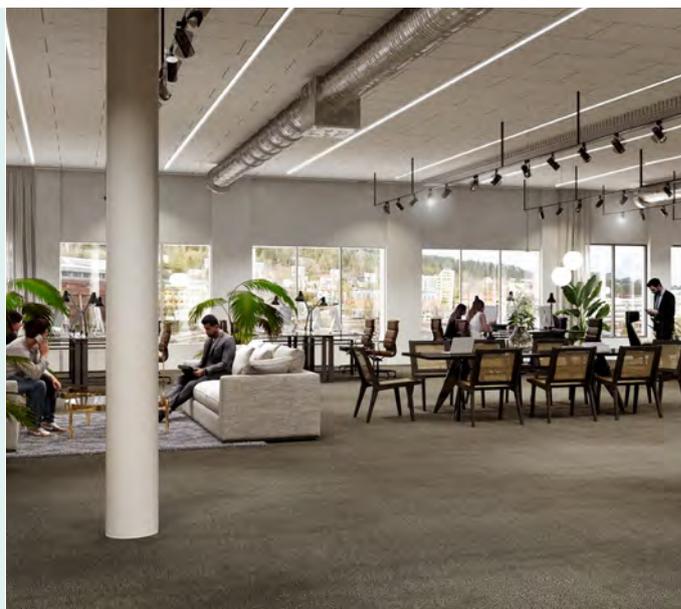
We have no alternative but to continue to ensure that our cities are sustainable. Reducing the environmental impact of properties, tenants and visitors, both directly and indirectly, is part of our daily work. By offering people centrally located housing that is close to work, schools, urban services and good transport connections, property owners such as Diös can reduce car use in favour of walking, cycling and local public transports.

Sustainable cities are also about creating safe cities for people and businesses. In this respect, the flow of people is important for ensuring sustainable development.

## Conversions of space

# IN:Gallerian

Diös' transformation of the IN:Gallerian shopping centre in Sundsvall is an excellent example of how a non-prime retail location on the second and third floors can be transformed into a prime location for Tele2's 3,800 sq.m customer service centre. The new office environment contains 300 workplaces and the new office will help to increase Tele2's attractiveness as an employer. For the city, the conversion will increase the flow of people in the city centre, benefiting shops, cafés and restaurants and other cultural offerings.



## Demand for shared offices

# Å-huset

A clear trend in office demand is that smaller companies and freelancers want to sit in the same space as others and share services. We established DoSpace in Å-huset in central Gävle in 2019, and already in summer 2020 they were looking to expand their business. The co-working concept has helped a wave of strong entrepreneurs and businesses to gain a strong foothold in Gävle and this is fuelling innovation and growth and increasing the flow of people in the city. This trend is set to strengthen, leading to a further increase in demand.

## More centrally located homes

# Söderbo

In the fourth quarter of 2020, we completed the new Söderbo district in central Östersund. 85 modern homes within striking distance of both nature and the city centre with the added bonus of unique lake and mountain views. All the urban services you could want are within 10 minutes of the home, the transport hub is around the corner and green areas, running tracks and opportunities for outdoor pursuits are just a stone's throw away. The property is Nordic Ecolabelled, which means that it has a healthy indoor environment and low environmental impact. Residents are offered to join a car pool and Huskurage, a non-profit association that is working to prevent and deter violence in close relationships.



# Growth target: 10% per year

Our target is to achieve 10 per cent average annual growth in property management income per share over a three-year period. The growth target is important for developing our business and thereby ensuring a sustainable business model and good returns for our owners. The keys to achieving the target are increased revenues and good cost control. Diös has three revenue-generating businesses: Lettings & Property Management, New Builds & Projects, and Transactions.



## Achieving the target

### Lettings & property management

Success is created through competent and enterprising local teams who live close to their tenants and the market. Long-term deals with satisfied tenants, low vacancies and efficient property management are their most important tasks.

Good tenant relations and establishing a dialogue at an early stage are key success factors. Renegotiations are an opportunity to expand our business. By identifying opportunities at an early stage, we can offer development and a more tailored product. Attractive premises that are efficient to run, where satisfied tenants can develop their business and stay for a long time, are both more sustainable and more profitable.

Expected contribution to growth target

**2–3% per year**

### Project development

The construction of new properties and projects set a new standard for quality and rents in our cities and are an important part of our offering to tenants. Increased density on impervious surfaces is more sustainable, as existing infrastructure can be used, and an increased flow of people makes our cities safer.

Ongoing project development will have an impact on earnings mainly in the latter part of 2022. Ongoing projects comprise approximately 100,000 sq.m of centrally located development rights. On top of this, we have another 150,000 sq.m of unused development rights that can be used for the production of both residential and commercial premises.

Expected contribution to growth target

**4–6% per year**

### Transactions

We acquire high-quality properties in attractive locations with stable tenants. The properties' yield must meet our high requirements and there must be potential to create value, for example through synergies, increased rents and development rights.

Transactions are always aimed at increasing the long-term quality of the portfolio and to improve profitability and the total return. The shopping list mainly includes offices, but also housing and social-use properties. Properties with less potential for further value creation or that do not fit our strategic focus may be divested.

Expected contribution to growth target

**2–3% per year**

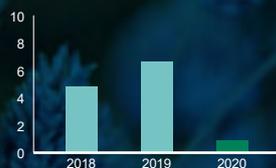
# Targets and outcomes

## Profitability targets

### OUTCOME 2020

Growth in property management income per share

**1%**



### TARGET 2021

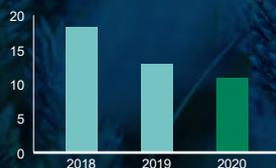
Growth in property management income per share

**10%**

The growth target ensures a continuous improvement of the business. It enables investments, dividends and good returns for our owners.

Return on equity

**10.4%**



Return on equity

**>12%**

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

## FINANCIAL TARGETS

### OUTCOME 2020

Equity ratio

**36.8%**



### TARGET 2021

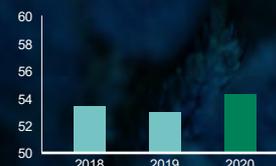
Equity ratio

**>35%**

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

Loan-to-value ratio

**54.3%**



Loan-to-value ratio

**<55%**

The loan-to-value ratio is a risk-limiting factor. A sound leverage is a good foundation for new business. Our financing agreements also specify a maximum limit.

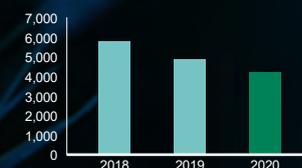
## Sustainability targets

Climate neutrality by 2045

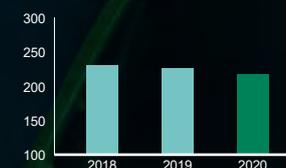
**Net zero emissions**

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

CO2 emissions, tonnes of CO2



Energy savings, GWh



# How we create long-term sustainable value

Diös creates value through a collaboration between employees, tenants and other stakeholders and using capital from the capital market and the company's owners. Our investments in properties create attractive commercial and residential premises that give our tenants the best opportunities to thrive and grow. Society benefits as jobs are created and tax revenues generated while our owners receive dividends and capital appreciation.

## Resources



### Employees

- 162 employees
- Local expertise
- Specialist skills
- Ambassadors



### Capital

- Shareholder contributions
- Bank loans
- Capital market financing
- Confidence



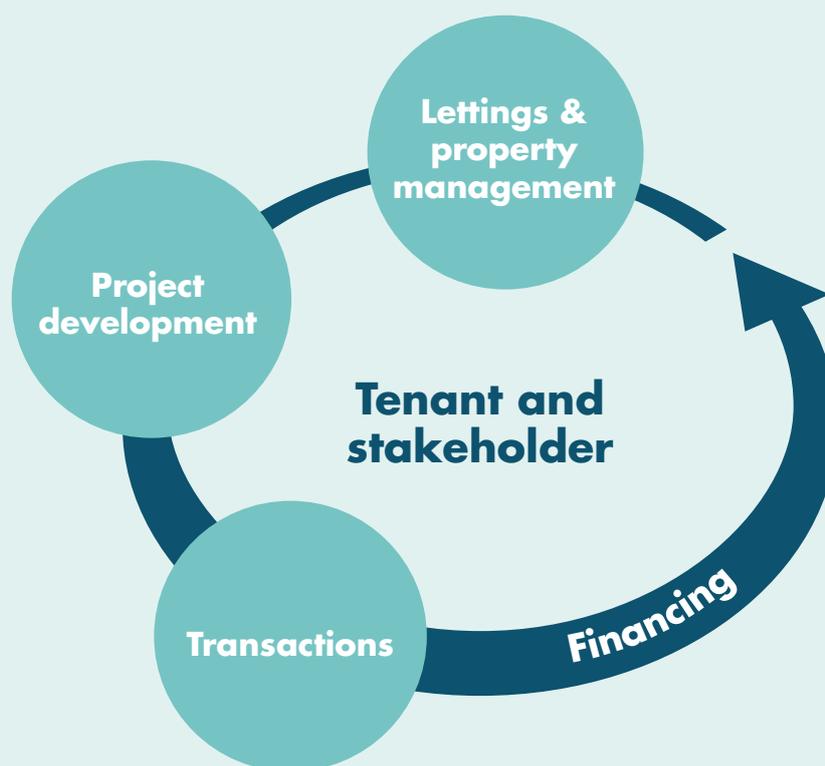
### Property portfolio

- 329 properties
- Commercial premises
- Residential premises
- Development rights



### Relationships

- Tenants
- Employees
- Shareholders
- Suppliers
- Lenders
- Analysts
- Society
- Property owners





## Value creation

### For our tenants and the city

- Inspiring cities with attractive places
- Developed premises
- SUSTAINABLE URBAN DEVELOPMENT
- Growth and investments

### For employees

- An inspiring workplace
- Salaries and benefits
- Personal development and security

### For shareholders

- Sustainable long-term returns
- Attractive dividends
- Growth and development focus

### For partners

- Jobs and employment
- Development and collaboration
- Growth and sustainable development

### For lenders

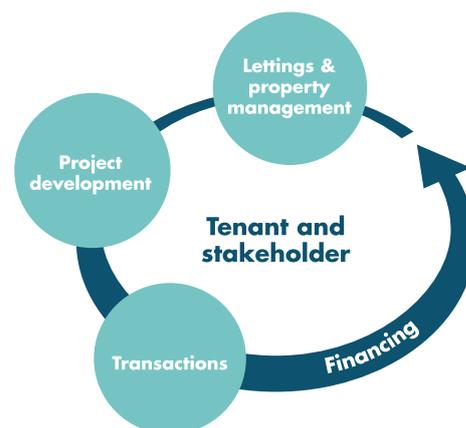
- Interest payments
- Stable, low-risk business
- Long-term relationships



Property Manager Tobias Norestrand with Diös tenant Mirjami Olsson at Triona AB in Botlänge.

Nestorville  
REKLAMBYRÅ & FÖRLAG

# Our business



# Attractive properties with the right content and location

**We own, manage and develop centrally located properties in ten priority cities in northern Sweden where we offer attractive commercial and residential premises.**

## Attractive offices and homes in central locations

We offer a wide range of offices, areas for urban services and centrally located housing. We work closely with our tenants to ensure that we offer the right premises based on their needs.

Our guiding principle is that if our tenant thrives so will we. Tenant dialogue is essential to getting know our customers' challenges and needs and thereby offer flexible and sustainable solutions. We strive to have tenants who stay with us for a long time and who want to develop.

Our tenants, both existing and future, need to feel confident that we will reinvest in and develop our properties and the surrounding areas. They also need to feel secure that we will remain a front runner in sustainability and environmental performance.

If a contract is profitable and we have the right tenant, we are prepared to build brand new properties or initiate extensive redevelopment and conversion projects. Our attitude is that anything is possible!

## Sustainable cities in constant development

When we initiate a major project in a city, we always create attractive shopping areas and meeting places with a varied range of services that attract people to the area. Our projects thus have positive knock-on effects on the surrounding businesses. The greater the flows of people visiting offices, shopping areas, gyms, hotels and restaurants, the greater the boost to

growth and employment. We also do our bit in helping to create cities that factor in – for the city of the future – important environmental, social and economic aspects.

## Value for all stakeholders

We live and work in our cities and have a personal commitment to our cities' growth and development. Collaboration breeds success and the people we work with need to feel confident that we are a reliable and long-term partner. Together with the local authority, the business community and other property owners, we work to increase the attractiveness of the city. We engage in cost-effective active property management, project development and transactions that generate increased revenue, capital growth and opportunities for new investments. This is a sustainable, long-term business model that creates value for all stakeholders.



# Success factors for profitable and successful business

## Committed employees

We aim to be a workplace with proud and committed employees. We have an open corporate culture and offer an exciting workplace with opportunities for personal development. Employees who enjoy their work do a better job and have a positive attitude that rubs off on others. They also stay for longer and identify with the brand and the company's values. Together we build culture.

### Strategy for further improving employee satisfaction:

- Coaching and courageous leadership
- Clear roles in combination with freedom under responsibility and frequent monitoring
- Confidence in the employee's ability
- Personal development plans
- Diös Academy and training

## Satisfied tenants

Satisfied tenants who stay for a long time are an important part of property management. Longer rental periods result in less maintenance and a lower vacancy rate. Moreover, a satisfied tenant is often more inclined to engage in dialogue about how we can support their business by developing their premises. They also help to spread a positive vibe and faith in the future that increase our own and the city's attractiveness in the long term.

### Strategy for further improving tenant satisfaction:

- The right offer in combination with a professional attitude and knowledge
- Long-term relationships built through a local presence, dialogue and openness
- Proactivity that drives and develops our offering
- An understanding of the tenant's business and technical requirements

## Properties in the right location

A geographically concentrated portfolio of properties in the right locations is a key factor for our continued success. Our focus is on city centre locations where a good mix of premises provides stable income as well as development potential. This also provides opportunities to attract new and retain existing tenants, create synergies in property management and influence urban development in a direction that adds to our growth.

### Strategy for strengthening our position:

- Increased urban density through extensions to existing properties
- Engage in dialogue with the local authority to obtain negotiating rights concerning developable land and create new development rights on existing properties
- Use of development rights
- Acquire properties that create synergies and have development potential



**“Well functioning teams – where we all feel equally strongly about our tenants, properties and cities – mean everything.”**

**Anna Dahlgren,  
Head of Business Unit Sundsvall**

### Investment capacity

Our cities are growing, as is the need for increased urban density and enhancements to existing properties. We therefore continuously review areas with development potential around the city centre, with city blocks, neighbourhoods and suburbs, as well as transport hubs with a view to enhancing our portfolio through development, new builds or redevelopment. Our strong, stable cash flow and good relations with banks and capital market players enable us to make new investments.

#### Strategy for developing our portfolio:

- Run an active projects business with a focus on conversions and extensions as well as new builds
- Develop more sustainable construction processes and use environmentally friendly materials
- Acquire attractive properties or portfolios
- Build a portfolio of development rights
- Ensure that we have the necessary talent internally for running property development projects

### Stable financing

A stable financing business with good access to capital is fundamental to our ability to develop our business and create an attractive long-term total return for our shareholders. We are working actively to increase our green financing and have established a green financing framework for funding our environmentally certified properties and sustainable projects.

#### Strategy for securing stable financing:

- Work continuously to strengthen our financial resilience and creditworthiness
- Good relations with owners, banks and the capital market
- Ensure that we have financial flexibility that makes us resilient
- Increase the share of green financing
- Adjust our capital structure so that it balances acceptable financial risk against the owners' required return



**“By focusing on our business, we create growth for our tenants, our cities and ourselves.”**

**Sofie Stark,  
Director of Property Management**

**1,455**  
sq.m leasable area

**1,900**  
residential

**329**  
properties

**31%**  
public tenants



**1,900**  
commercial tenants

# Lettings and property management

By creating more modern offices, expanding urban services and building more homes in the city centre, we create an accessible city. We also ensure that the surfaces we develop can be used round the clock, by several different players. In this way, a sustainable and vibrant city is created for all.

We have a balanced mix of tenants who in various ways add to the city's attractiveness. The greater the number of tenants that enrich each other's businesses, the greater the chance for positive development. The key to achieving the goal is a mix of tenants from different industries, publicly or privately financed, as well as large and small companies.

## Our offering

In our position as a market leader in our cities, we offer and have expertise in offices, premises for urban services and housing. We are seeing growing demand for offices and are converting former non-prime B and C retail locations into prime A locations for offices. We are also developing existing offices into modern, accessible meeting places and creating new offices through new builds. In urban services, shops, cafés and restaurants are as important as the local bicycle repair shop and health centre. For continued business development and new housing developments, urban services will be an important component for an attractive location. Greater opportunities for residents in developed city blocks and districts lead to an

increased flow of people using the city's services. We are therefore converting less attractive office space into centrally located modern housing. With a focus on our offering, we create continued growth that leads to increased profitability.

## Local teams

Our local presence with Diös offices in all our cities is appreciated by our tenants and enables us to be a market leader in all our cities. It creates the right conditions for a proactive approach and efficient property management. The Director of Property Management has overall responsibility but the head of each business unit is responsible, together with his or her team, for running the local business unit.

Our local business teams also enable us to build good relationships with the city's representatives. This gives us a competitive advantage that often leads to new business and innovative partnerships aimed at increasing the city's attractiveness and growth. Many of our tenants and partners see us as their partner of choice for discussions on new ventures and urban development. We have an important role to play and are happy to take the lead in driving growth in our cities.

With a focus on our tenants' business, we engage in active dialogue to identify opportunities and challenges. We strive to ensure that we understand their business so that we

know how we can use our knowledge and investment capacity to help them grow and develop. This dialogue enables us to adapt our offering to our tenants' development.



## Energy efficiencies and green leases

Sustainability issues are becoming increasingly important for our tenants and for us. Energy efficiencies are today integrated into our property management activities and are an important part of our transition to a more sustainable company. There is potential to cut down on CO<sub>2</sub> emissions as well as operating costs, and each local business team includes an energy optimiser who takes part in our dialogue with the tenants. We are working to increase the number of green leases. A green lease describes how the parties should work together regarding energy use, waste management, water use, etc.

## Developments in 2020

The Swedish rental market in 2020 was marked by the pandemic, and the spring's infection control measures, travel restrictions and the closure of the experience and hospitality industries primarily affected retailers, cafés and restaurants. After a few quiet months in the spring when the pandemic struck, business activity has been good with many new deals in both the retail and office segments. We offered rent discounts of SEK 33 million under the government rent support scheme and received

SEK 16 million in support payments.

Physical retailers are going through a transition. Even before the pandemic hit, competition was escalating, primarily from online retailers. Retailers are an important element of urban services and we are working actively and with a focus on solutions to tackle the challenges created by the ongoing structural transformation. We are, for example, developing new business models such as store-in-store concepts and pop-up retail spaces to ensure that shopping remains an experience. We are also engaged in talks about more flexible leases to lower the threshold for new business openings.

Retailers in the most vulnerable segments account for a relatively small share, about

3 per cent, of our business. Our local teams have done a fantastic job supporting tenants who have had a tough year. Unfortunately, some tenants were forced to shut down, which led to a slight increase in vacancies in the retail segment.

Together with our tenants, we work continuously to develop the content of our properties. Vacancies at the end of 2020 were slightly elevated and we are working actively to reduce the vacancy rate, partly by converting spaces that are less in demand in one segment into very attractive spaces in another segment. We see great potential in helping our tenants transition and adapt to a post-pandemic world and thereby create increased value for our shareholders.

### Positive net leasing

Net leasing for the full year came in at SEK 51 million, which points to a high level of activity and solid demand. We continue to see a strong interest among our tenants to change and develop their premises. Many of our tenants have also taken the opportunity to develop their premises during a year when their employees worked from home to a greater extent.



Simon Åhlman, Building Maintenance Technician, Falun.

## Organisation

**Our property management business is based on having a local team with almost identical skills in each local market. The similarity in the set-up is a strength and the teams help each other by exchanging skills and experiences. Each team consists of:**

- A head of business unit with profit responsibility for their market
- Property managers with responsibility for net operating income and for running their own property portfolio
- Technical managers with responsibility for the technical management of the properties
- Building maintenance technicians who take care of the properties
- Letting agents who match available premises with potential tenants
- A customer and office coordinator
- Project managers who work on local adaptation projects
- An energy optimiser who focuses on optimisation and projects



The Söderbo district, new rental apartments in Östersund.



# Project development

In order to meet a growing demand for modern and accessible premises and thereby contribute to increased growth, we are working actively to create new spaces and convert premises from one type to another. Our project development teams are creating new attractive meeting places and modern premises that increase our rental income. We do not build speculatively; all investments in new commercial premises are made on the basis that there is a tenant and a long-term contract with defined rents.

Project development is an important tool for modernising and growing our property portfolio organically at low risk. It also leads to capital growth that is realised as development rights are translated into lettable properties. In addition, larger projects create dynamic effects for the city and indirectly increase the value of surrounding properties.

We have a sustainable business model which, in combination with an attractive property portfolio, puts us in a strong position to attract tenants, both government agencies and private companies, and sign long-term leases. In all new projects, we also ensure that there is an increase in the number of restaurants, cafés, gyms, service providers and other meeting places in the immediate vicinity that make the area attractive.

## Our team

Our investments in major projects were

launched in 2017 and since then we have been going through an intensive construction phase with several parallel new build and re-development projects that will be completed in the coming years.

In collaboration with central business developers, the head of business unit and business team in each city work actively to identify business opportunities among existing or potential tenants. In close dialogue with the local authority and the tenants, they identify potential deals and development projects. The project organisation is involved in the process at an early stage to assess opportunities and challenges. If the ideas lead to an actual construction project, the project organisation takes over and drives the project to completion – from detailed development plan to occupancy – in close collaboration with the tenant and the business team.

We have a high level of ambition for our projects and use customised solutions of a consistently high quality. We are no stranger to using more standardised concepts, for example when it comes to building new housing, but our options are limited in locations close to the city centre, where new buildings need to fit in with the city's character.

## Densification

Urbanisation is continuing and we are noticing a growing demand for central locations in our cities. To meet this demand,

we are working to increase urban density by creating new lettable premises in and around existing properties. A higher density of people in the city drives revenue and pushes up property values while also driving growth and increasing the attractiveness of the city.

Densification covers major extensions and conversions of less desirable shopping centre and retail premises into offices. We also look at the potential for converting less functional offices into attractive homes. Finally, we also undertake new builds. This involves using development rights to create the right content and build an attractive area.

## Property improvement

Improvement projects refer to conversion or extension work that materially affects the property's operating surplus or standard or changes the use of the premises. Examples of major ongoing development projects in 2020 include our housing development project in Wasahuset in Gävle and the redevelopment of the Transport Administration's head office in Borlänge. In 2020, we invested SEK 173 million (147) in improvement projects.

## Tenant improvements

As part of our property management activities, we develop premises or part of a property for the tenant to meet their needs. Tenant improvements generate a good return by increasing the quality of our portfolio, which leads to higher

## Major projects in progress

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	Q3 2021	BREEAM SE Very good
New build	Umeå	Magne 4	Hotel	14,500	100	410	Q1 2019	Q3 2022	BREEAM SE Very good
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
Improvement	Sundsvall	Lyckan 6	Office	3,883	100	107	Q4 2020	Q4 2021	Part of property

”

**“Project development is an important tool for modernising and growing our property portfolio organically and at low risk.”**

**Mats Eriksson, Director of Projects**



rents. For the customers, our willingness to reinvest in their business is a big asset, and enabling the customer to grow and develop with us helps to ensure longer lease terms.

#### **Detailed development planning and portfolio of development rights**

Together with the local authority and other players in each city, we are continuously working on a number of detailed development plans in order to increase the number of development rights in our portfolio and create additional value. We work actively to enhance the urban environment through sustainable developments. We ensure an efficient process and good end product by involving important stakeholders and professionals at an early stage.

Our ongoing planning process covers development rights for 100,000 sq.m that have been taken into use. In addition to this, we have identified existing and potential development rights for a gross floor area of approximately 150,000 sq.m. Over the next five years, we estimate that we can create

new development rights for 25,000–30,000 sq.m of space annually.

#### **Market and activities in 2020**

The projects market was buoyant in 2020 amid a high level of activity in our cities. Demand for development rights and properties increased significantly. We met several new players who are looking to establish a presence in our markets. These new stakeholders, who have previously focused entirely on the big city regions, have pushed up the value of our portfolio, creating opportunities for further deals.

In 2020, we invested SEK 629 million in major projects, of which one project was completed and handed over to the property management team: 85 apartments in Söderbo, Östersund, which are expected to add SEK 7 million to net operating income. In 2021, we expect to complete additional projects that will increase our net operating income by SEK 18 million.

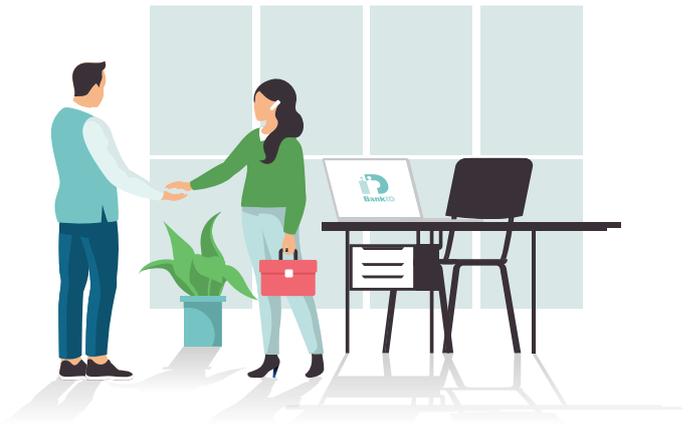
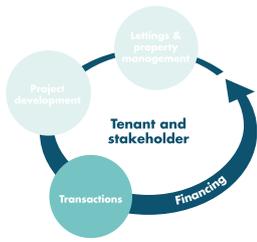
At year-end, we had projects worth SEK 2.8 billion in our order book and there is a continuous inflow of projects as new deals are signed.

Last but not least, we invested around SEK 889 million (787) in ongoing tenant improvements during the year. Many of these were linked to the changes taking place in physical retailing, with tenants requiring smaller spaces but ideally in even better locations.

#### **Increased demand for centrally located housing**

Centrally located housing is a key ingredient for creating a city that is alive round the clock and which therefore feels safe and attractive. The net migration of people to our cities has continued and increased urban density is a must for a sustainable future.

At year-end, we had 133,000 sq.m of residential space distributed across 1,837 apartments. We mainly create new rental apartments for in-house management. Growth and net migration to our cities mean that there is a good demand for attractive rental apartments. Our ambition is to increase the number of residential apartments in our portfolio by converting less attractive office spaces as well as through new builds.



# Transactions

Transactions enable us to develop our portfolio at a faster pace. Our focus is on deals where we can achieve synergies, increase our market presence and achieve good capital growth. Generally speaking, we acquire properties in central locations that complement our existing portfolio with offices, housing and urban services. In addition to these, we make strategic acquisitions outside the city centre in particularly attractive areas that meet our requirements for yield, development potential and low risk.

Successful property transactions require a proactive search for candidates. With teams in ten cities that know their markets well, we have a very good picture of transaction opportunities in our cities. Some transactions

involve exchanging properties with other property owners to achieve a shift between segments or efficiencies in the management of our portfolio. With 329 properties, Diös has a good base for exchange deals.

## The transaction market

Despite the Covid-19 pandemic, interest in property investments in Sweden has been very strong with a transaction volume of SEK 188 billion in 2020 according to Pangea. In our markets, properties worth SEK 14 billion exchanged hands. By municipality, the transaction volume was highest in Skellefteå while residential properties had the highest turnover segment-wise.

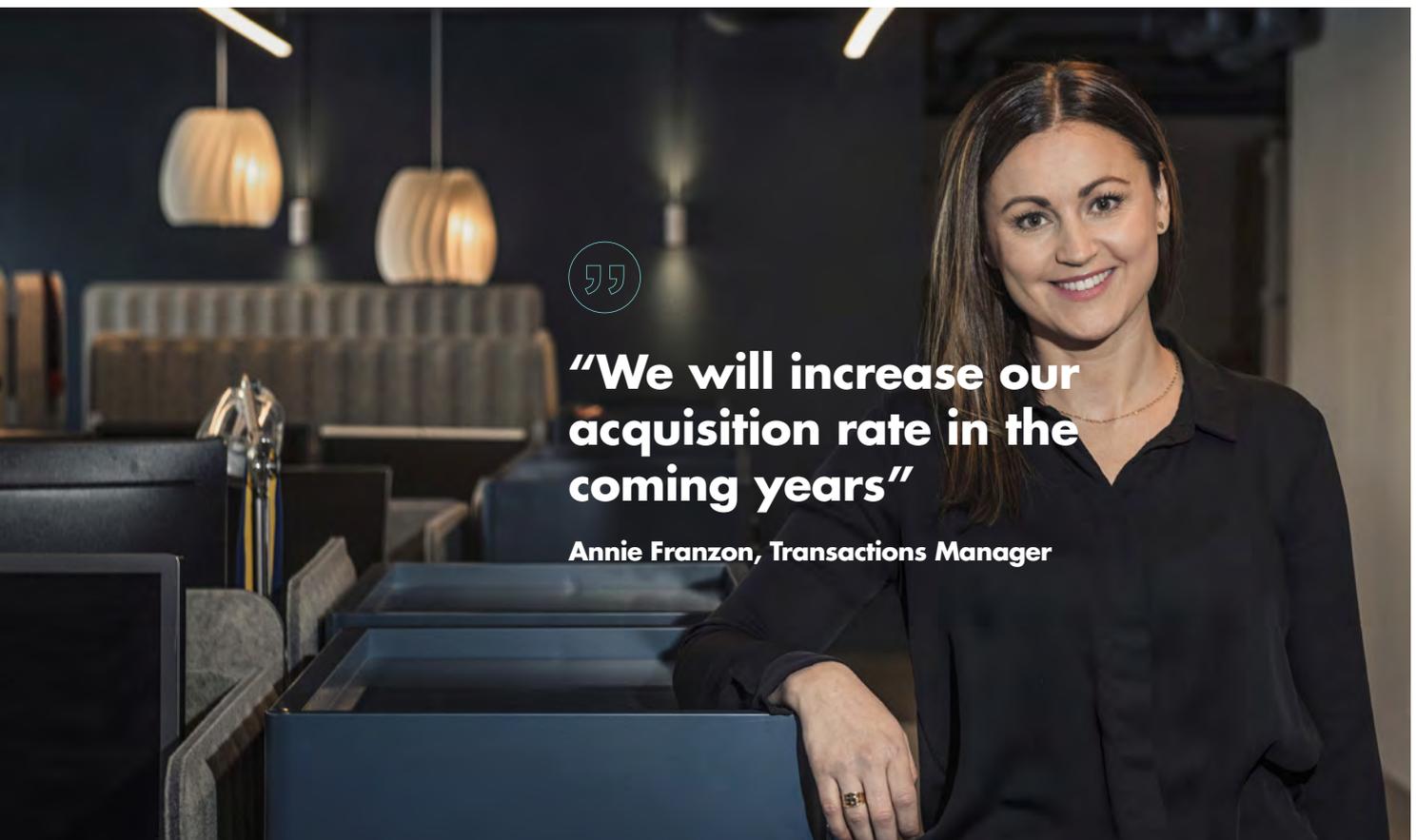
Competition for properties is increasing

in our cities and investors have started to re-price properties outside the big cities. Geography is becoming less important as investors pay more attention to the attractiveness of the product for tenants and the potential for good long-term returns.

## Transactions in 2020

In spring 2020, the impact of Covid-19 was felt as discussions were put on hold and many players chose to await further developments. After the summer, activity resumed and it became clear that prices had not been significantly affected.

For the year as a whole, activity in the transaction market increased, with more bidders and an acceleration in deals.



**“We will increase our acquisition rate in the coming years”**

**Annie Franzon, Transactions Manager**

# Financing

Diös' acquisition of Flottarbyn, two properties comprising 6,300 sq.m. of modern office space near the airport in Umeå, will be a valuable addition to our existing portfolio in Umeå.

The acquisition of Mimer 2 and 3, with a combined floor space of 2,900 sq.m, in Skellefteå is an example of how we are growing our city centre portfolio and broadening our offering with housing and offices in the heart of the city. The acquisitions complement our existing portfolio and thus also create property management synergies. The total consideration was around SEK 160 million.

We also sold eight properties in Sundsvall containing light industry, office, retail and warehouse premises. The consideration was SEK 130 million.

## Future transactions, assessment and valuation

We carry out valuations and assessments of all properties, areas and districts on an ongoing basis to identify opportunities for purchases and sales. Factors such as location, quality, the possibility of acquiring additional development rights, rent levels and vacancies determine the growth potential of a property.

Through our local experts, we are in a strong position to assess the potential of individual properties as well as entire districts. We use highly developed processes to assess the condition, location and potential of each property. Aspects such as environmental impact, exposure to natural disasters and the local authority's urban planning are key assessment criteria.

In addition to physical and technical inspections, we carry out a thorough financial assessment of the property and of the company which owns the property. As a majority of all property transactions take the form of an acquisition of the company that owns the property, it is of the utmost importance to ensure that financial statements are correct and that taxes have been paid.

The property industry is capital-intensive, which is why access to financing on competitive terms is essential to achieving an attractive total return for our owners and for the continued development of our business. Our low financing rate shows that our creditors have strong confidence in us.

## A cost-effective financing structure

Our financing activities are aimed at supporting our property business by meeting its capital requirements and managing the Group's financial risks. To be able to create long-term value, Diös strives to maintain a stable, well balanced and cost-effective financing structure. The guidelines in the Group's financial policy are designed to secure the company's financial stability, which benefits our lenders. The Board reviews our financial policy annually. Operationally, borrowing and risk management are handled by the finance department. Diös also has a Finance Committee, which prepares matters and advises the Board on financial matters.

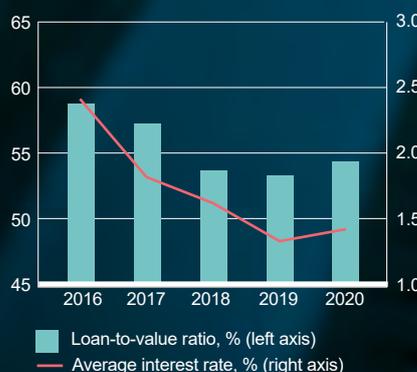
Our interest-bearing liabilities consist of bank loans, bonds<sup>1</sup> and commercial paper and the financing is secured against direct or indirect collateral in the form of property. We believe the current structure provides good diversification and cost-effective financing. We continuously review other financing options as needs, market conditions and the size of our company change.

## Increasing the share of green financing

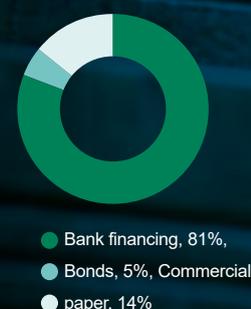
Our ability to finance our sustainable activities through "green" financing has improved, both in the capital market and through bank loans. In autumn 2019, we launched a green financing framework which defines terms for which assets we can borrow green funds against in the capital market. Our ambition, as our properties are environmentally certified and other investments approved under the framework are implemented, is to increase the share of green financing, in the form of capital market as well as bank financing. Today, green financing generally reduces the cost of borrowing.

We have over a period of time chosen to have relatively short fixed-rate terms, which has proved advantageous. In 2020, we extended our fixed-rate terms and loan maturities at very attractive terms.

## LOAN-TO-VALUE RATIO AND INTEREST



## INTEREST-BEARING LIABILITIES



<sup>1</sup> Through the jointly owned company Svensk Fastighetsfinansiering AB (SFF).

A person with long hair, wearing a dark sweater, is seated at a long, dark wooden table in a modern office lounge. They are reading a newspaper. On the table, there is a brown mug, a plate of food, and a stack of newspapers. The room features large windows, green armchairs, and several black, dome-shaped pendant lights hanging from the ceiling. The text "Share information" is overlaid in white on the image.

**Share information**

## SHAREHOLDERS BY COUNTRY



## SHAREHOLDERS BY TYPE



# Share information and shareholders

## Share price performance

Diös' shares lost 10.5 per cent (+52.3) in 2020. By comparison, the Nasdaq OMX Stockholm 30 index rose 5.8 per cent (25.8) and the Stockholm Stock Exchange's property index, expressed as Nasdaq OMX Real Estate PI, declined 5.7 per cent (59.2). The total annual return was -7.9 per cent (58.1). The share price volatility for the past 12 months was 43.0 per cent (23.7). At 31 December, the company had a market capitalisation of SEK 10,331 million (11,541).

## Dividend and dividend policy

The Board of Directors proposes a dividend for the financial year 2020 of SEK 3.30 per share (1.65), divided between two payments of SEK 1.65. This equates to a yield of 4.3 per cent, in relation to the share price on 31 December. In response to the Covid-19 pandemic, the dividend for 2019 was adjusted from SEK 3.30, as originally proposed, to SEK 1.65 per share.

According to the dividend policy, approximately 50 per cent of the profit for the year after tax, excluding unrealised changes in value and deferred tax, should be passed onto the shareholders as a dividend. The proposed dividend represents a payout ratio of 50.3 per cent (24.9). The decision on the distribution and payment of dividends will be made by the Annual General Meeting on 13 April 2021.

The proposed dividend record date is 15 April 2021 for the first payment and 1 November 2021 for the second payment. If the decision is made at the Annual General Meeting according to the proposal, the first dividend payment will take place on 20 April 2021 and the second payment on 4 November 2021.

## Shares and share capital

The share capital at 31 December was 269,024,276 (269,024,276) and the number of shares was 134,512,438 (134,512,438). The shares have a face value of SEK 2 per share and all shares have equal voting rights and entitle the holder to the same share of the company's capital.

## Shareholders

At year-end, Diös had 18,065 shareholders (14,688). The number of shareholders registered abroad accounted for 23.0 per cent (24.8). The largest single shareholder was AB Persson Invest with a 15.4 per cent (15.4) shareholding. The ten largest shareholders accounted for 53.0 per cent (53.0) of the shares and voting rights.

## Net asset value and equity

For the purpose of giving a long-term fair value of the company's net assets, we recognise a long-term net asset value, expressed pursuant to EPRA NRV. EPRA NRV at year-

end was SEK 10,680 million (9,876), which equates to SEK 79.7 per share (73.4), and the share price at 31 December represented 96 per cent (117) of EPRA NRV. Equity at 31 December was SEK 9,148 million (8,484), which equates to SEK 68.2 per share (63.1).

## Buyback and transfer of treasury shares

The Annual General Meeting 2020 mandated the Board, during the period until the next AGM, to acquire and transfer treasury shares representing up to 10 per cent of all outstanding shares of the company. Share buy-back is a method used to adapt and improve the effectiveness of the capital structure. During the financial year, 441,418 shares were repurchased at an average price of SEK 64.6. The Board will propose that the AGM extend the period for acquiring and transferring treasury shares.

## Flagging

No changes in ownership were flagged during the year.

## Transparency and accessibility

We seek to be transparent and accessible to our stakeholders without compromising external and internal regulations. All shareholder information such as financial reports and press releases are available on our website.



**DIVIDEND DIVIDED BY PROFIT, %**



**RETURN ON EQUITY, %**



**SHARE PRICE/EPRA NRV AND SHARE PRICE PERFORMANCE, %**



## LARGEST SHAREHOLDERS

	No. of shares	Capital and voting rights, %	Change 12 mths, % points
AB Persson Invest	20,699,443	15.4	0.0
Backahill Inter AB	14,095,354	10.5	0.0
Nordstjernen AB	13,574,748	10.1	0.0
Pensionskassan SHB Försäkringsförening	8,096,827	6.0	0.0
Avanza Pension	3,099,726	2.3	0.2
Swedbank Robur fonder	2,422,700	1.8	0.0
BlackRock	2,379,407	1.8	0.2
Karl Hedin	2,358,274	1.8	0.9
Norges Bank	2,246,974	1.7	1.7
Sten Dybeck including company and family	2,116,000	1.6	0.1
<b>Total, 10 largest shareholders</b>	<b>71,089,453</b>	<b>53.0</b>	<b>-0.6</b>
Treasury shares	441,418	0.3	0.3
Other shareholders	62,981,567	46.7	0.3
<b>TOTAL</b>	<b>134,512,438</b>	<b>100.0</b>	

Source: Monitor of Modular Finance AB. Compiled and processed data from Euroclear, Morningstar, the Swedish Financial Supervisory Authority and other sources.

## DATA PER SHARE

	2020	2019	2018	2017	2016
Share price at 31 Dec, SEK	76.8	85.8	56.4	55.8	47.1
Market value of outstanding shares, SEKm	10,331	11,541	7,580	7,499	4,484
Property management income per share, SEK	7.13	7.07	6.64	6.23	5.66
EPRA NRV per share, SEK	79.7	73.4	67.6	59.7	56.0
Dividend per share, SEK	3.30 <sup>1</sup>	1.65	3.00	2.90	2.00
Payout ratio <sup>2</sup> , %	50.3	24.9	49.7	49.5	53.0
Dividend yield, %	4.3	3.8	5.3	5.2	4.3
Total return, %	-7.9	58.1	6.5	23.9	2.8

<sup>1</sup> Proposed by the Board.

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

## OWNERSHIP STRUCTURE

Number of shares, shareholding	No. of shareholders	No. of shares	Capital and voting rights, %	Market value, SEKm
1-500	12,732	1,616,993	1.2	124
501-1,000	2,066	1,668,331	1.2	128
1,001-5,000	2,488	5,708,457	4.2	438
5,001-10,000	402	2,968,860	2.2	228
10,001-20,000	176	2,595,305	1.9	199
20,001-50,000	100	3,302,154	2.5	254
50,001-	102	105,650,338	78.5	8,114
Anonymous ownership	-	11,002,000	8.2	845
<b>TOTAL</b>	<b>18,065</b>	<b>134,512,438</b>	<b>100</b>	<b>10,331</b>

## LIQUIDITY 1 JAN-31 DEC

	2020	2019
Highest share price, SEK	98.80	91.00
Lowest share price, SEK	52.70	55.45
Total number of shares traded	90,818,646	65,335,004
Average per day, number of shares traded	360,391	261,340
Total number of trades	277,030	171,907
Average trade value, SEK	21,763	28,998
Average daily turnover, SEK	24,438,789	19,939,721



# Sustainability Report

# Sustainability for Diös – caring for our communities

**By developing and managing our properties, city blocks, districts and, by extension, our cities, we take responsibility for the communities in which we operate. Urban development is about seeing the big picture and taking account of the importance of environmental, social and economic sustainability aspects for creating tomorrow's cities. As a market leader in all our cities, we are in a position to drive that development.**

Using the UN Global Sustainable Development Goals to guide us in our sustainability

management activities, we have made our sustainability strategy part of our business concept. Integrating sustainability in our daily activities is crucial to our ability to achieve our growth targets and be profitable through long-term value creation.

Our long-term sustainability goal is to reach net zero emissions by 2045. The climate is the most urgent of the UN goals and it is therefore our highest priority sustainability issue. The climate crisis is not only leading to changing weather conditions but will affect economic and social sustainability aspects locally in our cities as well as nationally and globally.

Property businesses generally have a big carbon footprint and we are therefore also in

a good position to make a difference through changed behaviours. A lifecycle perspective is being integrated in our property management business, resulting in increased resource and energy efficiency, healthier material choices, lower carbon dioxide emissions and less risk.

Making cities more environmentally friendly, climate-smart and green goes hand in hand with increasing security. By developing shopping streets and meeting places, we influence the flow of people, which increases people's sense of security.

Our vision to create Sweden's most inspiring cities is our guiding principle. Making the city better for everyone encompasses all aspects of sustainability. Diös' activities should help to build a sustainable future.



Environment  
& climate

Prosperous  
cities

Fair business  
practices

Comitted  
employees

# The road to the sustainable city

## Four focus areas

We have chosen to divide our path towards more sustainable cities into four focus areas: Environment and climate, Thriving cities, Fair business practices and Committed employees. Each area has its material sustainability issues, challenges and goals, which are described on the following pages.

## Organisation

In 2020, we appointed a Head of Sustainability with responsibility for advancing our sustainability management agenda. The Head of Sustainability is responsible for driving and developing our overall sustainability management activities and our long-term strategy.

## Taking responsibility

By raising awareness among our employees on issues such as hazardous building materials, climate emissions, energy optimisation, gender equality and integration, we can make better decisions throughout our business. We also want to create increased awareness and commitment among our employees that spread far beyond our own organisation. As a market-leading player, we can drive a positive and sustainable development of our cities. No sustainability challenge will be solved by any individual company. It is therefore essential that we have the ability to build relationships and be open to developing new and existing partnerships.

Complying with applicable laws and regulations for a public company such as Diös is of course a minimum requirement. Through taxes, fees and a profitable long-term business model, we contribute to our welfare system.

## The climate challenge

For us, the climate issue has the highest priority. Of the UN Global Sustainable Development Goals, the climate issue is the most urgent and the one where we see the greatest opportunity to make a difference. Our long-term goal of net zero emissions by 2045 is a goal that contains both challenges, opportunities and probably solutions that we are currently unaware of. The starting point for our improvement work is always ourselves. We review our construction projects, adapt procedures in our property management business and change our energy habits. We then think about how we can influence decisions outside our own business. Together with our tenants, we may look at technical solutions that can optimise the running of their business along with the heating of the property.





**“It is about taking responsibility for our impact on current and future generations.”**

“Sustainability is about taking responsibility for how we affect current and future generations and about running a future-proof, long-term business on that basis. Our daily work is guided by a highly developed sustainability strategy and is combined with strategic decisions and investments that combine to move the agenda forward. Through efficient and well managed properties, we future-proof our offering and our assets. This benefits our shareholders, tenants, society and not least the climate.”

**Johanna Olofsson, Head of Sustainability**



THE GLOBAL GOALS

# Activities and goals

## Environment and climate

## Prosperous cities

## Fair business practices

## Committed employees

### Key issues

- Emissions of greenhouse gases
- Energy and water consumption
- Resource use

- Environment and climate
- Social inclusion
- Security and safety

- Ethics and morals
- Anti-corruption
- Human rights

- Health and well-being
- Working environment
- Gender equality and equal opportunities

### Activities

**3.8%**

energy savings in 2020

**Goal:** 5% energy savings 2020

**35 tonnes of CO<sub>2</sub>e**

are saved annually after we replaced our service vehicles with electric vehicles in 2019 and 2020.

**Goal:** Net zero CO<sub>2</sub>e by 2045

**98%**

of all energy purchased for our properties in 2020 was non-fossil energy.

**Goal:** 100% non-fossil energy by 2025

**CSI score 68**

Our customer satisfaction score remained at the same level as in 2019 despite the challenges that 2020 brought.

**Goal:** Maintain customer satisfaction

**21%**

of our leasable area has been environmentally certified. In 2020, 6 existing properties were certified under Breeam In-Use.

**Goal:** Climate-neutral construction by 2030

**12%**

of the total value of our portfolio are green property assets.

**Goal:** 50% green assets by 2030

**For the 3rd year running**

we achieved EPRA's highest level, EPRA Gold, for our sustainability report.

**Goal:** Correct and transparent information disclosure

**0**

cases of corruption or suspected corruption.

**Goal:** Zero tolerance for corruption

**eNPS 46**

our employee Net Promoter Score, which measures ambassadorship. An increase from 43 in a year marked by great challenges and homeworking.

**Goal:** Committed employees

**2.1%**

our sick leave in 2020, down from 3.1% in 2019.

**Goal:** Maintain a low sick leave rate

**3,300 hours of training**

were completed by our 162 employees in 2020.

**Goal:** Committed employees

### UN Sustainable Development Goals



# Initiatives linked to the global goals



## 3 Good health and well-being

### 3.9 Reduce the number of deaths and illnesses from hazardous chemicals and pollution

By using the Building Product Assessment and obtaining environmental certification for our new build and existing properties, we help to limit the amount of hazardous chemicals and building materials in our properties and avoid the risk of air, water and soil pollution.



## 5 Gender equality

### 5.1 End all forms of discrimination against women and girls

We have an even gender distribution among managers and in senior management. Through regular performance reviews and clear guidelines, we can identify any irregularities. An anonymous whistleblowing service is available on our website.



## 6 Clean water and sanitation

### 6.4 Increase water use efficiency and ensure the supply of water

We continuously monitor water use in our properties and during the years 2017–2019 we implemented water saving measures in all residential apartments. In many municipalities, water and sewage charges are increasing, creating an added incentive to introduce such measures in order to ensure efficient water use and quickly detect leaks.



## 7 Affordable and clean energy

### 7.2 Increase the share of renewable energy in the world

By demanding that all electricity provided by our electricity supplier comes with a certificate of origin and from renewable sources, we hope to be able to influence the transition from fossil fuels in electricity generation. We are installing solar panel installations on the roofs of our properties and have now installed a total capacity of over 2,000 kWp including ongoing projects.



## 8 Decent work and economic growth

### 8.6 Promote youth employment, education and training

By working with schools, universities and students, we want to help more young people gain a foothold in the labour market and build contact networks for the future. In 2020, we were named Student Favourite of the Year at the Östersund Business Gala for our work on internships and degree projects. To encourage entrepreneurship among young people, we have for a number of years been a partner of Junior Achievement Sweden's activities in all our cities.



## 11 Sustainable cities and communities

### 11.2 Sustainable transport systems for all

We continue to offer tenants in all our cities access to charging stations for electric vehicles. An increased roll-out of charging stations in the cities is essential to enabling a transition to electric vehicles. In our new build project Söderbo in Östersund, we offer residential tenants access to a car pool. The use of car pools is increasing and is an example of changing behaviours in society.



## 12 Responsible consumption and production

### 12.6 Encourage companies to adopt sustainable practices and sustainability reporting

We produce an annual sustainability report in accordance with the Swedish Annual Accounts Act and the recommendations of the GRI Standards, Core option. We also report to GRESB and in accordance with EPRA sBPR. Measuring and reporting our sustainability performance is becoming increasingly important as transparency and comparability requirements increase. For Diös, sustainability reporting is about showing both strengths and weaknesses as well as our ability to grow and develop.



## 13 Climate action

### 13.1 Strengthen resilience and adaptive capacity to climate-related natural disasters

We work daily to optimise our energy use and reduce unnecessary energy consumption. We install solar panels and buy electricity from renewable sources to reduce emissions of greenhouse gases. The next step is to adapt our property management activities to make our properties more climate-friendly based on new local conditions.

# Stakeholder dialogue

The company's main stakeholders are employees, shareholders, tenants, society, suppliers and lenders. Our ongoing dialogue with all our stakeholders is important for identifying changes in trends and conditions.

For in-depth information about our ongoing stakeholder dialogue, see the GRI register from page 115.



## Employees

Employee commitment is a key factor for ensuring tenant satisfaction and driving the company's value creation. Personal development, well-being and meaningful work are important factors for increasing commitment.



## Tenants

Our tenants are at the heart of our business. A relevant and attractive offer is the foundation, but personal relationships and knowledge are crucial. Ongoing dialogue and customer surveys provide input.



## Society

Sustainable urban development depends on collaboration, a shared view and common interests that benefit many parties. Growth and development add value to society, for example by making our cities safer and increasing the tax base and employment.



## Shareholders

Our shareholders' expectations and required rates of return affect our business in the short and long term. Our strategy, vision and goals become subjects of discussion through ongoing dialogue and the AGM.



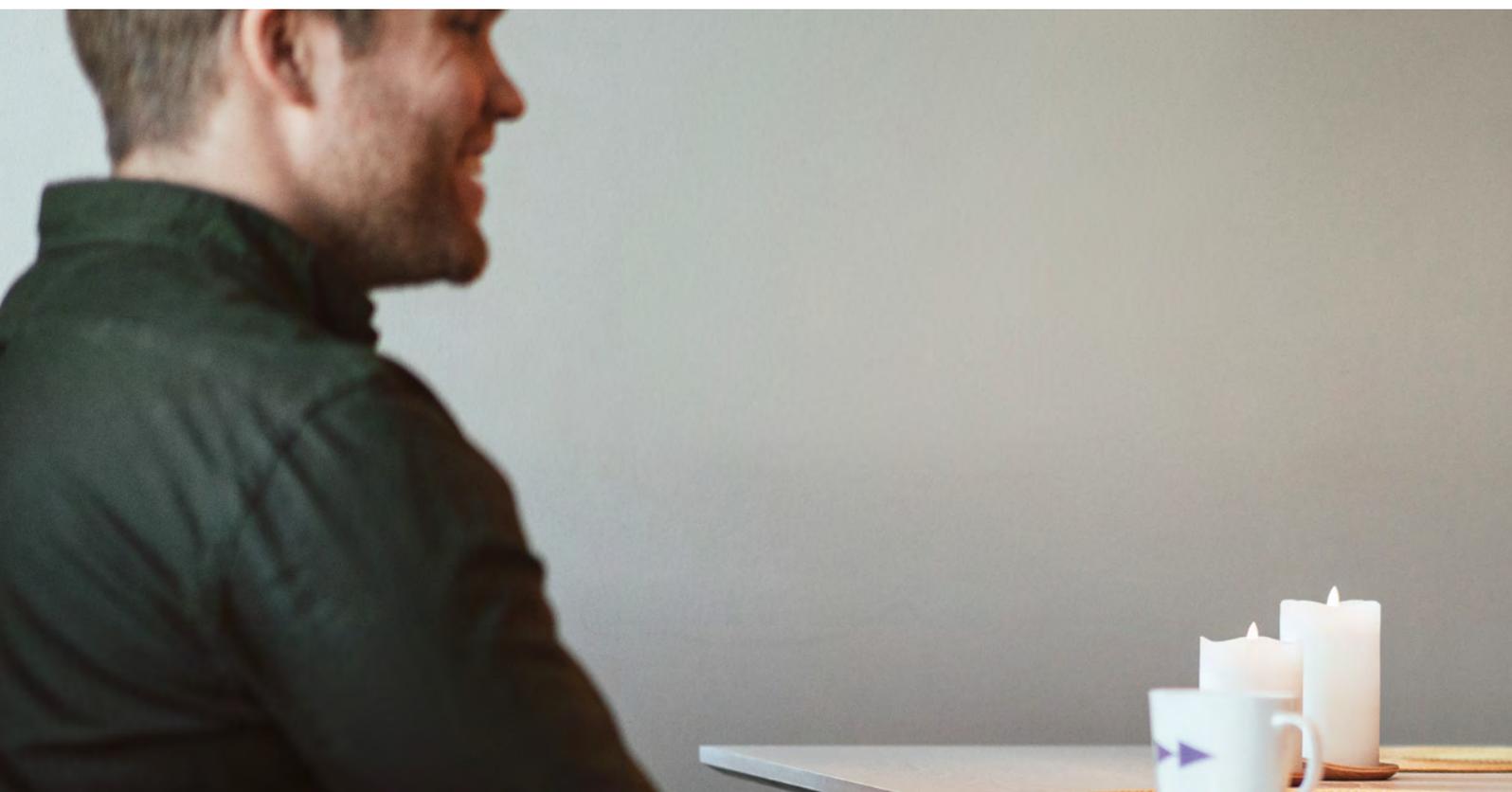
## Lenders

Good relationships and a close dialogue with lenders are important for ensuring a cost-effective financing structure and enabling expansion. Lenders are looking for financial stability and a high level of transparency.



## Suppliers

Our suppliers are an important part of our value creation process and our brand. Clearly defined expectations and good long-term relationships are success factors.



## Priorities and impact

Based on our stakeholder dialogue and a completed materiality analysis, we have defined the following priorities with regard to relevance and our ability to have an impact.



Property Manager Jenny Svensson with Diös tenant Johan Nordin, Vision 2020, Sundsvall.



# Environment and climate

## Key sustainability issues

- Emissions of greenhouse gases
- Energy and water use
- Resource use

## Risks and opportunities

- Climate-friendly properties
- Offering to tenants
- Costs and fees

## Goals

- 3 per cent annual energy savings
- All new builds to be environmentally certified
- 1–2 existing properties per business unit to be certified under Breeam In-Use each year
- Non-fossil energy by 2025

**A long-term, quality-driven approach to property management increases resource efficiency and enables us to offer attractive premises to tenants. Through careful measurements and monitoring, we gain control over our emissions and can optimise resource use. We believe that awareness and openness about all sustainability issues help to strengthen relationships and generate more business.**

### Net zero

Reaching net zero emissions by 2045 will involve many challenges and we do not have all the solutions today. We have knowledge and control over most emissions from our energy use (Scopes 1 and 2). Solar panels, energy efficiencies and electric cars are already default options in our business. In the area of energy, increased demand for cooling is our biggest challenge. Although climate-smart cooling solutions exist, energy use would increase leading to increased carbon dioxide emissions. In recent years, indirect or third-party emissions (Scope 3) have started to be referred to as the property industry's biggest climate challenge. In 2020, we began a survey aimed at determining how we can best work with our suppliers and demand reductions in these emissions.

### Eliminating fossil fuels

Solving the climate challenge requires collaboration. That's why we have chosen to participate in the first regional roadmap for eliminating the use of fossil fuels in Jämtland. Today, 98 per cent of the energy we buy for our properties comes from non-fossil sources. To reach 100 per cent, we will need to demand more from our energy suppliers. To reduce peak loads and the need for fossil fuels for our suppliers, we are implementing energy efficiencies and optimising the use of power. It is a positive contribution to the environment but will not necessarily be reflected in our own emissions data. Since 2019, all our service vehicles have been electric and we are continuing to invest in rolling out charging infrastructure in all our cities.

### Efficiency

We are reducing and optimising our energy use on a daily basis, and this is having an impact. For 2020, we were hoping to achieve bigger savings and therefore set an ambitious target of a 5 per cent reduction in electricity and heat consumption. Due to deferred investments in energy projects and changed circumstances which limited our ability to visit properties and optimise energy use, we achieved a saving of 3.8 per cent. The target for the coming year is a 3 per cent saving.

### Environmentally certified properties

Improving and raising the efficiency of our properties is integral to our business, and by obtaining environmental certification for our properties we receive confirmation of the value of our efforts. Through environmental certification requirements, we can set high standards for new builds while preparing relevant action plans for our existing properties. In 2020, we certified six properties under Breeam In-Use, bringing the share of floor space certified under the environmental scheme to 21 per cent. The target for 2020 was to certify 12 properties, but due to the pandemic we were unable to travel or visit the properties to the extent required by our certification process. Through our green properties and other green projects, we also open up the possibility of obtaining green loans. Read more about our green financing on our website.

### Ecosystem services

In spring 2020, one of our student employees started a biodiversity project. We tested allowing parts of the green areas around one of our larger properties in Östersund to return to meadow. The objective was partly to highlight the issue of biodiversity and the need for more green areas that can provide a habitat for insects, bumblebees and bees.

We are happy with the project, which resulted in a great variety of flowers springing up that attracted various pollinators and a more colourful lawn.

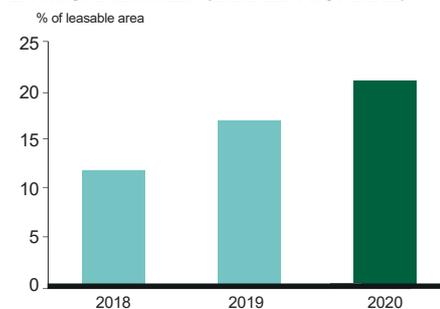
## Investing in solar panels

Solar panel installations on rooftops and walls enable us to increase the amount of renewable electricity in the market. In 2020, we put into operation five installations with a total capacity of a 660 kWp, and another five installations (900 kWp) are awaiting commissioning in early spring 2021. We will continue to build solar installations where it is economically and environmentally beneficial. We have unused roofs that can be used for the purpose and we have committed tenants with high standards. In new builds, we always assess the possibility of installing solar panels and we look forward to introducing many green and innovative energy solutions.

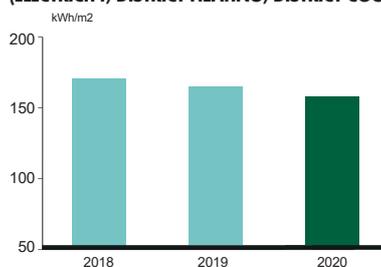


Solar panels at Frösö Strand, Östersund.

### ENVIRONMENTALLY CERTIFIED PROPERTIES



### ENERGY USE, COMPARABLE PROPERTIES (ELECTRICITY, DISTRICT HEATING, DISTRICT COOLING)



Our Magne hotel construction project was named Best Construction in Umeå in 2020 at SWECO's sustainable construction gala. The image is an architect's rendering.





# Prosperous cities

## Key sustainability issues

- Climate and environment
- Social inclusion
- Security and safety

## Risks and opportunities

- Offering to tenants
- Attractive places
- New technology
- Climate change

## Goals

- Climate-neutral construction by 2030
- Net zero emissions by 2045
- Satisfied customers, CSI

**The ideal of a thriving city has taken on new dimensions in the wake of the pandemic and new risks and opportunities have emerged. As a leading player in our cities, we have great opportunities to drive things forward and take responsibility for current and future generations.**

### Satisfied tenants

Satisfied tenants are fundamental to our ability to move closer to our vision and achieve our growth targets. A key element is to understand the tenant's business and place in the city as a whole and to communicate our strategy and knowledge in a transparent and easy-to-understand way in order to create a shared view. During the pandemic year 2020, we took action and mobilised to create creative solutions for our tenants and ourselves, with an absolute focus on health. We have learned to live close to each other through new ways of meeting, and this has also strengthened our relationships.

We measure our tenants' satisfaction through an annual follow-up of our customer satisfaction index (CSI). The results of this year's follow-up show a stable high level of 68 (68) despite the challenges posed by the pandemic. We receive high marks for fault reports, feedback and courtesy. There is potential for improvement mainly in dialogue and expectations about indoor climate and maintenance.

### A future-proof property portfolio

Our greatest asset, and also our greatest risk, is in the value of our property portfolio. It is therefore of the utmost importance that our offering is not only relevant right now but that it is also sustainable. Our portfolio needs to have a low environmental impact and consist of inspiring environments where people are happy and thrive. To streamline and quality-assure our property management activities and our properties, we environmentally certify our properties under recognised environmental certification systems. Our long-term ambition is for all properties to be environmentally certified.

Climate change and the resulting extreme weather conditions increase the strain on our properties. Ongoing investments are made to improve the properties' characteristics and resilience to current and future weather effects. We carry out regular inspections and continuously assess what measures should be taken in response to increased global warming.

Our properties house many different businesses that are constantly evolving in response to changing surroundings, demand and needs. The properties therefore need to be flexible and easily adaptable to new and changing requirements in order to promote the cities' long-term success.

### Safe cities

In the area of social sustainability, safety is fundamental. When you feel safe, you dare to go out, use public transport, look for a job, meet your neighbours, socialise, in short – to

take part in society. Creating Sweden's most inspiring cities and attractive places is our way of making life in the city better for everyone. We strive to ensure that the city is alive round the clock, every day of the week, and that is where a mix of functions is essential. Different types of housing must be balanced with offices, shops, private and public services, and leisure activities that together attract more people who exercise informal social control. We can also affect people's sense of security by illuminating, building on and making previously dark areas and courtyards more accessible. We work with voluntary organisations, the police and other authorities and engage in initiatives aimed at improving safety and social inclusion.

### Electrification, sharing and mobility

New technology and changing behaviours have changed the way people move within cities, which often has a positive impact on the urban environment and climate. Increased electrification of all types of vehicles is reducing CO<sub>2</sub> emissions as well as noise pollution. The growth of the sharing economy is leading to increased vehicle utilisation rates and greater social inclusion by enabling services for people in the city that were previously linked to ownership. Accessibility is a key ingredient for a thriving city, which is why we as property owners work closely with the local authority and the business community on these issues. We are seeing a clear increase in demand from our tenants for charging points for electric cars and garages for electric bicycles and we are working proactively to offer these facilities.



**“We have succeeded in our ambition to create an incubator in the heart of town where local entrepreneurs can gather strength and market themselves.”**

**Malin Runberg, Property Manager**



### One of our concepts

## C:nen

Based on the watchwords Content, Cooperation and Creativity, C:nen – the C's – offers creative entrepreneurs who are passionate about sustainable development opportunities to grow in an innovative way.

C:nen is a unique retail and meeting place that offers temporary marketplaces for entrepreneurs who want to market themselves during a limited time. In the best location in central Östersund, visitors can shop in a zero waste store and peruse local crafts and sustainable furnishings among other things. This autumn, up to 13 entrepreneurs were active at C:nen simultaneously. An autumn fair with local artisan foods and an art exhibition were also organised. The entrepreneurs at C:nen work together and help each other grow – something that is very much in tune with the times – and create an attractive experience for visitors and the city.

The zero waste store Vågen was awarded Coop's Änglamark Prize 2020, showing that this is a concept for the future.



# Fair business practices

## Key sustainability issues

- Ethics and morals
- Anti-corruption
- Human rights

## Risks and opportunities

- Laws and compliance
- Security and privacy
- Long-term trust and reputation

## Goals

- 50% green assets by 2030
- Zero tolerance for corruption
- Correct and transparent information disclosure

**All our business is done in accordance with applicable laws and regulations. Our entire business and all our business relationships are marked by honesty, independence, transparency and good business practice. Maintaining a high level of trust is essential to our ability to run our business in an efficient and value-creating manner.**

### Code of Conduct – governing documents

All our business dealings must be marked by a high standard of business ethics and responsibility. Our Code of Conduct defines the minimum requirements for the legal and ethical conduct of our business, and how we should take responsibility for the environment, people and society. The Code has been prepared based on the UN Global Compact's ten principles on human rights, labour, environment and anti-corruption. It is introduced to new employees and is followed up at the annual performance reviews. The Code is supplemented with more detailed policy documents and descriptions for different areas.

### Paying taxes

Part of running a responsible business is to contribute to the tax system that finances our welfare system. It goes without saying that we need to comply with applicable tax regulations and pay the right tax, while we also have

a professional responsibility to operate the business in the interests of our shareholders. In cases where the tax rules do not provide clear guidance, we strive for caution and transparency. In addition to reported income tax, we pay property tax, non-tax-deductible VAT, social security contributions, energy tax, stamp duty and payroll tax.

### Personal data

The processing of personal data and protection of privacy are covered by our data protection policy. The data protection policy is based on the General Data Protection Regulation (GDPR), which entered into force in the EU in 2018.

### Suppliers and purchasing

We always strive to ensure that our tenants are happy, and it is therefore of the utmost importance that our suppliers and partners live up to the standards that we and our customers expect. Today, we have around 2,000 suppliers, with construction services accounting for the largest purchases. We work actively to strengthen our purchasing process and reduce the number of contracts in order to simplify quality assurance and reduce risks. Our Code of Conduct for Suppliers is attached to all supplier agreements, setting forth our expectations.

### Transparency

With transparency becoming an increasingly central issue, it is important to facilitate comparisons between companies, both

nationally and internationally. That's why we have chosen to report according to generally accepted systems and standards. Every year, we report our sustainability aspects in accordance with the standards defined by the international organisation GRI, using the Core option. For 2017–2019 reports we received the EPRA Gold award, which represents the highest standard of sustainability reporting and transparency, from the European Public Real Estate Association (EPRA). We have also reported to GRESB, achieving the highest Green Star rating in 2020.

### Whistleblowing service

Diös encourages all employees to report deviations from the applicable Code of Conduct and other policy documents to their manager or the HR department. If this is not considered possible, there is an external whistleblowing service where reports can be submitted anonymously. The whistleblowing service is available on Diös' website and can also be used by external stakeholders to report suspected violations.

### Strategic aspects

For a long-term player that takes a comprehensive approach to the growth and development of its cities, trust and reputation are vitally important. With many stakeholders, local, national and international, our business needs to meet its stakeholders' requirements and the existing demand. Our strategic partnerships are necessary to create the best value and are a key factor for our continued success.

## Policy documents

Our policy documents provide a governing framework for our activities and the Group's employees. They are adopted by the Board or senior management and ultimate responsibility for ensuring compliance rests with the CEO. All new employees study our policy documents during their induction.

### Sustainability policy

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

### Financial policy

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

### Code of Conduct

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

### Communication policy

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



# Committed employees

## Key sustainability issues

- Health and well-being
- Working environment
- Gender equality and equal opportunities

## Risks and opportunities

- Zero tolerance for discrimination and harassment
- Safety
- Brand and relationships

## Goals

- Committed employees, eNPS
- Maintain a low sick leave rate
- Zero tolerance for discrimination and harassment

**Courageous leadership together with an open corporate culture that allows people to grow and develop creates an attractive workplace and inspires employee commitment. This year, flexibility and good dialogue have been important factors for maintaining a good working climate and continuing to motivate our employees as well as for maintaining good relations with our tenants.**

### Health and well-being

Due to the Covid-19 pandemic, 2020 was a year in which we faced many challenges in order to ensure the health and well-being of our employees.

For some employees, working from home has had positive effects such as a simplified work-life balance and time savings or more time for exercise. Making sure that everyone has a good work environment in their home office is a big challenge. For the employees, homeworking requires a high level of individual responsibility for their work and for following the recommendations.

We take a proactive approach to health and safety and have appointed a company-wide team that is tasked with developing and improving the work environment at our workplaces. The team's mission is also to encourage participation and engagement among our employees. Through our occupational health service, we are able to take early action

to prevent sick leave. All permanent employees are offered private health insurance and sick leave remains low.

To promote our employees' health and well-being, we have a sports club, Diös IF, which is run by employees with a mission of encouraging physical activity.

### Courageous leadership

Our leadership is based on a clear personal responsibility to make decisions that take us closer to our shared goals. With a decentralised approach to decision-making where everyone feels secure, we get closer to the business and speed up our processes. Our employees feel more involved and can influence their own work situation. Leadership is an important part of Diös' brand and corporate culture.

The biggest pandemic-related challenge during the year was to create commitment and maintain motivation. Read more about our strategy for employee commitment on page 26.

### Ambassadorship and commitment

In autumn 2019, we implemented an interactive tool for measuring and identifying employees' well-being and commitment. The eNPS metric measures ambassadorship based on surveys that are conducted four times a year. By measuring eNPS several times a year, we can identify trends and receive continuous feedback on our employees' development and commitment. 2020 brought new challenges that made monitoring and feedback more difficult as well as more important.

In 2020, our eNPS<sup>1</sup> increased to 46 (43) on a scale of -100 to 100. This is a high level compared with the Index (10)<sup>2</sup> and we get high marks for team spirit and leadership. The high level of commitment among our employees is a result of our efforts to increase transparency and understanding in the company. We continue to promote activities that strengthen commitment and ensure that we have fun at work, even when working from home.

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

<sup>2</sup> Index (10) is the average eNPS score among the companies that use the tool.



### ORGANISATION

	2020	2019
Number of employees at 31 Dec	162	153
of which local property management	109	101
Number that left during the year	11	21
of which retirement	2	0
Number of new employees during the year	23	20
Staff turnover (%)	7	14

## Student Favourite of the Year

This year's student favourite was chosen by the students of Mid Sweden University at the Gold Gala in Jämtland County. The prize went to Diös, on the grounds that, "With a strong conviction that students are the future, Diös promotes new and young talent. The employees create an open, permissive and humble work environment where the students' ideas receive attention and can grow through real-life tasks. Diös' watchword is relationships; here people develop together."

Rebecca Andersson, Content Manager at Diös, together with Fanny Westin, a student at Mid Sweden University. Both have previously done internships at Diös.

## Homeworking requires new solutions

The pandemic has affected us and many others in terms of our physical presence at the workplace. Increased homeworking affects our ability actively to influence and improve the work environment for our employees. A poorer work environment and ergonomics as well as mental health problems are significant risks resulting from increased homeworking. During the year, office attendance was occasionally scheduled to enable employees to come to work while at the same time avoiding overcrowding. We have also provided mobile office equipment to improve the ergonomic conditions for homeworking. Ongoing initiatives such as digital kick-offs and digital check-ups at group and company level as well as more frequent employee surveys have been carried out to increase employee participation and identify any negative trends and influences among our employees.

Diös tenant Jonas Lindqvist, CEO of Stegra, HouseBe Sundsvall.





# Financial report

Daniel Jansson Westblom, letting agent, Gävle.

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# Directors' Report

The Board of Directors and CEO of Diös Fastigheter AB (publ), company registration number 556501-1771, hereby present their annual report for the Group and parent company for the financial year 2020.

The Board's report on internal control concerning financial reporting, the Corporate Governance Report, covers both the parent company and the Group and has been prepared in accordance with the Swedish Annual Accounts Act, see pages 63–72. In accordance with chapter 6, section 11 of the Act, the company has opted to draw up the statutory Sustainability Report separately from the Directors' Report. An index for the Sustainability Report is presented on page 122–123.

## OPERATIONS

We are one of northern Sweden's leading private property companies with a total property value of SEK 24,512 million (22,885). The property portfolio is spread across ten cities and consists of commercial premises and residential properties in central locations.

Our strategy is urban development. That means that we want to create Sweden's most attractive places. We do this by managing and improving our existing properties and by building new properties in a sustainable manner. Operations were organised into seven business units in 2020: Dalarna, Gävle, Sundsvall, Åre/Östersund, Skellefteå, Umeå

and Luleå. The head office is located in Östersund. Our portfolio is spread across several segments with a strong emphasis on offices, urban services and residential properties. We are affected in various ways by the Swedish economy, the property and rental market, the financial market, and each sub-market and segment. For further information on our markets, see pages 8–15. During the year, our business was also affected by the ongoing Covid-19 pandemic. The Board and senior management focused actively on its impact on our operations and continuously adapted strategies and decisions regarding financing, the valuation of properties and projects, provisions for credit losses, the handling of rent discounts and support payments, etc. Our handling of the effects of Covid-19 has been effective and the business has performed well. The Swedish government introduced a support package covering certain categories of tenants that was implemented in the second quarter of 2020. Under the scheme, a number of tenants received rent reductions of around 50 per cent, of which 25 per cent was paid by the government. This meant that the Group's property management income for 2020 decreased by a net SEK 17 million as a result of rent discounts provided under the government support scheme. See page 62 for more information.

In 2020, we acquired 2 properties (9) with a total value of SEK 38 million (602) and sold 8 properties (5) worth a total of SEK 130

million (129). Diös' property transactions are aimed at enhancing our portfolio and strengthening our tenant offering in line with our strategy. At 31 December 2020, Diös had ongoing projects covering a floor area of around 100,000 sq.m. In addition to this, we have identified around 150,000 sq.m of gross floor space that can be used to create both residential and commercial premises. These rights constitute the core of the project portfolio. In 2020, investments in new builds were concentrated to Noten 3 in Sundsvall, Magne 5 in Umeå, Intagan 1 in Borlänge, Stigbygeln 2 in Umeå and Mimer 1 in Borlänge. Leases have been signed for all projects.

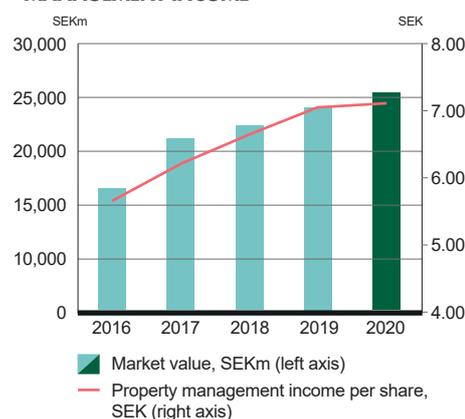
In addition to the project portfolio, we invest continually in our existing portfolio through conversions and redevelopment as well as energy-saving measures. The investments must result in a higher occupancy rate, increased customer satisfaction, lower costs and a reduced impact on the environment.

## FINANCIAL TARGETS

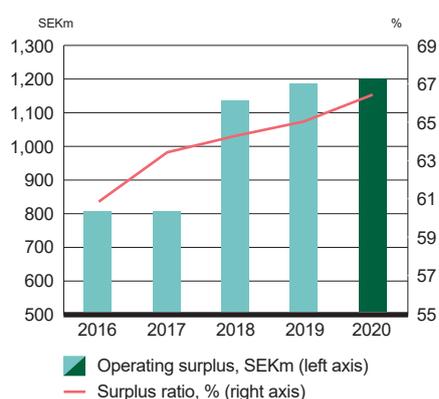
The financial targets for the Group are designed to ensure the company's financial stability. The measurable and risk-limiting financial targets for 2020 were:

- > An equity ratio of at least 35 per cent.
- > A loan-to-value ratio of no more than 55 per cent.
- > Return on equity over 12 per cent.
- > Average growth in property management income per share of 10 per cent over a three-year period.

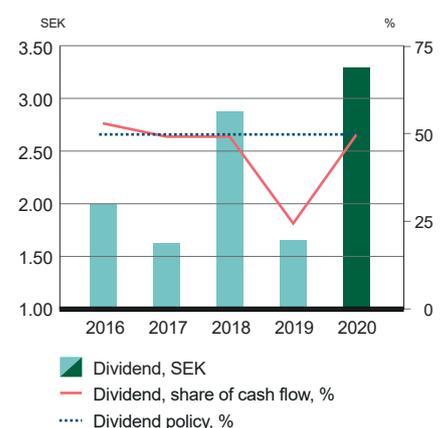
### MARKET VALUE AND PROPERTY MANAGEMENT INCOME



### OPERATING SURPLUS AND SURPLUS RATIO



### DIVIDEND AND DIVIDEND POLICY



We achieved our financial targets for 2020, except for return on equity, and the company is comfortably meeting the financial stability requirements defined by the banks. The equity ratio was 36.8 per cent (36.6) in the Group, and 17.1 per cent (19.0) in the parent company. After the proposed dividend of SEK 3.30 per share (1.65), the equity ratio at 31 December 2020 will be 35.0 per cent (35.6) in the Group and 14.5 per cent (17.5) in the parent company. The proposed dividend for the financial year 2019 was reduced in view of the situation regarding the Covid-19 pandemic.

### Employees, guidelines and remuneration

Diös operates almost exclusively with in-house staff. The number of employees as at 31 December 2020 was 162 (153), of whom 69 were women (67). The majority of the employees, 109 people (101), are engaged in physical property management at our business units. The remaining members of staff work at our head office in Östersund. At 31 December 2020, the team working on our Pick-Pack-Post concept comprised 4 people (0), of whom 4 were women (0).

For decisions on remuneration for senior executives and the latest approved guidelines, see Note 5 and the Corporate Governance Report. All employees are covered by our profit-sharing foundation, Grunden, into which payments are made based on a combination of the profit for the year, required rates of return and dividends to the shareholders. Annual transfers to the profit-sharing scheme are capped at SEK 30,000 per employee. For 2020, SEK 2,993,000 (SEK

2,045,000) was transferred to the scheme. At year-end, 262,400 Diös shares (242,250) were held under the scheme. For more information, see the Corporate Governance Report on pages 63–72.

### Sustainability Report

For Diös, responsible business is about taking a comprehensive approach to economic, social and environmental aspects. We are making a concerted effort to change our own behaviour so that we have a positive impact and inspire and encourage our stakeholders to follow our example. Our sustainability management activities are integrated in our operations and form a natural part of our value creation process. We have prepared a separate Sustainability Report in accordance with the Annual Accounts Act that covers Diös Fastigheter AB (publ) and all its subsidiaries, where a more comprehensive audit has been carried out than a statutory audit. The contents of the Sustainability Report are presented on page 116. In addition to the statutory report, Diös has prepared a Sustainability Report in accordance with GRI standards. The GRI index is presented on pages 122–123.

### Dividend

Approximately 50 per cent of the net profit after tax excluding unrealised changes in value and tax should be paid out in dividends to the shareholders unless investments or the company's financial position warrant a deviation from the policy. For 2020, a dividend of SEK 3.30 per share (1.65) is proposed, which represents 50.3 per cent of distributable earnings (24.9). For more information,

see Appropriation of retained earnings and dividend on page 105.

### Guidelines and remuneration of senior executives

For guidelines on remuneration and terms of employment, see the Corporate Governance Report on pages 66–69 as well as Note 5 for the remuneration paid for 2020. It is proposed that the principles for 2021 remain unchanged.

### Outlook

The focus of operations in 2021 will be the same as before. Our continued strategy is urban development, which means that we are developing our properties in a sustainable manner to allow for growth. A key element of our urban development strategy and our ability to generate growth is new builds, which will be a prominent part of our business going forward. Our target for property management income is to achieve average annual growth in property management income per share of 10 per cent over a three-year period. In 2021, we will continue to have a strong focus on the effects of the Covid-19 pandemic on our business and, if necessary, change our strategies and adapt our operations on an ongoing basis. It is difficult to say what effect the Covid-19 pandemic will have in the long run, as there is considerable uncertainty about what will happen and how long the pandemic will last. The Board and senior management address and revise strategies and decisions continuously to adapt to changing circumstances.

PROPERTY PORTFOLIO BY BUSINESS UNIT	Dalarna	Gävle	Sundsvall	Åre/Östersund	Umeå	Skellefteå	Luleå	Group
Balance sheet items and key ratios								
No. of properties	45	35	48	114	40	19	28	329
Leasable area, thousand sq.m	278	161	203	291	201	116	205	1,455
Investments, SEKm	320	135	424	203	305	23	109	1,518
Fair value, SEKm	3,581	2,617	4,165	4,111	4,076	1,687	4,275	24,512
Rental value, SEKm	344	228	341	380	285	146	346	2,070
Surplus ratio, %	65	66	66	63	64	67	68	66
Economic occupancy rate, %	90	88	86	89	89	94	95	89

Columns/rows may not add up due to rounding.



### Parent company

Parent company operations are made up of shared corporate functions, such as IT, economy and finance, HR, rent administration, communications, and ownership and operation of the Group's subsidiaries. Revenue totalled SEK 181 million (171) and the profit after tax was SEK 177 million (111). Profit after tax includes SEK 100 million (20) in dividends from Group companies, SEK 61 million (92) in Group contributions received and SEK 3 million (20) in Group contribution paid. The tax expense for the year was SEK 5 million (5). Revenue refers chiefly to services sold to subsidiaries.

### Share information and shareholders

Our shares are listed on NASDAQ OMX Stockholm. The share capital is SEK 269,024,276 (269,024,276) and the number of shares is 134,512,438 (134,512,438). Each share carries one vote at the Annual General Meeting. The largest shareholders are AB Persson Invest with 15.4 per cent of the shares and voting rights, Backahill Inter AB with 10.5 per cent and Nordstjernan AB with 10.1 per cent. The 2020 AGM authorised the company to buy back shares of the company, subject to a limit of 10 per cent of all outstanding shares. In 2020, Diös repurchased 441,418 shares at an average price of SEK 64.6. For more information on the resolutions adopted by the AGM, see the Corporate Governance Report on pages 63–72.

### Highlights of 2018

See list to the right.

### Events after the end of the financial year

For a description of events after the end of the financial year, see Note 30 on page 103.

## Highlights of 2018

### Q1

- Diös concluded a contract with Dalarna University to develop a campus on the Mimer 1 property in central Borlänge.
- Diös has acquired two office and residential properties in central Skellefteå.
- Diös buys back 441,418 shares.
- Covid-19 hits Sweden hard in the second half of the quarter.

### Q2

- Rent discounts linked to Covid-19 and the government rent support scheme affect our property management income and the occupancy rate.
- The AGM approves a dividend of SEK 1.65 per share.
- Tobias Lönnevall is elected to the Board as a regular Board member.
- From September, the senior management team is expanded to include Sofie Stark, Director of Property Management, and Mats Eriksson, Director of Projects.

### Q3

- Diös develops and lets out a modern office to Tele2 in IN:Gallerian in central Sundsvall.
- Anna Dahlgren takes over as Business Area Manager in Sundsvall after Sofie Stark, now Director of Property Management.

### Q4

- Diös signs a contract with the Swedish Pensions Agency for the lease of a new 2,600 sq.m office in the Luleå Science Park in Luleå.
- Diös acquires two commercial properties in Umeå. The completion date is 1 January 2021.
- Diös sells six properties outside central Sundsvall, the completion date is 1 December 2020.

# Risks and risk management

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

## Strategic risks

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

### External risks

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

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

### Competition and offer

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

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

### Sustainable business

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

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

## Operational risks

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

## THE PROPERTY PORTFOLIO, INCOME AND EXPENSES

### Property portfolio composition

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

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



## Acquisitions and investments

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

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

## Human capital

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

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

## Environment

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

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

## Climate change

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

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

## Business ethics

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

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

## Legislation and administration

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

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

## IT security and systems

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

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

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

## Financial risks

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

## Managing the effects of Covid-19

**Our dialogue with tenants and our drive and energy were significant in dealing with the Covid-19 pandemic and its effects. To reduce the spread of infection, we have clear internal guidelines for homeworking and digital meetings. Measures such as shopping centre hosts, signage and disinfection facilities were introduced in shopping centres and at meeting places.**

### Revenue and expenses

Our diversified tenant base has proved valuable in ensuring stable revenues. Some tenants operating in exposed segments such as hotels, cafés, restaurants and durable goods retailers have been granted individual discounts and deferrals, and in some cases a temporary switch from quarterly to monthly payments. Diös provided discounts of SEK 33 million under the government rent support scheme in 2020 and received support payments of SEK 16 million.

### Financing

Access to capital market financing was extremely limited in March and April but gradually improved during the autumn. The impact on the banking market has been relatively limited, with stable margins and access to refinancing and new financing.

### Projects

All our ongoing projects have proceeded as planned. Demand for new major projects at year-end was considered to be good.

### Valuation

The property portfolio is valued externally on an ongoing basis based on a well-established process. An improvement in net operating income and lower required rates of return in the office and residential segments had a positive impact on market values. 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. Market values in 2020 were also negatively affected by a short-term change in the inflation assumption.



# Corporate governance

# Corporate governance report

Diös Fastigheter AB (publ) is a Swedish property company listed on the Mid Cap list of the Nasdaq OMX Stockholm exchange. The company's corporate governance report describes the structure and processes for Diös' governance, management and control in 2020.

## The Swedish Corporate Governance Code

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

- > The Audit Committee consists of the entire Board. The Board of Directors consists of six members, all of whom perform the Audit Committee's tasks. The review process of financial reports, as well as its internal controls, are therefore both managed by the entire Board of Directors.
- > Independent Nomination Committee. The Nomination Committee is represented by the four largest shareholders and must consist of at least three members appointed by the Annual General Meeting. The majority

of the members must be independent from the company. Diös' Nomination Committee consists of four members representing the company's four largest shareholders.

In addition to this, it is the Board's opinion that Diös has in all respects followed the Code in 2020 and has no deviations to report.

### External regulations

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

### Internal regulations

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

## Annual General Meeting

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

## The company's Articles of Association

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

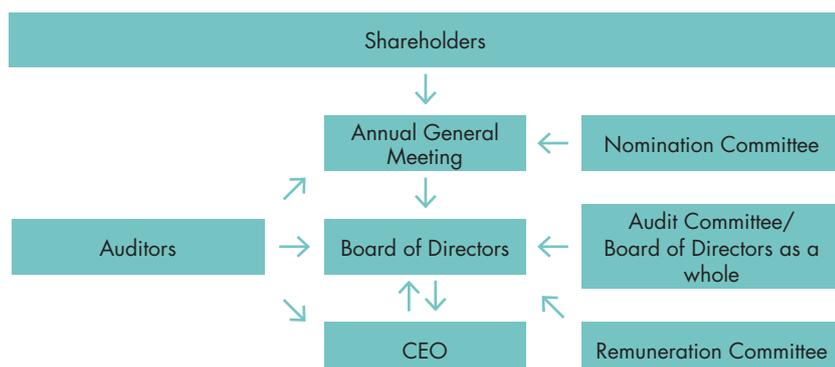
The full text of the Articles of Association is available at [www.dios.se](http://www.dios.se).

## Share capital and shareholders

At year-end, Diös had 18,065 shareholders (14,688) holding a total of 134,512,438 shares (134,512,438). During the year, Diös repurchased 441,418 shares at an average price of SEK 64.6. Each share has a face value of SEK 2 (2). The proportion of foreign shareholders was 23.0 per cent (24.8). The largest individual shareholders at 31 December 2020 were AB Persson Invest with 15.4 per cent (15.4) of the voting rights and capital, Backahill Inter AB with 10.5 per cent (10.5), Nordstjernen AB with 10.1 per cent (10.1) and Pensionskassan SHB Försäkringsförening with 6.0 per cent (6.0). The company's ten largest shareholders together owned 53.0 per cent (53.4) of the voting rights and capital. Diös is required to maintain share capital of at least SEK 149 million and no more than SEK 596 million. The number of shares must be at least 74,000,000 and no more than 296,000,000. Each share entitles the holder to one vote and refers to a portion of Diös' share capital.

## Annual General Meeting 2020

The Annual General Meeting 2020 was held on 16 June in Östersund. The date of the AGM had been postponed due to the Covid-19 pandemic. At the AGM, 223 (72) shareholders were registered who participated either in person, by proxy or through postal voting. In order to limit the spread of Covid-19, a number of measures were taken prior to the AGM. Everyone was encouraged to participate by proxy or through postal voting,





which resulted in 209 of the 223 participating shareholders being represented indirectly. The number of shares represented was 85,023,029 (77,882,702), which is approximately 63 per cent (58) of the total number of shares.

The AGM adopted the consolidated balance sheet and income statement for 2019 and discharged the Board of Directors and CEO from liability in respect of their management of the company in 2019. The AGM resolved:

- > to re-elect Bob Persson, Ragnhild Backman, Anders Nelson, Eva Nygren and Peter Strand to the Board and to elect Tobias Lönnevall as a new Board member.
- > to appoint Bob Persson as Chairman of the Board.
- > to approve the payment of a dividend of SEK 1.65 per share to shareholders, as proposed by the Board. It was proposed that the record date for the payment be 29 June 2020.
- > to re-elect the auditor and audit firm in accordance with the recommendation of the Audit Committee.
- > to approve the Board's proposed policies for remuneration and other terms of employment for the company's senior executives.
- > To ensure the same principles apply in relation to appointing the Nomination Committee before the 2021 AGM.
- > to authorise the Board to acquire and transfer treasury shares in accordance with the Board's proposal during a period ending no later than the next Annual General Meeting.
- > to authorise the Board of Directors to decide on a new share issue in accordance with the Board's proposal during a period ending no later than the next Annual General Meeting.

## Nomination Committee

The Nomination Committee has been appointed under a resolution of the AGM and its composition and activities have been based on the report submitted by the committee.

The terms of reference state that the Nomination Committee must be appointed annually and consist of the Chairman of the Board and one representative for each of the four largest shareholders. The members of the committee jointly represent around 42 per cent (42) of the shares and voting rights of the company as at 31 December 2020. The chairman of the Nomination Committee may not be a member of the Board. If a member of the Nomination Committee steps down from the committee during the course of the year, he or she must be replaced by another representative of the same shareholder. A member who no longer represents one of the four largest shareholders must be replaced by a representative of a new shareholder. If the applicable principles result in a Nomination Committee consisting of less than three members, a representative of the Swedish Shareholders' Association should be offered a seat on the committee.

## Duties of the Nominating Committee

All members of the Nomination Committee have carefully considered and established that there is no conflict of interest in accepting the duty as a member of the Diös Nomination Committee. Ahead of the Annual General Meeting 2021, the Nomination Committee held two minuted meetings at which all matters were dealt with in accordance with the Swedish Corporate Governance Code. The Nomination Committee has, among other things, discussed and considered:

- > the degree to which the current members of the Board of Directors, individually

and as a group, satisfy the requirements that will be imposed on the Board of Directors as a result of Diös' operations and development,

- > the size of the Board of Directors,
- > which areas of expertise are and should be represented within the Board of Directors,
- > the composition of the Board with regards to experience, gender and background,
- > fees for Board members,
- > proposals for the election of auditors,
- > which model for the composition of a new Nomination Committee for the 2022 Annual General Meeting will be applied.

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

The Nomination Committee's work is based on interviews with all Board members in which the Board's activities in the past year and the Board members' knowledge and experience are discussed. The Nomination Committee obtained detailed information about the activities of the Board and the specific demands created by the company's business. The Nomination Committee studied the results of the annual evaluation of individual members' contributions to the work of the Board, the work of the Chairman and how the Board functions as a group. The CEO's presentations on the company's operations and strategic focus also constitute an important basis. In accordance with the terms of reference for the Nomination Committee, the members of the Committee, and the shareholders they represent, are announced no later than six months before the AGM. The composition of the Nomination Committee is based on the known ownership at 31 August 2020.

## BOARD OF DIRECTORS

Attendance, out of total no. of meetings

	Age	Elected	Dependent/independent	Board meetings	Attendance, out of total no. of meetings		
					Remuneration Committee	Audit Committee	Fees, SEK '000
Bob Persson, Chairman	70	2007	Dependent in relation to owners	19/20	-	3/3	300
Peter Strand, Board member	49	2019	Independent	19/20	-	3/3	165
Eva Nygren, member	65	2018	Independent	20/20	-	3/3	165
Ragnhild Backman, member	57	2012	Independent	20/20	-	3/3	165
Anders Nelson, Board Member	51	2017	Dependent in relation to owners	20/20	-	3/3	165
Tobias Lönnevall, Board member <sup>1</sup>	40	2020	Dependent in relation to owners	8/8	-	2/2	165
Tomas Mellberg, employee representative	62	2012	Dependent in relation to company	20/20	-	-	-

## Composition of the Nomination Committee

In accordance with the principles adopted at the Annual General Meeting 2020, Diös' Nomination Committee consists of representatives for the company's four largest shareholders: Bob Persson (AB Persson Invest), Lennart Maurtizon (Backahill Inter AB), Carl Engström (Nordstjernan AB) and Stefan Nilsson (Pensionskassan SHB Försäkringsförening), chairman of the Nomination Committee. Shareholders who wish to submit proposals to the Nomination Committee may do so by e-mail to [valberedningen@dios.se](mailto:valberedningen@dios.se) or by post to: Diös Fastigheter AB, Nomination Committee, PO Box 188, SE-831 22 Östersund, Sweden.

## The Board of Directors

### Responsibilities of the Board of Directors and CEO

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

### The work of the Board

The basis for the Board's work is the Chairman's dialogue with the CEO, along with documents provided to the members of the Board as a basis for discussion and resolutions. The Board's rules of procedure are drawn up annually at the inaugural Board meeting and are revised when necessary. The rules of procedure specify the responsibilities and duties of the Board, the duties of the Chairman and audit issues, and include the instructions for the CEO. They also specify which reports and financial information the Board should receive prior to each scheduled Board meeting. The most recent rules of procedure were adopted at the inaugural Board meeting on 16 June 2020 (and are available at [dios.se](http://dios.se)). In 2020, 20 minuted Board meetings

were held, including one inaugural meeting and a conference call. Regular items of business at the Board meetings this year included company-wide policies, overall strategies, rules of procedure for the Board of Directors, capital structure and financing needs, transactions, raising of capital through share issues, sustainability, our business model and organisational issues, and the process for related party transactions. Forward-looking issues about market assessments, the focus of the company's commercial activities, gender equality and organisational issues were also discussed. In addition to the above matters, the Board had a strong focus on the impact of the Covid-19 pandemic on the company's strategies and day-to-day operations in 2020. The Board adapted its activities to changing circumstances, for example with regard to strategies for financing, property valuation and provisions for credit losses as well as the handling of rent discounts provided to tenants and support payments received from the government.

### Evaluation of the work of the Board

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

### Audit Committee

The Board of Directors has resolved that the Board as a whole should constitute the Audit Committee. The Committee's work is defined in the rules of procedure for the Board. The Audit Committee's duty includes quality-assuring the company's financial reporting as well as the effectiveness of the company's internal control and risk management. The Committee is also required to keep itself informed on the auditing of the Annual Report and consolidated financial statements. The Audit Committee ensures that the auditor is impartial and independent, evaluates the audit work and reports the results of the evaluation to the company's Nomination Committee. The company's auditor attended three meetings during the year to report their audit findings and assessment of the company's internal control concerning financial reporting. In addition to this, the Audit Committee assists the Nomination Committee in the organisation of elections for auditors and remuneration for them, with the remit of ensuring that the auditors' mandate period does not violate applicable

regulations, procuring an audit and providing a justified recommendation in accordance with article 16 of the EU Audit Regulation.

### Remuneration Committee

The Remuneration Committee consists of two Board representatives, namely Bob Persson and Anders Nelson. Its duties include preparing a proposal for remuneration of the CEO subject to the guidelines adopted by the 2020 AGM. The Remuneration Committee did not hold any meetings in 2020 where the guidelines for remuneration of senior executives were discussed, as the CEO's salary covering the period until March 2021 had been determined in April 2019.

### Finance Committee

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

### Auditors

The Annual General Meeting appoints one or two auditors and, at most, two deputies to audit the company's Annual Report, its accounts and the Board of Directors' and CEO's management of the company. At the 2020 AGM, Deloitte AB was appointed with Richard Peters as auditor-in-charge for the period until the 2021 AGM. Remuneration for auditors is specified in Note 6.

## Executive management

### Responsibilities of executive management and the CEO

In 2020, executive management consisted of CEO Knut Rust, CFO Rolf Larsson, Sustainability Manager Kristina Grahn-Persson, Director of Property Management Sofie Stark, Director of Projects Mats Eriksson and Director of Communications Mia Forsgren. The former Director of Property Management and Transactions and member of senior management Lars-Göran Dahl left his post in August. The team's work is led by the CEO in accordance with the applicable terms of reference.

The executive management team's duties



Eva Nygren, Board member.

# The Board's annual schedule





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

### Principles of remuneration

The 2020 AGM resolved, as proposed by the Board, to approve the following guidelines for remuneration of senior executives of Diös.

The guidelines approved by the AGM will apply to any agreements on remuneration and to changes made to already agreed remuneration, after the guidelines were adopted by the 2020 AGM. In addition, the AGM may approve other remuneration, such as share price-related remuneration, regardless of what is prescribed in these guidelines, if warranted by special circumstances and if this is considered necessary to safeguard the company's

long-term interests and sustainability or to ensure its financial viability.

Remuneration and benefits to the CEO are decided by the company's Board of Directors. Remuneration to other senior executives is decided by the CEO in consultation with the company's Board of Directors.

### Diös' business strategy, long-term interests and sustainability

Diös' business concept is to create inspiring cities through sustainable urban development – cities where people want to be, work, live and meet. Through strong relationships, a local presence and a responsible approach with a focus on sustainability, we develop commercial and residential properties in our ten cities. Diös' goal is to use its unique position to create attractive places that create value for our tenants, our owners and for Diös.

To successfully implement its business strategy and safeguard its long-term interests, the company needs to be able to recruit and retain qualified employees. The remuneration offered to employees must be competitive and in line with market levels and reflect the employee's responsibilities and authority.

### Decision-making process for determining, evaluating and applying the guidelines

The Board's resolution on proposed guidelines for remuneration of senior executives is

prepared by the Remuneration Committee. Proposed new guidelines must be prepared by the Board at least every four years. The proposed guidelines are submitted to the AGM for adoption. Guidelines adopted at the AGM apply until new guidelines have been approved by the AGM. In the event that there is a need for significant changes to the guidelines, the Board is required to prepare new proposed guidelines.

The Remuneration Committee is further tasked with monitoring and evaluating variable remuneration schemes for management that are ongoing or completed during the year as well as current remuneration levels and remuneration structures in the company. The Remuneration Committee shall also, subject to the guidelines approved by the AGM, prepare proposals regarding remuneration of the CEO and other senior executives. Senior executives do not attend meetings at which the Board discusses and adopts resolutions on remuneration-related matters insofar as they themselves are affected by the matters discussed.

### Fixed salary and incentive scheme

In addition to a fixed cash salary, incentive schemes offering the possibility of variable cash compensation may be offered to the company's senior executives. A fixed cash salary and any variable remuneration under the incentive scheme must be determined for



each financial year.

The outcome of the incentive scheme must depend on the extent to which predefined goals have been achieved in the course of the company's operations. The predefined goals must have a clear connection to the business strategy and Diös' long-term value-creating process, including its sustainability management activities. The variable remuneration paid to a senior executive is capped at one month's salary. Share-based payments are not permitted.

Diös has a profit-sharing scheme that covers all employees, including senior executives. Transfers to the profit-sharing scheme are based on a combination of Diös results, required return and dividend for shareholders and shall be a maximum of SEK 30,000 per year per employee.

#### Pension and insurance benefits

During the period of employment with the company, senior executives are entitled to insurance and pension benefits in accordance with the ITP scheme applicable at the time. Individual investment options are available. Insurance and pension premiums are based on cash salary only.

#### Non-monetary benefits

Senior executives are entitled to a company car. In addition to a car benefit, senior executives receive low-value benefits, like other employees of the company.

#### Notice period and retirement age

The CEO's contract is terminable on 12 months' notice in case of termination by the company and on four months' notice in case of termination by the CEO. The contracts of other senior executives are terminable by either party on three to six months' notice. Remuneration during a period of notice is deducted from income from another employer.

The retirement age for senior executives is 65 years.

The CEO is entitled to a company car and accommodation provided by the company as well as insurance and retirement benefits in accordance with the ITP scheme applicable during the period of employment. Individual investment options are available. Insurance and pension premiums are based on cash salary only. The age of retirement for the CEO is 65 years.

The CEO's contract is terminable on 12 months' notice in case of termination by the company and on four months' notice in

case of termination by the CEO. Remuneration during a period of notice is deducted from income from another employer. Other senior executives are entitled to a company car. During the period of employment with the company, other executives are entitled to insurance and pension benefits in accordance with the ITP scheme applicable at the time. Individual investment options are available. Insurance and pension premiums are based on cash salary only.

The retirement age for other senior executives is 65 years. The contracts of other members of executive management are terminable by either party on three to six months' notice.

#### Consideration of employees' salaries and terms of employment

In preparing the Board's proposed guidelines on remuneration, account was taken of the salaries and terms of employment of the company's employees by using information on employees' total remuneration, the components of the remuneration and the increase and rate of increase in the remuneration over time as part of the Remuneration Committee's and Board's decision basis for evaluating the reasonableness of the guidelines and the limitations arising therefrom.

#### Review of the guidelines and how the shareholders' views have been considered

Due to new requirements applicable at the time of the 2020 AGM, these guidelines have been clarified by specifying the connection to the company's business strategy and criteria for variable remuneration. Substantially, the same guidelines apply as previously for both fixed and variable pay, other benefits, transfers to the company's profit-sharing scheme, terms of employment, etc. No comments from shareholders regarding the guidelines have been notified to the company.

#### Remuneration for 2020

The CEO received fixed remuneration of SEK 3,908,000, other benefits worth SEK 407,000 and pension plan contributions of SEK 1,054,000. Other members of the executive management team received total fixed remuneration of SEK 6,650,000, variable remuneration of SEK 328,000, other benefits of SEK 409,000 and pension plan contributions of SEK 2,395,000. Other members of senior management comprised a group of five persons. For more information, see Note 5.

#### Key agenda items 2021

For the Annual General Meeting 2021, the Board proposes that the guidelines for remuneration of senior executives of Diös remain unchanged.

#### The Board on internal control

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

#### Control environment

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

they are efficient and that financial reporting is reliable. The Board has familiarised itself with and assessed the procedures for accounting and financial reporting, and has followed up and assessed the work, qualifications and independence of the external auditors. In 2020, the Board conducted a review with, and received a written report from, the company's external auditors.

### Risk assessment

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

### Control activities

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

### Information and communication

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

### Long-term value creation

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

### Monitoring

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



HouseBe, Sundsvall.



# Board of Directors



Tomas Mellberg, Peter Strand, Eva Nygren, Bob Persson, Anders Nelson, Ragnhild Backman and Tobias Lönnevall.

## Bob Persson

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

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

**Previous experience:** CEO of AB Persson Invest.

**Other directorships:** Board member of NHP Eiendom AS and Persson Norge AS.

**Education:** Economics degree, Umeå University.

**Shareholding in Diös Fastigheter:** 300,000 directly owned shares. 20,699,443 shares through AB Persson Invest.

## Peter Strand

*Board member since 2019, born 1971.*

**Current function:** CEO of Swedish Logistic Property AB.

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

**Other directorships:** Fridam AB, BrainLit AB, Adma Förvaltning AB

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

**Shareholding in Diös Fastigheter:** 10,000 directly owned shares.

## Anders Nelson

*Board member since 2017, born 1969.*

**Current function:** Business Development Director Backahill AB.

**Other directorships:** External CEO of Båstadtennis & Hotell AB, several board assignments in the Backahill Group, Board member of GRAM Group AB and Foodhills AB.

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

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

## Ragnhild Backman

*Board member since 2012, born 1963.*

**Current function:** CEO of Backmans Fastighetsutveckling AB.

**Previous experience:** Property Management Director, Piren.

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

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

**Shareholding in Diös Fastigheter:** 27,000 shares via company.

## Eva Nygren

*Board member since 2018, born 1955.*

**Current function:** Senior Advisor.

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

**Other directorships:** Chairman of Brandkonsulten AB, Board member of Swedavia AB, JM AB, Troax Group AB, Ballingslöv International AB, Nye Veier AS, Tyréns AB and NRC Group ASA.

**Education:** Architect, Chalmers University of Technology.

**Shareholding in Diös Fastigheter:** 350 directly held shares and 1,150 shares through companies.

## Tobias Lönnevall

*Board member since 2020, born 1980.*

**Current function:** Investment Director at Nordstjärnan AB with responsibility for several listed portfolio holdings.

**Previous experience:** On behalf of Nordstjärnan, Chairman of KMT Precision Grinding AB and Board member of Ramirent Plc, Acting CEO of NH Logistics, CFO of Landic Property, Management Consultant at Accenture.

**Other directorships:** Board member of Attendo AB and thereby Chairman of the Remuneration Committee and a member of the Audit Committee.

**Education:** M.Sc. in Economics and Business, Stockholm School of Economics.

**Shareholding in Diös Fastigheter:** 13,574,748 shares through Nordstjärnan AB.

## Tomas Mellberg

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

**Current function:** Project Controller, Diös Fastigheter AB.

**Previous experience:** Internal auditor and Accounts Manager at Skanska, Accounts Officer at Hallström & Nisses Fastigheter and Norrvidden Fastigheter.

**Other directorships:** Chairman of Brf Hörnhuset.

**Education:** Economics degree, Umeå University.

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

*All figures and shareholdings refer to 31 December 2020.*

# Executive management



Sofie Stark, Knut Rost, Kristina Grahn-Persson, Mia Forsgren, Rolf Larsson and Mats Eriksson.

## **Knut Rost**

*CEO since 2014, born 1959.*

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

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

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

**Shareholding in Diös:** 17,250

## **Rolf Larsson**

*CFO since 2005, born 1964.*

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

**Education:** MBA and Executive MBA, Stockholm University.

**Shareholding in Diös:** 10,000

## **Kristina Grahn-Persson**

*Sustainability Manager since 2016, HR and Sustainability Director since 2013 and employed since 2011, born 1973.*

**Previous experience:** Manpower Experis and McKinsey & Company.

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

**Shareholding in Diös:** 1,565

## **Mia Forsgren**

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

**Previous experience:** 25 years' experience of communication and marketing. Marketing Director at Universal Music, CEO of Tre Kronor Media, own consulting firm in PR and communication, and CEO of the Ogilvy Destination advertising agency.

**Education:** Marketing, Institute of International Education, Stockholm University.

**Shareholding in Diös:** 1,799

## **Sofie Stark**

*Director of Property Management since 2020, Head of Business Sundsvall since 2016, born 1971.*

**Previous experience:** Head of Business Unit Klöver, Business Developer Tvättbjörnen Förvaltning, Director of Business Sollefteå Local Authority, own consulting firm in property and finance.

**Education:** Degree in economics from Umeå University.

**Shareholding in Diös:** 9,500

## **Mats Eriksson**

*Director of Projects since 2016, member of senior management since 2020, born 1964.*

**Previous experience:** Over 20 years' experience in construction, business development and the property industry at Skanska Sverige AB.

**Education:** Education in construction, finance, leadership and construction law.

**Shareholding in Diös:** 6,000



# Financial statements

# Consolidated income statement

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

INCOME STATEMENT, SEKm	Note	2020	2019
Rental income	3	1,513	1,482
Service income	3	349	372
Other income	3	16	0
<b>Total income</b>		<b>1,878</b>	<b>1,854</b>
Property costs	4	-659	-667
<b>Operating surplus</b>		<b>1,219</b>	<b>1,187</b>
Central administration	5,6	-76	-73
Financial income	7	6	8
Financial costs	8	-191	-170
<b>Property management income</b>		<b>958</b>	<b>952</b>
Change in value, properties	9	194	350
Change in value of derivative instruments	8, 23	0	0
<b>Profit before tax</b>		<b>1,152</b>	<b>1,302</b>
Current tax	10	-75	-79
Deferred tax	10	-164	-173
<b>PROFIT FOR THE YEAR</b>		<b>913</b>	<b>1,050</b>
Profit attributable to shareholders of the parent company		914	1,041
Profit attributable to non-controlling interests		-1	9
<b>Total</b>		<b>913</b>	<b>1,050</b>

STATEMENT OF COMPREHENSIVE INCOME, SEKm	2020	2019
Profit for the year	913	1,050
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>913</b>	<b>1,050</b>
Comprehensive income attributable to shareholders of the parent company	914	1,041
Comprehensive income attributable to non-controlling interests	-1	9
<b>Total</b>	<b>913</b>	<b>1,050</b>

DATA PER SHARE <sup>1</sup>	2020	2019
Earnings per share after tax, SEK	6.81	7.74
Average number of shares	134,166,164	134,512,438
Number of shares at end of period	134,071,020	134,512,438
Average number of treasury shares	347,901	-
Number of treasury shares at end of period	441,418	-
Dividend per share, SEK	3.30 <sup>2</sup>	1.65

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

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



## ► Comments on the consolidated income statement

### Rental value, rental income and leasing

The total rental value of the property portfolio amounted to SEK 2,070 million (2,018), while the estimated rental value of vacant premises was SEK 177 million (182). Total revenues were SEK 1,878 million (1,854). This represents an economic occupancy rate of 89 per cent (90). 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 16 million and is accounted for as other income. In comparable properties, excluding rent discounts under the government rent support scheme, contracted rental income increased by 1.8 per cent compared with the previous year. The economic vacancy rate was 11 per cent (10). Net leasing for the year was SEK 51 million (42).

### Service income

Service income totalled SEK 349 million (372) and consisted of income from tariff-based services (excluding property tax) and care and upkeep of properties as well as pass-through of costs for works in rented premises to tenants.

### Property costs

Total property costs were SEK 659 million (667). Of the total property costs, SEK 17 million (15) refers to work on leased premises where the costs are passed on to tenants. Bad debts remained low and totalled SEK 13 million (7), representing 0.7 per cent (0.4) of total revenues.

### Operating surplus and surplus ratio

The operating surplus was SEK 1,219 million (1,187), representing a surplus ratio of 66 per cent (65). The increase in the operating surplus was due to higher revenues as well as lower costs. For comparable properties, our operating surplus increased by 2.0 per cent compared with the previous year.

### Central administration and net financial items

The central administration costs amounted to SEK 76 million (73). Net financial items for the year totalled SEK -185 million (-162). Financial costs increased to SEK -191 million (-170), partly as a result of a higher Stibor-90 rate and an increase in interest-bearing liabilities. The interest expense for the year, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.4 per cent (1.3). Financial income was SEK 6 million (8).

### Property management income

Property management income for the year was SEK 958 million (952), which is an increase of 1 per cent. For comparable properties, property management income remained unchanged.

### Changes in value, properties

The positive change in value of SEK 194 million (350) consisted of unrealised changes in value of SEK 198 million (331) and realised changes in value of SEK -4 million (19). The positive unrealised change in value is mainly explained by an improvement in

net operating income and lower required rates of return in the office and residential segments. 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. Property values were also hit by a change in the inflation assumption for 2021, from 2.0 per cent to 1.0 per cent. The average valuation yield at year-end was 5.73 per cent (5.89). The change in value represented 0.8 per cent (1.4) of market value. During the year, Diös completed on the acquisition of 2 properties (9) and on the sale of 8 properties (5).

### Changes in value, derivatives

The portfolio of financial instruments has been measured at fair value. Unrealised changes in value for financial instruments were SEK 0 million (0) and have been fully recognised in the income statement.

### Profit before tax

The profit before tax was SEK 1,152 million (1,302). The reduced profit is mainly due to smaller gains in property values compared with the previous year.

### Taxes

Current tax was SEK -75 million (-79) and deferred tax was SEK -164 million (-173).

### Profit after tax

The profit after tax was SEK 913 million (1,050).

# Risk management

## Rental income

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

## Property costs

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

## Interest rate risk

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

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

## Taxes, regulations and contributions

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

## SENSITIVITY ANALYSIS RESULTS

	Change	Impact on earnings, SEKm
Total contracted revenue	+/- 1%	+/-18
Economic occupancy rate	+/- 1 percentage point	+/-20
Property costs	-/+ 1%	+/-7
Interest rate on interest-bearing liabilities	-/+ 1 percentage point	+/- 108

# Consolidated balance sheet

ASSETS, SEKm	Note	2020	2019
<b>Non-current assets</b>			
<b>Property, plant and equipment and intangible assets</b>			
Investment properties	11	24,512	22,885
Intangible non-current assets	12	0	0
Other property, plant and equipment	13	1	2
<b>Total property, plant and equipment and intangible assets</b>		<b>24,513</b>	<b>22,887</b>
<b>Non-current financial assets</b>			
Interests in associates	15	7	7
Other non-current securities	16	1	1
Promissory notes		5	18
Right-of-use asset	18	60	53
<b>Total non-current financial assets</b>		<b>73</b>	<b>79</b>
<b>Total non-current assets</b>		<b>24,586</b>	<b>22,966</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Trade receivables	19	33	26
Derivative instruments	23	3	-
Other receivables		215	168
Prepaid expenses and accrued income		53	27
<b>Total current receivables</b>		<b>304</b>	<b>221</b>
Cash and bank balances		-	-
<b>Total current assets</b>		<b>304</b>	<b>221</b>
<b>TOTAL ASSETS</b>		<b>24,890</b>	<b>23,187</b>

EQUITY AND LIABILITIES, SEKm	Note	2020	2019
<b>Equity</b>			
Share capital		269	269
Capital contributed		3,513	3,513
Retained earnings		5,309	4,644
<b>Total attributable to shareholders of the parent company</b>		<b>9,091</b>	<b>8,426</b>
<b>Non-controlling interests</b>	20	<b>57</b>	<b>58</b>
<b>Total equity</b>		<b>9,148</b>	<b>8,484</b>
<b>Non-current liabilities</b>			
Deferred tax liability	17	1,689	1,524
Other provisions	22	10	9
Liabilities to credit institutions	23	10,221	6,234
Non-current lease liability	18	55	53
<b>Total non-current liabilities</b>		<b>11,975</b>	<b>7,820</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities	23	3,026	5,911
Overdraft facilities	23	63	206
Trade payables		96	118
Derivative instruments	23	0	0
Other liabilities		92	141
Accrued expenses and deferred income	24	490	507
<b>Total current liabilities</b>		<b>3,767</b>	<b>6,883</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24,890</b>	<b>23,187</b>

## ➤ Comments on the consolidated balance sheet

### Investment properties

At 31 December, the property portfolio consisted of 329 properties (333) with a total leasable area of 1,455,000 sq.m (1,483,000). The market value was SEK 24,512 million (22,885). At the end of the year, the holding consisted of 92 per cent (94) commercial properties with the total property value broken down by type of premises as follows: 56 per cent (54) offices, 27 per cent (28) retail, 1 per cent (1) warehouse/industry and 8 per cent (10) other. Residential properties comprised 8 per cent (6) of holdings.

### Change in value of properties

The market value of the property portfolio increased by SEK 1,627 million (2,083). Investments in new builds, conversions and extensions totalled SEK 1,518 million (1,273). Properties with a combined value of SEK 38 million (600) were acquired and properties with a combined value of SEK 127 million (120) were sold, resulting in corresponding changes in the value of portfolio. Changes in value totalled SEK 194 million (350), of which SEK -4 million (19) was realised and SEK 198 million (331) was unrealised.

### CHANGE IN PROPERTY PORTFOLIO

	FOR THE GROUP	
SEKm	2020	2019
Opening carrying amount	22,885	20,802
Acquisitions	38	600
Investment in existing properties	1,518	1,273
Sales	-127	-120
Change in value	198	331
Reclassifications	-	-
<b>CLOSING CARRYING AMOUNT</b>	<b>24,512</b>	<b>22,885</b>

## Valuation method

All properties are valued at fair value at each closing date. The aim is to determine the properties' individual values in a sale executed through an orderly transaction between market players. Any portfolio effects are thus not taken into account. Project properties that are intended to be managed in-house and for which there are contracted tenants are recognised at fair value, taking account of the project risk and after deducting the remaining investment. Valuations are based on estimates of future cash flows and the price that is expected to be obtained in a transaction between knowledgeable parties on market terms. Diös' property portfolio is divided into a main portfolio and a subsidiary portfolio. The main portfolio comprises around 71 per cent of the property value, which represents SEK 17,371 million and includes the 126 largest properties with a representative spread based on the property type and geographical location. The subsidiary portfolio covers the rest of the property portfolio.

## External valuation

The valuation method entails an annual

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

## Valuation model

A five- to ten-year cash flow model is applied to determine the value of the property portfolio. This means that the operating surpluses for the properties for the coming years are forecast based on leases, information about vacant premises, actual and budgeted operating and maintenance costs, property tax and property management, as well as information about ongoing and planned investments. The results of property inspections conducted regularly of the

property portfolio for each city are taken into consideration here. A present value of each year's operating surplus, less the value of remaining investments for ongoing projects, and the present value of the properties' residual value in year 6 constitute the basis for the value of the properties. The yield requirement for determining the residual value is set for each property on the basis of several factors, including the property's technical status, estimated earnings, property type and geographic market. The information on these factors is taken from property-specific data from the administration organisation and market-related information from Savills. In the valuation model, the long-term vacancy has been estimated at between 1.8 and 14.4 per cent depending on the type of property, location, quality, etc. Long-term inflation has been estimated at 2 per cent, which is in line with the Riksbank's long-term target.

## Uncertainty range

All property valuations are based on a number of assumptions about the future and the market, which entail a degree of uncertainty. Savills therefore indicate an uncertainty range

## VALUATION ASSUMPTIONS

Sensitivity analysis, property category (SEK '000)	31 Dec 2020					31 Dec 2019				
	Office	Retail	Residential	Industrial/ warehouse	Other	Office	Retail	Residential	Industrial/ warehouse	Other
Rental value, SEK per sq.m	1,446	1,579	1,278	550	1,112	1,415	1,618	1,221	534	1,036
Operations & maintenance, SEK per sq.m	340	445	417	210	343	337	455	411	204	332
Yield for assessing residual value <sup>1</sup> , %	6.4-5.4	6.4-5.7	5.1-4.2	9.0-6.6	6.6-5.7	6.8-5.5	6.4-5.7	5.2-4.6	9.6-6.8	7.0-6.2
Cost of capital for discounting to present value, %	7.3	7.7	6.4	9.2	7.9	7.8	8.2	7.2	10.8	8.6
Long-term vacancy, %	4.7	4.4	1.8	14.4	4.6	4.8	3.9	1.9	14.9	5.6

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

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

## CHANGES IN VALUE OF PROPERTIES BY BUSINESS AREA

BUSINESS AREA	Market value 31 Dec 2020, SEKm	Market value 31 Dec 2019, SEKm	Change, %	Change, SEKm	Of which investments/acquisitions, SEKm	Of which sales, SEKm	Of which unrealised change in value, SEKm	Average cost of capital, %	Average yield requirement valuation, %
Dalarna	3,581	3,197	12.0	384	320	-	64	7.56	6.11
Gävle	2,617	2,468	6.0	149	135	-	14	7.58	5.80
Sundsvall	4,165	3,803	9.5	362	424	-127	65	7.32	5.61
Äre/Östersund	4,111	3,828	7.4	283	203	-	80	7.53	5.83
Umeå	4,076	3,789	7.6	287	305	-	-18	7.06	5.36
Skellefteå	1,687	1,590	6.1	97	61	-	36	7.66	6.04
Luleå	4,275	4,210	1.6	66	109	-	-43	7.29	5.55
<b>TOTAL</b>	<b>24,512</b>	<b>22,885</b>	<b>7.1</b>	<b>1,628</b>	<b>1,557</b>	<b>-127</b>	<b>198</b>	<b>7.39</b>	<b>5.73</b>



of +/- 7.5 per cent, which results in a value range of SEK 22,674–26,350 million.

### Current assets

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

### Equity

Equity and total assets amounted to SEK 9,148 million (8,484) and SEK 24,890 million (23,187) respectively, giving an equity ratio of 36.8 per cent (36.6). The target for return on equity in 2020 was a return in excess of 12 per cent. The return on equity was 10.4 per cent (12.8). After adjustments were made for unrealised changes in value for property and derivatives as well as deferred tax, the yield on equity amounted to 10.0 per cent (10.8) for 2020. The total number of shares at year-end was 134,512,438 (134,512,438). All shares belong to the same share class and carry the same voting rights. During the year, 441,418 shares were repurchased at an average price of SEK 64.6.

### Deferred tax liability

Deferred tax in the income statement amounted to SEK 1,689 million (1,524). The remaining tax loss carry-forwards are estimated at SEK 0 million (0). The Group also has untaxed reserves of SEK 466 million (361). The fair value of the properties exceeds their tax base by SEK 7,728 million (7,038), less SEK 3,811 million (3,792) in deferred tax relating to asset acquisitions. The tax liability has been calculated based on the tax rate applying at the time when the tax consequence is expected to arise.

### Liabilities to credit institutions

Liabilities to credit institutions amounted to SEK 13,247 million (12,145). Of total interest-bearing liabilities, SEK 10,725 million (9,062) refers to bank financing, SEK 719 million (1,248) to covered bonds and SEK 1,805 million (1,835) to commercial paper. The loan-to-value ratio was 54.3 per cent (54.0). The net liability in relation to EBITDA shows how quickly the company's debts can be repaid with its current level of earnings. At year-end, the key ratio was 11.6 (11.0).

At 31 December, the Group's interest-bearing liabilities had an average annual

interest rate of 1.2 per cent (1.2), including loan commitments. The actual average annual interest rate for 2020, including costs related to derivative instruments and loan commitments, was 1.4 per cent (1.3). The average fixed-rate term of the loans, including derivatives, was 1.1 years (0.5) and the average loan maturity 2.5 years (1.6). This year's interest coverage ratio of 6.0 times (6.6) far exceeds the financial target of 1.8 times.

### Other liabilities

Other liabilities in the form of trade payables, prepaid rent, overdraft facilities and accrued interest expenses, etc. totalled SEK 741 million (972).

### Derivative instruments

Out of the Group's total interest-bearing liabilities, SEK 4,750 million (4,000) has been hedged through derivatives. The derivatives had a market value of SEK 2.8 million (0.3), with the change being due to the rising interest rates.



Diös tenant Vision, Sundsvall.

# Risk management

## Asset value

The value of the property portfolio is affected by both internal and external factors.

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

## Financial risks

The financial risks are significant for a property company and are of fundamental importance for long-term value creation and financial performance. The management of financial risks is governed by the Group's financial policy,

and risks are identified and managed by the Board of Directors, senior management and the finance department. For more information, see Note 23 and the Corporate Governance Report on pages 63–72.

## Liquidity and refinancing risk

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

## Capital structure

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

## Credit risk

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

### SENSITIVITY ANALYSIS PROPERTY VALUATIONS

	Change	Change in fair value, SEKm
Rental value	+/-SEK 50/sq.m	+1,004/-1,002
Operating costs	-/+SEK 25/sq.m	+557/-558
Yield/cost of capital	-/+0.5% percentage points	+2,213/-1,831
Long-term vacancy	-/+1.0% percentage points	+219/-233

### SENSITIVITY ANALYSIS PROPERTY VALUE

	Change in property value, %		
	-7.5	0.0	7.5
Property value, SEKm	22,674	24,512	26,350
Equity ratio, %	31.7	36.8	41.1
Loan-to-value ratio, %	58.7	54.3	50.5

### LOAN PORTFOLIO SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2020

	Fixed-rate term, years	Maturity, years	Average annual interest rate, %	Market value, SEKm	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
Loan portfolio excl. derivatives	1.1	2.5	1.2 <sup>1</sup>	13,247	0.8	+108	-
Derivatives portfolio		-		2	-0.2	-35	+107
Loan portfolio incl. derivatives	1.1	2.5	1.2	13,249	0.6	+73	+107

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



Anna Dahlgren, Head of Business Unit, and André Westergren, Technical Manager, Sundsvall.

# Consolidated statement of changes in equity and cash flow statement

## Consolidated statement of changes in equity

Attributable to shareholders of the parent company

Amounts in SEKm	Number of outstanding shares, thousands	Share capital	Capital contributed	Retained earnings	Non-controlling interests	Total equity
<b>EQUITY, 31 DECEMBER 2018</b>	<b>134,512</b>	<b>269</b>	<b>3,513</b>	<b>4,007</b>	<b>49</b>	<b>7,839</b>
Comprehensive income for the year after tax				1,041	9	1,050
Cash dividend				-404		-404
<b>EQUITY 31 DECEMBER 2019</b>	<b>134,512</b>	<b>269</b>	<b>3,513</b>	<b>4,644</b>	<b>58</b>	<b>8,484</b>
Comprehensive income for the year after tax				914	-1	913
Share buy-backs	-441			-29		-29
Cash dividend				-221		-221
<b>EQUITY 31 DECEMBER 2020</b>	<b>134,071</b>	<b>269</b>	<b>3,513</b>	<b>5,308</b>	<b>57</b>	<b>9,148</b>

## Consolidated cash flow statement

SEKm	Note	2020	2019
<b>Operating activities</b>			
Operating surplus		1,219	1,187
Central administration		-71	-69
Reversal of depreciation, amortisation and impairment		1	2
Interest received		6	4
Interest paid		-196	-170
Tax paid		-75	-79
<b>Cash flow from operating activities before changes in working capital</b>		<b>884</b>	<b>875</b>
<b>Changes in working capital</b>			
Decrease (+)/increase (-) in receivables		-80	-29
Decrease (-)/increase (+) in current liabilities		-91	62
<b>Total changes in working capital</b>		<b>-171</b>	<b>33</b>
<b>Cash flow from operating activities</b>		<b>713</b>	<b>908</b>
<b>Investing activities</b>			
Investments in new builds, conversions and extensions		-1,518	-1,027
Acquisition of properties		-38	-450
Sale of properties		141	146
<b>Cash flow from investing activities</b>		<b>-1,415</b>	<b>-1,331</b>
<b>Financing activities</b>			
Dividend		-221	-404
Share buy-backs		-29	-
New borrowing, interest-bearing liabilities		1,202	1,071
Repayment and redemption of interest-bearing liabilities		-107	-252
Change in overdraft facility		-143	8
<b>Cash flow from financing activities</b>	25	<b>702</b>	<b>423</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>0</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR <sup>1</sup></b>		<b>0</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR <sup>1</sup></b>		<b>0</b>	<b>0</b>

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



## › Comments on the statement of changes in equity

### Shares, share capital and issue

The share capital at 31 December was SEK 269,024,276 (269,024,276) represented by 134,512,438 shares (134,512,438). In 2020, 441,418 shares were repurchased at an average price of SEK 64.6. The number of outstanding shares at year-end was 134,071,020 (134,512,438). The average number of outstanding shares in 2020 was 134,166,164 (134,512,438). The face value of a share is SEK 2.

## › Comments on the cash flow statement

Cash flow from operating activities for the year decreased by 22 per cent to SEK 713 million (908). This represents cash flow per share of SEK 6.58 (6.67). The changes are mainly due to increased property management income.

### Investing activities

During the year, investments were made in projects in the form of new builds, conversions and extensions, which reduced cash flow by SEK 1,518 million (1,027). The investments comprised 872 projects, of which 682 were concluded in 2020. In addition to project investments, 2 properties (9) were acquired, which reduced cash flow by SEK 38 million (450). 8 properties (5) were sold, which increased cash flow by SEK 141 million (146).

### Financing activities

In 2020, Diös' shareholders received dividends totalling SEK 221 million (404), which reduced cash flow. The net change in interest-bearing liabilities was SEK 1,095 million (819), which is explained by new borrowings. Repayment and redemption of interest-bearing liabilities totalled SEK -107 million (-252) and the change in overdraft facilities had an impact on cash flow of SEK -143 million (8). This also includes the principal repayment portion of finance lease payments.

### Change in cash and cash equivalents

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

# Parent company income statement

INCOME STATEMENT, SEKm	Note	2020	2019
Net revenue	3	181	171
<b>Gross profit</b>		<b>181</b>	<b>171</b>
Central administration	5.6	-217	-215
<b>Operating profit</b>		<b>-36</b>	<b>-44</b>
Financial income	7	528	442
Financial costs	8	-303	-274
Transfer to tax allocation reserve		-7	-8
Current tax	10	-5	-5
<b>PROFIT FOR THE YEAR AFTER TAX</b>		<b>177</b>	<b>111</b>

STATEMENT OF COMPREHENSIVE INCOME	2020	2019
Profit after tax	177	111
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>177</b>	<b>111</b>



# Parent company balance sheet

ASSETS, SEKm	Note	2020	2019
<b>Non-current assets</b>			
<b>Property, plant and equipment and intangible assets</b>			
Intangible non-current assets	12	0	0
Other property, plant and equipment	13	0	0
<b>Total property, plant and equipment and intangible assets</b>		<b>0</b>	<b>0</b>
<b>Non-current financial assets</b>			
Interests in Group companies	14	2,265	2,263
Receivables from Group companies		13,184	10,179
<b>Total non-current financial assets</b>		<b>15,449</b>	<b>12,442</b>
<b>Total non-current assets</b>		<b>15,449</b>	<b>12,442</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		1,799	3,439
Other receivables		11	13
Prepaid expenses and accrued income		6	10
<b>Total current receivables</b>		<b>1,816</b>	<b>3,462</b>
Cash and bank balances		-	-
<b>Total current assets</b>		<b>1,816</b>	<b>3,462</b>
<b>TOTAL ASSETS</b>		<b>17,265</b>	<b>15,904</b>

EQUITY AND LIABILITIES, SEKm	Note	2020	2019
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	20	269	269
Statutory reserve		285	285
<b>Total restricted equity</b>		<b>554</b>	<b>554</b>
<b>Non-restricted equity</b>			
Share premium reserve		3,173	3,173
Retained earnings		-963	-825
Profit for the year		177	111
<b>Total non-restricted equity</b>		<b>2,387</b>	<b>2,459</b>
<b>Total equity</b>		<b>2,941</b>	<b>3,013</b>
<b>Untaxed reserves</b>			
Tax allocation reserve	21	16	8
<b>Total untaxed reserves</b>		<b>16</b>	<b>8</b>
<b>Provisions</b>			
Provision	22	1	-
<b>Total provisions</b>		<b>1</b>	<b>-</b>
<b>Non-current liabilities</b>			
Liabilities to Group companies		6,466	5,909
Liabilities to credit institutions	23	2,248	2,353
<b>Total non-current liabilities</b>		<b>8,714</b>	<b>8,262</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities	23	1,153	500
Liabilities to Group companies		4,311	3,852
Overdraft facilities	23	83	226
Trade payables		1	2
Other liabilities		17	16
Accrued expenses and deferred income	24	28	25
<b>Total current liabilities</b>		<b>5,593</b>	<b>4,621</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,265</b>	<b>15,904</b>

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

## Parent company statement of changes in equity

SEKm	Number of outstanding shares, thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Total equity
<b>EQUITY 31 DECEMBER 2018</b>	<b>134,512</b>	<b>269</b>	<b>285</b>	<b>3,173</b>	<b>-420</b>	<b>3,307</b>
Comprehensive income for the year after tax					111	111
Cash dividend					-404	-404
<b>EQUITY 31 DECEMBER 2019</b>	<b>134,512</b>	<b>269</b>	<b>285</b>	<b>3,173</b>	<b>-713</b>	<b>3,013</b>
Comprehensive income for the year after tax					177	177
Share buy-backs	-441				-29	-29
Cash dividend					-221	-221
<b>EQUITY 31 DECEMBER 2020</b>	<b>134,071</b>	<b>269</b>	<b>285</b>	<b>3,173</b>	<b>-786</b>	<b>2,941</b>

## Parent company cash flow statement

SEKm	Note	2020	2019
<b>Operating activities</b>			
Operating profit		-36	-44
Reversal of amortisation of intangible assets and depreciation of property, plant and equipment		-	1
Interest received		367	330
Interest paid		-291	-255
Tax paid		-5	-5
<b>Cash flow from operating activities before changes in working capital</b>		<b>35</b>	<b>27</b>
<b>Changes in working capital</b>			
Decrease (+)/increase (-) in receivables		1,803	-1,534
Decrease (-)/increase (+) in liabilities		462	1,752
<b>Total changes in working capital</b>		<b>2,265</b>	<b>218</b>
<b>Cash flow from operating activities</b>		<b>2,300</b>	<b>245</b>
<b>Investing activities</b>			
Change in long-term receivables		-3,005	-781
Acquisition of non-current financial assets		-5	-139
<b>Cash flow from investing activities</b>		<b>-3,010</b>	<b>-920</b>
<b>Financing activities</b>			
Dividend		-221	-404
Share buy-backs		-29	-
Change in non-current liabilities, Group companies		557	439
New borrowing, interest-bearing liabilities		566	785
Repayment and redemption of interest-bearing liabilities		-20	-170
Change in overdraft facility		-143	25
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>25</b>	<b>710</b>	<b>675</b>
<b>CASH FLOW FOR THE YEAR</b>			<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR<sup>1</sup></b>		<b>0</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR<sup>1</sup></b>		<b>0</b>	<b>0</b>

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

A chef with a beard and glasses, wearing a black cap, a white short-sleeved chef's shirt, and a black apron, is holding a clear plastic tray with food. He has a tattoo on his left arm and is wearing a gold watch. The background shows a kitchen with green blinds. The word "Notes" is overlaid in large white text.

# Notes

## NOTE 1 > ACCOUNTING POLICIES

### GENERAL INFORMATION

The annual report and consolidated financial statements were approved by the Board of Directors for publication at [www.dios.se](http://www.dios.se) in week 13, 2021. The consolidated and parent company income statements and balance sheets will be presented for approval at the Annual General Meeting on 13 April 2021. Diös Fastigheter AB (publ), company registration number 556501-1771, is a Swedish public limited company with its headquarters in Östersund. The company offers commercial and residential properties near the centre of towns and cities in northern Sweden with considerable variation in terms of property type and floor space. The postal address of its head office is: PO Box 188, SE-831 22 Östersund, and the visiting address is Hamngatan 13 in Östersund.

### OPERATIONS

The operating activities are monitored and are conducted in the Group's seven geographical business units: Dalarna, Gävle, Sundsvall, Åre/Östersund, Umeå, Skellefteå and Luleå. Each business unit comprised a property management district. The central administration, which includes general administration and Group-wide activities, are managed from the head office in Östersund.

### BASIS OF ACCOUNTING

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

The recommendation states that a legal entity shall apply IFRS, including interpretations from IFRIC/SIC, with exceptions for legislative provisions of the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The parent company uses the same accounting and measurement policies as those used for the consolidated financial statements with the following exceptions. The parent company does not apply IFRS 9 Financial Instruments. The parent company applies a method based on the acquisition value in accordance with the Swedish Annual Accounts Act. Derivative instruments are not measured at fair value in the parent company but rather at the lower of cost principle. For intercompany receivables, the general method is used. Property, plant and equipment primarily constituting investment properties are recognised at cost less accumulated depreciation and impairment. The carrying amount increases for these in the balance sheet provided that requirements for revaluation exist. Shares in subsidiaries are recognised using the cost method where the carrying amount is continually reviewed against the subsidiaries' consolidated equity. In cases where the carrying amount exceeds the consolidated value, the resulting impairment is charged to the income statement. Impairment loss is reversed when it is no longer justified. Acquisition costs for subsidiaries that are written off in the consolidated financial statements are included as part of the acquisition cost of interests in subsidiaries. Group contributions are recognised as balance sheet appropriations for both the recipient and the contributor. Any subsequent impact on tax is recognised as current tax. Shareholder contributions are recognised by the contributor as an increase in shares in subsidiaries and by the recipient as an increase in non-restricted equity. The parent company applies the exemptions in IFRS 16 and recognises lease payments as operating leases under the exemption in RFR 2, i.e. as an expense on a straight-line basis over the lease term.

### NEW AND AMENDED STANDARDS AND INTERPRETATIONS 2020

#### Group

From and including the financial year 2020, the Group has applied a number of new standards and interpretations. These new or amended standards and interpretations had no significant impact on the consolidated financial statements for 2020 other than as mentioned below.

#### IFRS 3 Business combinations

The purpose of the amendment is to clarify the definition of a business combination with the aim of making it easier for companies to assess whether an acquisition is a business combination or an asset acquisition. The amendment clarifies that a business is normally capable of generating outputs, although outputs are not necessarily required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The amendments introduce an optional concentration test that permit a simplified assessment of whether an acquired set of activities and assets is a business combination or an asset acquisition. If, in this optional test, substantially all of the fair value of the gross assets acquired can be attributed to an asset or a group of similar assets the acquisition is not a business combination but an asset acquisition. The amendments are applied to all business combinations and asset acquisitions with an acquisition date during or after the financial year beginning on or after 1 January 2020.

#### IAS 1 and IAS 8 where the purpose is to change the definition of materiality.

Management's assessment is that these new or amended standards and new interpretations will not have any significant impact on the consolidated financial statements in 2020.

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

#### Parent company

The changes to RFR 2, which apply from the financial year 2020, have not had any material impact on the parent company financial statements.

The amendments to Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board that become effective from 1 January 2021 or later are also not expected to have a material impact when they are applied for the first time.

### CRITICAL JUDGEMENTS AND ESTIMATES

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

### DEFINITION OF SEGMENTS

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

### CLASSIFICATION

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

### CONSOLIDATED FINANCIAL STATEMENTS

The Group's financial reports include both the parent company and the subsidiaries in which the parent company has a controlling influence. A controlling interest exists when the parent company has control over a company, is exposed to, or has the right to, a variable return on its interest in the company and has the opportunity to exercise its influence and control over the company in order to affect its return. In addition to the parent company, the Group comprises the subsidiaries and associated sub-groups specified in Note 14. The financial statements are based on accounting records that have been prepared for all Group companies as at 31 December 2020. Profit/loss for a subsidiary acquired during the year is included in the consolidated income statement from the effective date of acquisition. Profit/loss from subsidiaries disposed of during the year is included in the consolidated income statement up to the date of disposal. All intercompany transactions with regard to assets, liabilities, income and expense are eliminated entirely on consolidation. Corporate acquisitions are recognised using the acquisition method. The acquisition method means that assets acquired and liabilities assumed are recognised at their fair value on the acquisition date, which is the date on which the acquirer assumes control of the acquired entity. The difference between the acquisition cost and the value of any non-controlling interest as well as the fair value of any previous interest and the fair value of the identifiable assets acquired, liabilities assumed and contingent liabilities is recognised as goodwill. Negative difference is recognised directly in the income statement. Non-controlling interests are recognised either as a proportional share of the net assets acquired or at fair value, which is estimated per acquisition. Additional consideration is recognised at estimated fair value with subsequent changes recognised in the income statement. Business combination achieved in stages (step acquisition) is measured at fair value on the date when control is obtained. Gain or loss resulting from remeasurement of previously held equity interest, before control was obtained, is recognised in the income statement. Increases or decreases in ownership interest are treated as changes in equity if control of the subsidiary is maintained. Non-controlling interests are recognised in the consolidated financial statements under equity, separate from the equity of the parent company. Non-controlling interests are included in the consolidated income statement and comprehensive income statement and are recognised separate from the parent company's income statement and comprehensive income statement as an allocation of the profit for the period.

### ASSET PURCHASES VERSUS BUSINESS COMBINATIONS

Acquisitions may be classified either as business combinations or asset purchases. Acquisitions whose primary purpose is to acquire the company's property and in which the company's management organisation and administration, if any, is of secondary importance to the acquisition, are classified as asset purchases. Other acquisitions are classified as business combinations. On asset acquisition, no deferred tax attributable to the property acquisition is recognised; instead, any discount reduces the property's acquisition cost. This means that changes in value will be affected by the tax discount on subsequent valuation. IFRS 3 Business Combinations has been amended with effect from 1 January 2020. The purpose of the amendment is to clarify the definition of a business combination with the aim of making it easier for companies to assess whether an acquisition is a business combination or an asset acquisition. The amendment



## CONT. NOTE 1 > ACCOUNTING POLICIES

clarifies that a business is normally capable of generating outputs, although outputs are not necessarily required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The amendments introduce an optional concentration test that permit a simplified assessment of whether an acquired set of activities and assets is a business combination or an asset acquisition. If, in this optional test, substantially all of the fair value of the gross assets acquired can be attributed to an asset or a group of similar assets the acquisition is not a business combination but an asset acquisition.

### JOINT ARRANGEMENTS

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

### REVENUE

Diös' revenue consists substantially of rental income from the lease of commercial and residential premises and other leases including indexation as well as pass-through of investments and property tax. These are classified and accounted for as operating leases in accordance with IFRS 16 Leases. The rental income is recognised on a straight-line basis over the term of the lease. This means that only the portion of the rental income relevant to the current period is recognised. Rentals invoiced in advance are thus recognised as deferred rental income. Any payment in connection with premature termination of a lease is recognised immediately as income provided there are no remaining obligations towards the lessee. Discounts on leases are recognised on a straight-line basis over the term of the lease. Turnover leases are used to a minor extent. In preparing the annual accounts, turnover rent is estimated based on the reported sales data. Any difference between the actual and estimated annual rent is accounted for as a changed estimate in the period in which the annual rent is determined. 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. For more information, see Note 3 Revenue.

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

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

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

### PROPERTY COSTS

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

### CENTRAL ADMINISTRATION

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

### FINANCIAL COSTS

Financial costs relate to interest and other costs incurred in connection with borrowings. Costs for registration of mortgage deeds are not considered a financial cost, but are

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

### FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

All financial assets that are not derivatives meet the criterion for contractual cash flows and are held in a business model whose aim is to collect these contractual cash flows. The receivables are therefore recognised at amortised cost. The Group has other non-current asset investments, rent receivables and other receivables, the latter of which refer mainly to VAT and tax receivables and receivables related to divested properties.

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

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

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

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

### ACQUISITIONS AND SALES

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

### EQUITY

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

## CONT. NOTE 1 > ACCOUNTING POLICIES

### PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE NON-CURRENT ASSETS

#### INVESTMENT PROPERTIES

Investment properties are properties that are held for the purpose of generating income from rent or lease, or from an increase in value, or a combination of the two. On the balance sheet date, the property portfolio consists solely of investment properties. These are recognised in the balance sheet at fair value on the balance sheet date based on the property valuation performed. Their fair values are subsequently remeasured during the year at quarterly intervals on the basis of external and internal valuations. The change in value is recognised in the income statement under change in value of properties. Fair values are based on market values. The market values are the estimated sale price of the properties as agreed upon between a willing and well-informed buyer and seller independent of each other with an interest in carrying out the transaction. Project properties that are intended to be managed in-house and for which there are contracted tenants are recognised at fair value, taking account of the project risk and after deducting the remaining investment. Valuations are based on estimates of future cash flows and the price that is expected to be obtained in a transaction between knowledgeable parties on market terms. For more information, see Note 11 Investment properties.

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

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

#### OTHER PROPERTY, PLANT AND EQUIPMENT

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

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

The following percentages are applied:

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

#### INTANGIBLE ASSETS

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

The following percentages are applied:

Parent company and Group	
IT systems	20%

#### LEASES

Leaseholds and leases as a lessee

For lessees, IFRS 16 means that finance leases should be recognised in the balance sheet at the present value of future lease payments. Leaseholds are accounted for as right-of-use assets and are not depreciated, as they are considered perpetual leases, and other smaller leases are recognised in the line for other property, plant and equipment. All leases are included in the lease liability, which is remeasured in the event of a change in, for example, the lease term, residual value guarantees and any changes in lease payments. The cost of ground rent is recognised as a financial cost while other costs for the leased assets are recognised as depreciation and interest. Short-term leases (12 months or less) and leases for which the underlying asset is of low value do not need to be recognised in the statement of financial position. These are recognised in operating profit in the same way as previous operating leases. For more information, see Note 18 Leases.

The Group assesses whether the contract is, or contains, a lease when the contract

is entered into. The Group recognises a right-of-use asset with a corresponding lease liability for all leases where the Group is a lessee, except for low-value leases. For these leases, the Group recognises the lease payments as an expense on a straight-line basis over the lease term, unless another systematic method is more representative of when the economic benefits from the leased assets are consumed by the Group. The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the lessee's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security. Lease payments included in the measurement of the lease liability comprise fixed payments less any incentives on signing the lease, variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date. The lease liability is recognised as a separate item in the consolidated statement of financial position. After the commencement date, the lease liability is measured on an ongoing basis. The Group remeasures the lease liability if the lease term has changed or there is a change in the assessment of exercise of an option to purchase the underlying asset or if the lease payments change due to changes in an index or rate or if there is a change in the amounts expected to be payable under a residual value guarantee. Rights-of-use assets comprise the amount of the initial measurement of the corresponding lease liability. They are subsequently measured at cost less accumulated depreciation and impairment. Depreciation starts at the commencement date of the lease and is recognised in property, plant and equipment. The Group applies IAS 36 to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

#### EMPLOYEE BENEFITS

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

#### PENSIONS

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

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

#### TERMINATION BENEFITS

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

#### RELATED PARTIES

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

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

#### TAX

The parent company and the Group apply IAS 12, Income Taxes. Aggregate tax is current and deferred tax. Tax is recognised in the income statement, unless it arises from transactions recognised in other comprehensive income or equity, in which case any related tax effect is also recognised directly in equity. Current tax is the amount of tax the company is liable to pay in respect of the taxable profit for the year, including adjustments of any current



tax pertaining to earlier periods. The parent company and Group calculate deferred tax according to the balance sheet method. This means that deferred tax is recognised on all temporary differences, except to the extent that the deferred tax is attributable to the initial recognition of goodwill or an asset or liability arising from a transaction that is not a business combination and at the time of acquisition affects neither recognised profit nor taxable profit. These amounts are calculated based on how the temporary differences are expected to be settled and using the tax rates and tax regulations that have been enacted or announced on the balance sheet date. Deferred taxes are measured using the tax rates and tax regulations enacted or substantively enacted on the balance sheet date.

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

#### CASH FLOW STATEMENT

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

#### PARENT COMPANY

The changes to RFR 2, which apply from and including the financial year 2020, have not had any impact on the parent company's financial statements.

#### NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board (IASB) has issued a number of new and amended standards and interpretations which are effective from the beginning of the 2021 financial year. These have not been applied when preparing the 2020 consolidated financial statements. No new and amended IFRS standards that will become effective in future are expected to have a material impact on the company's financial statements.

Changes to Swedish regulations in 2020 have not had a material impact on Diös' financial statements, but have mainly resulted in slightly increased disclosure requirements.

#### Parent company

The amendments to Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board that become effective from 1 January 2021 or later are also not expected to have a material impact when they are applied for the first time.

## NOTE 2 > SEGMENT REPORTING 2020

By segment, SEKm	Dalarna	Gävle	Sundsvall	Åre/ Östersund	Umeå	Skellefteå	Luleå	Group
Rental income	249	166	238	267	210	113	272	1,513
Service income								
Tariff-based services	41	22	34	45	27	17	34	220
Care and upkeep	20	13	21	29	17	7	22	129
Other income	2	2	2	3	2	1	3	16
Repair and maintenance	-13	-7	-11	-14	-11	-5	-10	-70
Tariff-based costs	-38	-18	-33	-44	-25	-17	-29	-203
Property tax	-13	-11	-17	-17	-16	-7	-22	-103
Other property costs	-33	-24	-31	-39	-31	-11	-35	-205
Property management	-13	-9	-11	-15	-10	-5	-11	-76
<b>Operating surplus</b>	<b>201</b>	<b>133</b>	<b>192</b>	<b>215</b>	<b>162</b>	<b>92</b>	<b>223</b>	<b>1,219</b>
<b>Undistributed items</b>								
Central administration	-	-	-	-	-	-	-	-76
Net financial items	-	-	-	-	-	-	-	-185
<b>Property management income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>958</b>
<b>Changes in value</b>								
Property, realised	-	-	-4	-	-	-	-	-4
Property, unrealised	64	14	65	80	-18	36	-43	198
Interest rate derivatives	-	-	-	-	-	-	-	0
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,152</b>
Current tax	-	-	-	-	-	-	-	-75
Deferred tax	-	-	-	-	-	-	-	-164
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	1
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>914</b>
Leasable area, sq.m	277,782	160,604	202,945	291,478	200,829	116,016	205,440	1,455,094
Rental value, SEKm	344	228	341	380	285	146	346	2,070
Economic occupancy rate, %	90	88	86	89	89	94	95	89
Surplus ratio, %	65	66	66	63	64	67	68	66
<b>Change in property portfolio</b>								
Property portfolio, 1 January 2020	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	320	135	424	203	305	23	109	1,518
Sales	-	-	-127	-	-	-	-	-127
Unrealised changes in value	64	14	65	80	-18	36	-43	198
Property portfolio, 31 December 2020	3,581	2,617	4,165	4,111	4,076	1,687	4,275	24,512

**CONT. NOTE 2 > SEGMENT REPORTING 2019**

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

**NOTE 3 > REVENUE**

Consolidated revenue (rental and service income) was SEK 1,878 million (1,854), which represents an economic occupancy rate of 89 per cent (90). For comparable properties, contracted rental income increased by 1.8 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 16 million and is accounted for as other income. Revenue consists of the rental value less the value of vacant spaces during the year plus service income. Rental value refers to income received plus estimated market rent for unleased space. The rental value also includes additional charges that are passed on to the tenant, such as heating costs, property tax and indexation adjustments.

SEKm	2020	SEK/sq.m	2019	SEK/sq.m
<b>GROUP</b>				
Comparable properties	1,839		1,807	
Rent discounts <sup>1</sup>	-33		0	
Acquired properties	18		0	
Sold	10		14	
<b>Contracted income</b>	<b>1,834</b>	<b>1,260</b>	<b>1,821</b>	<b>1,228</b>
Other property management income	28		33	
Other income	16		0	
<b>REVENUE</b>	<b>1,878</b>		<b>1,854</b>	

<sup>1</sup>Discounts attributable to the government rent support scheme

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

SEKm	2020	2019
<b>PARENT COMPANY</b>		
Intra-Group revenue	181	171
Other income	-	-
<b>Total</b>	<b>181</b>	<b>171</b>

**Lease maturities at 31 December 2020**

	Maturity year	Concluded contracts	Rented area, sq.m	Contract value, SEKm	Share of value, %
Commercial leases	2021	896	189,348	265	14
	2022	720	254,741	358	20
	2023	618	210,511	325	18
	2024	402	205,493	294	16
	2025+	227	257,775	381	21
<b>Total</b>		<b>2,863</b>	<b>1,117,868</b>	<b>1,623</b>	<b>89</b>
Residential leases		1,837	125,490	151	8
Other leases		3,342	-	59	3
<b>TOTAL</b>		<b>8,042</b>	<b>1,243,358</b>	<b>1,833</b>	<b>100</b>

**NOTE 4 > PROPERTY COSTS**

SEKm	2020	2019
<b>GROUP</b>		
Operating costs	-405	-427
Repair and maintenance costs	-74	-59
Property tax	-104	-101
Property management	-76	-80
<b>TOTAL</b>	<b>-659</b>	<b>-667</b>

Property costs amounted to SEK 659 million (667), corresponding to SEK 453/sq.m (450). The costs comprise direct property costs for operation, maintenance, property taxes, etc. and indirect property costs in the form of leasing and property management. Overall property costs are in line with the previous year. Operating costs are down, which is due to increased energy efficiency and a decrease in snow- and ice-related costs compared with the previous year. Maintenance costs increased compared with the previous year.

Operating costs include electricity, heating, water, care and upkeep of properties, cleaning, insurance and property-specific marketing costs. Some of the operating costs are charged to the tenants as rent supplements. Operating costs amounted to SEK 405 million (427), corresponding to SEK 279/sq.m (288). SEK 17 million (15) of the operating costs is for work carried out on leased premises which is charged to lessees.

This corresponds to SEK 12/sq.m (10).

Repair and maintenance costs comprise periodic and ongoing measures necessary to maintain the standards of the properties and their technical systems. Costs in 2020 amounted to SEK 70 million (55) or SEK 48/sq.m (37).

Property tax is a state tax based on the assessed value of a property. A large proportion of the property tax is charged to the tenants and lessees. The tax rate in 2020 was 1 per cent (1) of the assessed value for office/retail space and 0.5 per cent (0.5) for warehouse/ industrial space. Property tax for residential properties is calculated at SEK 1,429/ apartment or 0.3 per cent of the assessed value for 2020, whichever is the lower. Property tax expenses amounted to SEK 104 million (101), corresponding to SEK 71/sq.m (68).

Property management costs are indirect costs for the ongoing management of the properties. These include costs for employees responsible for lease administration, lease negotiations, consumables and project administration. Consolidated expenses in 2020 amounted to SEK 76 million (80), corresponding to SEK 52/sq.m (54).

**NOTE 5 > EMPLOYEES, STAFF COSTS AND DIRECTORS' FEES**

Average number of employees	2020		2019	
		of whom men		of whom men
Parent company	172	58%	168	58%
Other companies	4	0%	-	-
<b>GROUP TOTAL</b>	<b>176</b>	<b>57%</b>	<b>168</b>	<b>58%</b>

At year-end 2020, the Board in the parent company consisted of 6 members (5), of whom 2 were women (2). The number of senior executives in the parent company was 6 (5), of whom 3 were women (2).

Other companies refer to our Pick-Pack-Post concept.

**Salaries, other remuneration and social security contributions**

SEK '000	2020		2019	
	Salaries and benefits	Social security contributions	Salaries and benefits	Social security contributions
Parent company	100,147	31,594	96,747	31,045
(of which pension costs) <sup>1</sup>	(12,819)	(3,100)	(11,824)	(2,799)
Other companies	1,224	331	0	0
(of which pension costs)	(44)	(10)	0	0
<b>GROUP TOTAL</b>	<b>101,371</b>	<b>31,926</b>	<b>96,747</b>	<b>31,045</b>
(of which pension costs) <sup>2</sup>	(12,863)	(3,110)	(11,824)	(2,799)

<sup>1</sup> SEK 1,054,000 (972,000) of the parent company's pension costs relate to the CEO.

<sup>2</sup> SEK 1,054,000 (972,000) of the Group's pension costs relate to the CEO.

Diös has a profit-sharing foundation for all its employees. Provision for the profit-sharing foundation is based on a combination of Diös results, required return and dividend for shareholders and shall be a maximum of SEK 30,000 per year per employee. For 2020, this provision came to SEK 2,993,000.

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

SEK '000	2020		2019	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent company	6,439	93,708	5,791	90,956
(of which bonuses, etc.)	-	-	-	-
Other companies	-	1,224	-	-
(of which bonuses, etc.)	-	-	-	-
<b>GROUP TOTAL</b>	<b>6,439</b>	<b>94,932</b>	<b>5,791</b>	<b>90,956</b>
(of which bonuses, etc.)	-	-	-	-

**Remuneration and other benefits in 2020**

SEK '000	Base salary/ Directors' fees	Other benefits	Pension expense	Other remuneration	Total	Statutory soc. sec. contrib. and payroll tax
	Chairman of the Board	300	-	-	-	300
Other Board members	770	-	-	-	770	79
Chief Executive Officer	3,908	407	1,054	-	5,369	1,611
Other senior executives	6,650	409	2,945	377	10,381	2,932
<b>TOTAL</b>	<b>11,628</b>	<b>816</b>	<b>3,999</b>	<b>377</b>	<b>16,820</b>	<b>4,653</b>

Social security contributions and payroll tax for other employees of the parent company totalled SEK 26,941,000 (27,404,000).

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

### Remuneration and other benefits in 2019

SEK '000	Base salary/ Directors' fees	Other benefits	Pension expense	Other remuneration	Total	Statutory soc. sec. contrib. and payroll tax
Chairman of the Board	200	-	-	-	200	27
Other Board members	600	-	-	-	600	65
Chief Executive Officer	3,643	376	972	-	4,991	1,499
Other senior executives	6,842	434	1,865	310	9,451	2,739
<b>TOTAL</b>	<b>11,285</b>	<b>810</b>	<b>2,838</b>	<b>310</b>	<b>15,243</b>	<b>4,330</b>

### REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration paid to the Board of Directors is decided at the Annual General Meeting. The 2020 AGM approved the payment of future Directors' fees of SEK 1,125,000. Of this amount, SEK 300,000 will be paid to the Chairman of the Board and SEK 165,000 to each of the other Directors. No other remuneration or benefits are paid to the Board of Directors. The amounts cover the period 1 May 2020 to 30 April 2021.

SEK '000	2020	2019
Bob Persson	300	267
Eva Nygren	165	160
Ragnhild Backman	165	160
Anders Nelson	165	160
Peter Strand	165	160
Tobias Lönnevall	110	0
<b>TOTAL</b>	<b>1,070</b>	<b>907</b>

### REMUNERATION OF SENIOR MANAGEMENT AND THE CEO

Senior management refers to the CEO and other members of the management team. The group other senior executives consisted of 5 people. Remuneration and benefits to the CEO are decided by the company's Board of Directors and remuneration to other senior executives is decided by the CEO in consultation with the Board of Directors. Variable incentive remuneration plans were introduced in 2012 for the company's CEO and senior executives. For 2020, variable remuneration to senior management amounted to SEK 328,000 (310,000). There is no share-based payment. Variable remuneration is capped at one month's salary. For 2020, the company's CEO has received variable remuneration of SEK 0 (0). The CEO is entitled to a company car, accommodation provided by the company, and insurance and retirement benefits in accordance with the ITP plan applicable during the period of employment. Individual investment options are available. Insurance and pension premiums are based on cash salary only. The retirement age for the CEO is 65 years. The period of notice given by the company to the CEO is 12 months. The period of notice given by the CEO to the company is 4 months. Remuneration during a period of notice is deducted from income from another employer. Other senior executives are entitled to a company car. During the period of employment with the company, other executives are entitled to insurance and pension benefits in accordance with the ITP plan applicable at the time. Individual investment options are available. Insurance and pension premiums are based on cash salary only. The retirement age for other senior executives is 65 years and the mutual notice period between the company and the employee is three to six months.

## NOTE 6 > CENTRAL ADMINISTRATION

Central administration includes costs for Group-wide functions such as senior management, IT, annual reports, auditors' fees, legal advice and so on. Central administration costs totalled SEK 76 million (73), corresponding to SEK 52/sq.m (49). Of these costs, SEK 33 million (33) relates to employee benefits and SEK 5 million (5) relates to the amortisation/depreciation of intangible assets and property, plant and equipment. Other items of SEK 38 million (35) are costs for IT and consulting fees, among other things.

#### Auditors' fees and expenses

SEK '000	FOR THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>Deloitte</b>				
Audit services	1,693	1,670	1,693	1,670
Audit activities in addition to audit engagement	260	3	260	3
Fiscal advice	186	89	186	89
Other services	74	87	74	87
<b>TOTAL</b>	<b>2,213</b>	<b>1,849</b>	<b>2,213</b>	<b>1,849</b>

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

## NOTE 7 > FINANCIAL INCOME

SEKm	2020	2019
<b>FOR THE GROUP</b>		
Interest income, other	6	8
<b>TOTAL</b>	<b>6</b>	<b>8</b>
<b>PARENT COMPANY</b>		
Interest income, Group companies	367	330
Dividends from Group companies	100	20
Group contributions	61	92
<b>TOTAL</b>	<b>528</b>	<b>442</b>

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

## NOTE 8 > FINANCIAL COSTS

SEKm	2020	2019
<b>FOR THE GROUP</b>		
Interest expenses	-170	-147
Other financial costs	-21	-23
<b>TOTAL</b>	<b>-191</b>	<b>-170</b>
<b>PARENT COMPANY</b>		
Interest expenses, Group companies	-241	-216
Interest expenses	-42	-22
Other financial costs	-13	-16
Impairment of shares in Group companies	-4	-
Group contributions	-3	-20
<b>TOTAL</b>	<b>-303</b>	<b>-274</b>

Of the Group's interest expense, SEK 170 million (147) is interest attributable to liabilities measured at amortised cost. The corresponding expense for the parent company is SEK 283 million (238).

### INTEREST EXPENSE FOR 2020 INCLUDING WEIGHTED AVERAGE INTEREST

In 2020, average interest-bearing liabilities amounted to SEK 12,697 million (11,622). The actual interest expense, including cost of unused credit facilities and outcome regarding financial instruments, amounted to SEK 171 million (148), corresponding to an average annual interest rate of 1.4 per cent (1.3). During the year, unrealised changes in value for held derivative instruments totalled SEK 0 million (0), which have been fully recognised in the income statement.

GROUP, SEKm	Amount	Annual expense	Weighted average interest rate, %
Interest-bearing liabilities	12,697	165	1.3
Undrawn credit facilities <sup>1</sup>	1,852	5	0.1
Financial instruments	4,375	1	0.0
<b>TOTAL</b>		<b>171</b>	<b>1.4</b>

<sup>1</sup> The cost of undrawn credit facilities affects the average annual interest rate by 0.06 percentage points.

## NOTE 9 > CHANGES IN PROPERTY VALUES

SEKm	2020	2019
<b>GROUP</b>		
Realised changes in value	-4	19
Unrealised changes in value	198	331
<b>TOTAL</b>	<b>194</b>	<b>350</b>

During the year, 8 properties (5) were sold, resulting in a total realised change in value of SEK -4 million (19). During the year, 2 properties (9) were acquired. A valuation of all properties was carried out at year-end in line with annual business plans and based on a 5–10-year cash flow model, but where the calculation period is normally 5 years, with a valuation of future earnings capacity and required rate of return for each individual property. See also Note 11. 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 17,371 million, and 126 properties. The valuation method requires that an external valuation of the entire main portfolio be made each year. The external valuation is made by valuation consultants Savills, who assess 25 per cent of the main portfolio each quarter. All properties in the main portfolio are also physically inspected by Savills within a three-year period. In addition to the regular inspections, physical visits are also made after major changes. Properties in the secondary portfolio are valued with the help of Savills. These valuations have resulted in unrealised changes in value of SEK 198 million (331) to the properties' market values.

**NOTE 10 > TAX ON PROFIT FOR THE YEAR**

Tax is reported in the income statement in two line items, current tax and deferred tax. Current tax has been calculated based on a nominal tax rate of 21,4 per cent while deferred tax is calculated based on the lower tax rates that will apply for Sweden from 2019 (21,4 per cent) and 2021 (20,6 per cent).

Current tax is based on the taxable profit (loss) for the year, which is lower than the recognised profit. This is largely due to the opportunity to utilise tax depreciation on properties, tax deductions for certain conversions carried out on properties which have been capitalised for accounting purposes, and tax-free sales of properties. There were no remaining tax loss carry-forwards for the year.

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

Swedish accounting legislation does not allow properties to be recognised at fair value in the legal entity, meaning that changes in the value of properties only take place at Group level and thus do not affect taxation. In 2019, limitations on the deductibility of interest expenses were introduced in Sweden. In Diös' case, this meant that approximately SEK 6 million of the Group's interest expenses were not deductible for 2020. As shown in the table below, the taxable profit for 2020 is lower than the accounting profit, which is due to Diös being able to utilise the above mentioned tax depreciation and tax-deductible investments, while completed sales mainly occurred in the form of tax-free share transfers.

SEKm	FOR THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Current tax	-75	-79	-5	-5
Deferred tax	-164	-173	-	-
<b>Total tax</b>	<b>-239</b>	<b>-251</b>	<b>-5</b>	<b>-5</b>

GROUP, SEKm	2020	2020	2019	2019
	Basis for current tax	Basis for deferred tax	Basis for current tax	Basis for deferred tax
Property management income	958		952	
Conversion projects	-62	62	-72	72
Tax-deductible depreciation	-240	240	-234	234
Other tax adjustments	-321	288	-280	253
<b>Taxable property management income</b>	<b>335</b>	<b>590</b>	<b>366</b>	<b>559</b>
Sale of properties	16	8	1	-47
Change in value, properties	0	198	0	331
Issue costs	0	0	0	0
<b>Taxable profit before tax losses</b>	<b>351</b>	<b>796</b>	<b>367</b>	<b>843</b>
Tax loss carry-forwards, opening balance	0	0	0	0
Tax loss carry-forwards, utilised	0	0	0	0
<b>Taxable profit</b>	<b>351</b>	<b>796</b>	<b>367</b>	<b>843</b>
<b>Taxable profit</b>	<b>351</b>	<b>796</b>	<b>367</b>	<b>843</b>
Tax 21,4%/20,6%	-75	-164	-79	-180
Restatement of deferred tax	0	0	0	8
<b>Tax for the period as per income statement</b>	<b>-75</b>	<b>-164</b>	<b>-79</b>	<b>-173</b>

Tax loss carry-forwards comprise the previous year's tax losses. The losses, which are not limited in time, roll onto the next year and are utilised by being offset against future taxable gains. The remaining tax loss carry-forwards are estimated at SEK 0 million (0). Total tax may differ from nominal tax in cases where non-taxable or non-deductible income or expenses have been recognised or as a result of other types of tax adjustments. Diös' reported tax is lower than the nominal tax. The effective tax rate on the property management income for the year is 21 per cent (20).

TAX EXPENSE	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Pre-tax profit for the year	1,152	1,302	182	116
Tax at the applicable rate of 21,4%	-247	-279	-39	-25
Tax related to changed tax rate	0	0	-	-
<i>Tax effect of adjustments:</i>				
Issue costs	0	0	0	0
Sale of properties	1	10	0	0
Other business	7	10	34	20
<b>TAX ON PROFIT FOR THE YEAR</b>	<b>-239</b>	<b>-259</b>	<b>-5</b>	<b>-5</b>
Restatement of deferred tax	0	8	0	0
<b>TAX ON PROFIT FOR THE YEAR</b>	<b>-239</b>	<b>-251</b>	<b>-5</b>	<b>-5</b>

**NOTE 11 > INVESTMENT PROPERTIES**

FOR THE GROUP

SEKm	2020	2019
<b>OPENING CARRYING AMOUNT</b>	<b>22,885</b>	<b>20,802</b>
Acquisitions	38	600
Investment in existing properties	1,518	1,273
Sales	-127	-120
Unrealised change in value	198	331
<b>CLOSING CARRYING AMOUNT</b>	<b>24,512</b>	<b>22,885</b>

The closing carrying amount is consistent with the value in accordance with the property valuation as at 31 December 2020.

Investments of SEK 1,518 million (1,273) have been made in new construction, extensions and conversions. During the year, 2 properties were acquired (9) and 8 properties were sold (5).

For information on pledged properties, see Note 27.

**Major investments in progress**

PROPERTY	Investment, SEKm	Uninvested, SEKm	Completed
Intagan 1	500.0	320.7	2022
Noten 3	443.1	44.6	2021
Magne 5	412.6	122.4	2023
Mimer 1	344.0	335.3	2022
Stigbygelin 2	350.0	246.0	2022
Lyckan 6	107.0	65.3	2021
Norr 11:4	73.7	5.4	2021
Cisternen 4	60.0	9.7	2021
Falan 23	51.6	13.2	2021
Kansliet 20	41.6	1.7	2021
Sigrid 11	34.4	3.6	2021
Bisittaren 1	32.4	5.6	2021
Månadsmötet 8	26.5	18.0	2021
Sirius 25	23.4	0	2021
Sigrid 10	23.3	20.1	2021
Project property Gustav III torg	22.0	10.1	2021
Loke 7	19.5	0.9	2021
Vattenormen 8	13.4	11.2	2021
Totten 1:68	9.9	0	2021
Holmen 8	9.4	0.6	2021
Rätten 1	8.7	0.7	2021
Rättan 17	8.2	1.6	2021
Norr 40:3	7.9	3.7	2021
Släggan 6	7.7	0.7	2021
Hemsta 12:16	7.6	3.8	2021
Skönsberg 1:73	7.0	1.4	2021
Norr 40:3	7.0	0.3	2021
Holmen 8	6.4	3.6	2021
Norr 40:3	6.3	0.7	2021
Frigga 7	6.0	3.4	2021

## CONT. NOTE 11 > INVESTMENT PROPERTIES

### Valuation

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

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

The investment properties are recognised at fair value. A valuation of all properties was conducted in the year. The fair market value is the most probable price for which a property will sell in a competitive and open market. A property's fair value does not become a reality until it is sold. The valuation was carried out in a uniform manner and was based on a five- to ten-year cash flow model. The valuation was based on an individual assessment of future earnings capacity and the required rate of return for each individual property. The assessment of a property's future earnings capacity takes into account an assumed long-term inflation of 2 per cent and any changes in rental levels based on each contract's rent and expiry date compared with the estimated current market rent, as well as changes in occupancy rate and property costs. The property costs comprise costs for operation, maintenance, property taxes, ground rent and property management.

According to Savills, the total transaction volume in 2020 was SEK 211 billion, which is a slight decrease compared with 2019 (219). Of the total amount, Norrland accounts for just over SEK 15 billion, which is a 40 per cent increase on SEK 11 billion in 2019. Continued low interest rates coupled with low returns on alternative investments have continued to drive interest in property investments, which has resulted in historically low required rates of return in many sub-segments and geographic sub-markets.

Even in the pandemic-stricken 2020, Sweden once again proved to have a well functioning and liquid transaction market. This is important not least for Sweden's property owners themselves but also in terms of ensuring that buyers and sellers feel secure about what they are buying and selling. The property transactions that take place offer valuable information that improves and provides important guidance for determining the required rates of return used as a basis for the valuations carried out.

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

The average required rate of return on comparable properties has been lowered by 0.16 percentage points (0.08). This reflects the market trends during the year. Projects in progress have been measured at cost. Sites with building rights and land have been valued on the basis of an estimated market value per square metre.

### Value of property portfolio

An estimation of the market value of all properties has been performed. The date of valuation is 31 December 2020. Under the valuation model, 126 properties are valued externally over the course of the year, with around 25 per cent being valued in each quarter. For the remaining 75 per cent and for the other properties in the portfolio, a breakdown is made between properties in which material changes have taken place, such as the signing or termination of leases or major projects, and properties where no material changes have taken place. The former are valued internally with the help of the external valuation firm while the latter are valued internally without external assistance.

The details on which the valuations are based are all lease contracts, information about premises to let, actual operations and maintenance costs, property taxes and property management as well as information about ongoing and planned investments. Physical inspections were also carried out on the properties upon completion of major investment projects or in conjunction with other changes that would probably have an effect on the value. These valuations showed a fair value of SEK 24,512 million (22,885) and resulted in unrealised changes in value of SEK 198 million (331) on the market values of the properties, an increase of 0.8 per cent (1.4). The table below presents the breakdown of fair value by property category and business unit.

Property value, SEKm 31 Dec 2020	Office	Retail	Residential	Industrial/warehouse	Other	Total
Dalarna	1,666	1,180	385	31	319	3,581
Gävle	1,461	684	222	12	237	2,617
Sundsvall	2,398	815	233	5	715	4,165
Äre/Östersund	1,974	1,154	769	123	92	4,111
Skellefteå	1,096	398	83	0	109	1,687
Umeå	2,697	620	105	116	537	4,076
Luleå	2,436	1,672	130	37	0	4,275
<b>TOTAL</b>	<b>13,727</b>	<b>6,523</b>	<b>1,927</b>	<b>325</b>	<b>2,009</b>	<b>24,512</b>

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

### Uncertainty range

A property's market value can only be determined when it is sold. Property values are calculated according to accepted principles based on certain assumptions. The value range specified in property valuations is often within  $\pm 5$ –10 per cent and should be seen as a measure of the uncertainty in the assumptions and calculations. Savills has estimated the current uncertainty range at  $\pm 7.5$  per cent. This results in a value range of SEK 22,674–26,350 million.

Sensitivity analysis, property category (SEK '000)	Office	Retail	Residential	Industrial	Other business	Total
Rental value, +/- SEK 50 per sq.m	512,795 -511,693	249,936 -249,813	112,310 -112,295	35,494 -35,505	90,655 -90,596	1,003,785 -1,002,496
Operations & maintenance, +/- SEK 25 per sq.m	-275,911 275,587	-141,526 141,525	-56,864 56,858	-23,995 23,988	-57,885 57,789	-557,619 557,274
Yield +/- 0.5%	-1,023,989 1,238,589	-480,435 574,729	-183,626 229,512	-19,785 23,059	-120,800 143,912	-1,831,030 -2,212,586
Cost of capital +/- 0.5%	-261,606 270,471	-152,970 158,474	39,173 -38,118	-6,694 6,898	-40,394 41,788	-500,512 517,555
Long-term vacancy rate, +/- 1%	-119,705 116,632	-68,037 64,998	-22,707 14,603	-4,043 4,043	-18,440 18,035	-233,415 218,794

	2020					2019				
Valuation assumptions	Office	Retail	Residential	Industrial/warehouse	Other	Office	Retail	Residential	Industrial/warehouse	Other
Rental value, SEK per sq.m	1,446	1,579	1,278	550	1,112	1,415	1,618	1,221	534	1,036
Operations & maintenance, SEK per sq.m	340	445	417	210	343	337	455	411	204	332
Yield for assessing residual value <sup>1</sup> , %	6.4-5.4	6.4-5.7	5.1-4.2	9.0-6.6	6.6-5.7	6.8-5.5	6.4-5.7	5.2-4.6	9.6-6.8	7.0-6.2
Cost of capital for discounting to present value, %	7.3	7.7	6.4	9.2	7.9	7.8	8.2	7.2	10.8	8.6
Long-term vacancy, %	4.7	4.4	1.8	14.4	4.6	4.8	3.9	1.9	14.9	5.6

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

The valuation model is based on a forecast period that ranges from five to ten years, but is generally five years, and a long-term inflation rate of 2 per cent.

**NOTE 12 > INTANGIBLE ASSETS**

SEKm	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Opening cost	4	4	4	4
Closing cost	4	4	4	4
Opening amortisation	-4	-3	-4	-3
Amortisation for the year	0	-1	0	-1
Closing accumulated amortisation	-4	-4	-4	-4
<b>CLOSING RESIDUAL VALUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

SEKm	FOR THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Opening cost	43	43	7	7
Acquisition for the year	-	0	-	0
Sales/disposals	-	0	-	-
Closing cost	43	43	7	7
Opening depreciation	-41	-40	-7	-7
Sales/disposals	-	0	-	-
Depreciation for the year	-1	-1	0	0
Closing accumulated depreciation	-42	-41	-7	-7
<b>CLOSING RESIDUAL VALUE</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>

**NOTE 14 > INTERESTS IN GROUP COMPANIES**

SEKm	2020	2019
PARENT COMPANY		
Accumulated cost	2,263	2,124
Impairment/reduction	-3	-9
Purchases/sales	5	149
<b>CARRYING AMOUNT AT END OF PERIOD</b>	<b>2,265</b>	<b>2,263</b>

A specification of the parent company's directly owned subsidiaries is given below. The parent company has 11 subsidiaries (11). Other Group companies can be found in the annual reports of each subsidiary. The principle for consolidation of Group companies is presented in the accounting principles in Note 1.

**SUBSIDIARIES**

Name	CRN	Reg. office	Equity interest, %	Carrying amount, SEKm
Diös Fastigheter I AB	556544-4998	ÖSTERSUND	100	16
Diös Fastigheter II AB	556610-9111	ÖSTERSUND	100	160
Diös Fastigheter V AB	556571-9969	ÖSTERSUND	100	0
Diös Fastigheter VI AB	556561-0861	ÖSTERSUND	100	3
Diös Fastigheter Parkering AB	556589-8433	ÖSTERSUND	100	2
Åre Centrum AB	556624-4678	ÅRE	72	88
Fastighets AB Uprum	556711-2619	ÖSTERSUND	100	40
Diös Obligation Holding AB	556912-4471	ÖSTERSUND	100	99
Plock Pack och Posttjänst i Sverige Holding AB	559000-9279	ÖSTERSUND	100	3
Diös Old Bergsskolan AB	559041-8355	ÖSTERSUND	100	934
Diös Struktur 1 AB	559067-1912	ÖSTERSUND	100	920
<b>TOTAL CARRYING AMOUNT</b>				<b>2,265</b>

**Subsidiaries with non-controlling interests**

The Group has a small number of non-wholly owned subsidiaries, of which one is deemed to have a significant non-controlling interest representing 28.2 per cent of the shares and voting rights of the company. During the financial year, earnings attributable to non-controlling interests were SEK -1 million (9). At 31 December 2020, the accumulated non-controlling interest in Åre Centrum AB was SEK 57 million (58). Condensed financial information for Åre Centrum AB (the Group) is presented below.

SEKm	2020	2019
<b>Condensed income statement</b>		
Net revenue	44	44
Operating profit	15	11
Profit for the period	9	6
Comprehensive income for the period	9	6

SEKm	2020	2019
<b>Condensed balance sheet</b>		
Non-current assets	443	430
Current assets	7	5
<b>TOTAL ASSETS</b>	<b>450</b>	<b>435</b>

Non-current liabilities	215	267
Current liabilities	82	24
<b>TOTAL LIABILITIES</b>	<b>297</b>	<b>291</b>

Equity attributable to		
parent company shareholders	96	86
non-controlling interests	57	58
<b>TOTAL EQUITY</b>	<b>153</b>	<b>144</b>

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

SEKm	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Opening cost	7	6	-	-
Acquisitions	-	-	-	-
Reclassifications	-	1	-	-
Sales	-	-	-	-
Closing cost	7	7	-	-
Carrying amount	7	7	-	-

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

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

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

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

SEKm	2020	2019
<b>Group</b>		
<b>Income statement</b>		
Rental income	5	5
Operating surplus	2	2
Profit for the year	1	2
<b>balance sheet</b>		
Non-current assets	8	9
Current assets	9	8
<b>TOTAL ASSETS</b>	<b>17</b>	<b>17</b>
Equity	10	10
Non-current liabilities	5	5
Other liabilities	2	2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17</b>	<b>17</b>

## Joint operations

The Group has joint operations. Diös has significant joint operations in an associate company, Svensk FastighetsFinansiering AB, which was formed in 2015. The company is jointly owned by Catena AB, Diös Fastigheter AB, Fabega AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, all of which own 20 per cent. The intention is to broaden the company's funding base. Diös Fastigheter's interest in Nya Svensk FastighetsFinansiering AB is owned indirectly through Diös Obligation AB. The company is engaged in deposit-taking activities in the form of borrowing in the capital market through the issuance of bonds (medium-term notes, MTN) and lending activities through the issuance of cash loans.

In the fourth quarter, SEK 300 million in bonds were issued through Svensk FastighetsFinansiering AB (SFF). The bonds have a fixed interest rate of 0.88 per cent and mature on 16 November 2022. The effective interest rate for all outstanding bonds at 31 December 2020 was 0.76 per cent.

For joint operations, Diös accounts for its share of assets, liabilities, income and expenses, and its share of joint assets, liabilities, income and expenses on an item by item basis in the consolidated financial statements. Transactions and balances with joint operations have been eliminated in the consolidated financial statements.

### Summary of our share of earnings and financial position in joint operations

SEKm	2020	2019
<b>Income statement</b>		
Operating expenses	-1	-1
Net financial items	1	1
Taxes	0	0
<b>Profit for the year</b>	<b>0</b>	<b>0</b>
<b>balance sheet</b>		
Non-current assets	330	444
Current assets	522	947
<b>Total assets</b>	<b>852</b>	<b>1,391</b>
Equity	132	133
Long-term liabilities	300	419
Other liabilities	420	839
<b>Total equity and liabilities</b>	<b>852</b>	<b>1,391</b>

## NOTE 16 > OTHER NON-CURRENT ASSETS INVESTMENTS

SEKm	FOR THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Opening cost	1	4	0	0
ACQUISITIONS	0	-	-	-
Impairment	-	-	-	-
Reclassifications	-	-1	-	-
Sales	-	-2	-	-
<b>Closing cost</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Carrying amount</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

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

## NOTE 17 > DEFERRED TAX ASSETS/TAX LIABILITY

SEKm	2020	2019
<b>FOR THE GROUP</b>		
Deferred tax liability relating to temporary differences in properties	-1,592	-1,450
Deferred tax liability relating to other items	-97	-74
<b>TOTAL DEFERRED TAX ASSETS/LIABILITIES</b>	<b>-1,689</b>	<b>-1,524</b>

The reported deferred tax liability was SEK -1,689 million (-1,524) as at 31 December 2020. The value of any deferred tax asset/liability will be assessed at the end of each accounting period and, if necessary, re-valuation will be carried out.

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

Recognised temporary differences, i.e. differences between the fair values and tax bases of the properties, were SEK 7,728 million (7,038) less deferred tax relating to asset

acquisitions of SEK 3,811 million (3,792). Deferred tax is calculated at a rate of 20.6 per cent. The deferred tax liability has been calculated based on the tax rate applying at the time when the deferred tax liability is expected to be settled. The deferred tax liability for temporary differences was SEK 1,592 million (1,450) at 31 December. In the financial statements, deferred tax assets have been offset against deferred tax liabilities. Other deferred taxes are reported at SEK 97 million (74). Other deferred taxes are calculated principally on untaxed reserves.

## NOTE 18 > LEASES

The remaining lease commitments refer essentially to leases related to ground rent and vehicle leases. Ground rent is the annual payment an owner of a building that stands on municipally owned land makes to the local authority. The ground rent for these is currently defined as a real interest rate on the estimated market value of the land, which is paid to the local authority. Ground rent is paid over time and is generally renegotiated at 10 to 20 year intervals. At year-end 2020, Diös had 20 properties (13) for which the company was paying ground rent. Diös also has commitments under leases for vehicles. These leases have an average term of 3 years and are recognised at the value of the right-of-use asset at inception less depreciation and a finance charge.

### AMOUNTS RECOGNISED IN THE BALANCE SHEET

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

SEKm	Leaseholds	Cars	Other business	Total
1 January 2020	35	18	0	53
Acquisitions	10	0	-	11
Depreciation	-	-4	-	-4
<b>Total</b>	<b>45</b>	<b>14</b>	<b>0</b>	<b>60</b>

### LEASE LIABILITY RECOGNISED IN THE BALANCE SHEET

SEKm	2020	2019
Current liability	5	6
Non-current liability	55	47
<b>Total</b>	<b>60</b>	<b>53</b>

### AMOUNTS RECOGNISED IN THE INCOME STATEMENT

SEKm	2020	2019
Depreciation of right-of-use assets	4	4
Interest expense for lease liabilities	4	4
Expenses related to short-term leases	0	0
Expenses related to low-value leases	2	1
Expenses related to variable lease payments	0	0

At 31 December, the Group had short-term lease commitments of SEK 1 million.

### FUTURE LEASE PAYMENTS

SEKm	2020	2019
Year 1	4	4
Years 2-5	16	16
After more than 5 years	40	33
<b>Total</b>	<b>60</b>	<b>53</b>

## NOTE 19 > TRADE RECEIVABLES

SEKm	2020	2019
<b>FOR THE GROUP</b>		
<b>Age structure of trade receivables</b>		
Trade receivables not past due and trade receivables up to 30 days past due	18	14
Trade receivables between 31-60 days past due	6	1
Trade receivables 61-90 days past due	4	2
Trade receivables more than 91 days past due	25	20
Reserve	-20	-11
<b>TOTAL</b>	<b>33</b>	<b>26</b>
<b>Reserve</b>		
Reserve at beginning of year	11	14
Reserves for the year	16	8
Reversal of reserves	-2	-2
Actual credit losses	-5	-9
<b>CLOSING BALANCE</b>	<b>20</b>	<b>11</b>

**NOTE 20 > EQUITY**

At 31 December 2020, Diös Fastigheter AB (publ) had a share capital of SEK 269,024,276. The total number of shares at year-end was 134,512,438 with a face value of SEK 2 per share. Each share entitles the holder to one vote. There are no potential shares (e.g. convertible bonds), nor any preferential rights to cumulative dividends (preference shares). In 2020, 441,418 shares were repurchased at an average price of SEK 64.6.

**Change in share capital**

Date	Event	Increase in number of shares	Total number of shares	Increase in share capital, SEK	Total share capital, SEK	Face value, SEK
1 Jan 2005	At the start of the period	-	10,000	-	100,000	10.00
21 Jun 2005	Share split	990,000	1,000,000	-	100,000	0.10
21 Jun 2005	Issue of new shares	1,489,903	2,489,903	148,990	248,990	0.10
14 Sep 2005	Non-cash issue	1,503,760	3,993,663	150,376	399,366	0.10
2 Jan 2006	Bonus issue	-	3,993,663	39,537,264	39,936,630	10.00
2 Jan 2006	Share split	15,974,652	19,968,315	-	39,936,630	2.00
18 May 2006	Issue of new shares	8,333,400	28,301,715	16,666,800	56,603,430	2.00
11 Jul 2006	Non-cash issue	5,000,000	33,301,715	10,000,000	66,603,430	2.00
19 Apr 2007	Non-cash issue	666,250	33,967,965	1,332,500	67,935,930	2.00
29 Oct 2010	Non-cash issue	99,729	34,067,694	199,458	68,135,388	2.00
14 Dec 2010	Issue of new shares	3,285,466	37,353,160	6,570,332	74,705,720	2.00
17 Dec 2010	Issue of new shares	11,407	37,364,567	22,814	74,728,534	2.00
5 Dec 2011	Issue of new shares	22,854,136	60,218,703	45,708,272	120,436,806	2.00
14 Dec 2011	Issue of new shares	14,510,431	74,729,134	29,020,862	149,457,668	2.00
27 Jan 2017	Issue of new shares	59,629,748	134,358,882	119,259,496	268,717,164	2.00
31 Jan 2017	Issue of new shares	153,556	134,512,438	307,112	269,024,276	2.00
<b>31 DEC 2020</b>	<b>AT YEAR-END</b>		<b>134,512,438</b>		<b>269,024,276</b>	<b>2.00</b>

A dividend payout is proposed by the Board of Directors in conformity with the provisions of the Swedish Companies Act and is adopted by the Annual General Meeting. The Diös Fastigheter Board of Directors proposes that a dividend for the 2020 financial year of SEK 3.30 (1.65) per share be paid out, split into two payments of SEK 1.65 each, representing a total payout of SEK 442 million (221). The proposal means that 50.3 per cent (24.9) of consolidated earnings, excluding unrealised changes in value and deferred taxes, will be paid out to shareholders. The amount is recognised as a liability when the Annual General Meeting has decided on the dividend. The amount of the proposed dividend, SEK 442,434,366, may change if the number of repurchased shares changes before the record date for the dividend.

**The following profits in the parent company are at the disposal of the Annual General Meeting:**

Retained earnings	SEK 2,210,169,658
Profit for the year	SEK 176,766,716
<b>Total</b>	<b>SEK 2,386,936,374</b>

**The Board of Directors proposes that the profits be allocated as follows:**

Distributed to ordinary shareholders	SEK 442,434,366
Carried forward	SEK 1,944,502,008
<b>Total</b>	<b>SEK 2,386,936,374</b>

**NOTE 21 > UNTAXED RESERVES**

SEKm	2020	2019
<b>PARENT COMPANY</b>		
Tax allocation reserve 2019	8	8
Tax allocation reserve 2020	8	-
<b>TOTAL</b>	<b>16</b>	<b>8</b>

**NOTE 22 > OTHER PROVISIONS**

Provisions relate to deferred stamp duty in connection with inter-company sales of properties.

SEKm	FOR THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
At beginning of year	9	9	-	-
Provision for pensions	1	-	1	-
Change in tax	-	-	-	-
<b>CARRYING AMOUNT AT END OF PERIOD</b>	<b>10</b>	<b>9</b>	<b>1</b>	<b>-</b>

**NOTE 23 > LIABILITIES TO CREDIT INSTITUTIONS****Interest rate and debt maturity structure at 31 December 2020**

Maturity, year	Loan amount, SEKm	Average annual interest rate, %	Loan maturity	
			Credit agreements, SEKm	Drawn, SEKm
2021	7,162	0.9	3,311	3,026
2022	4,417	1.3	6,289	4,705
2023	248	1.0	2,868	2,868
2024	1,423	1.1	887	887
>2025	-	-	1,764	1,764
<b>TOTAL</b>	<b>13,249</b>	<b>1.1</b>	<b>15,118</b>	<b>13,249</b>

Interest-bearing liabilities, SEKm	FOR THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Maturity date from the balance sheet date:				
< 1 year	3,026	5,911	1,153	500
1–2 years	4,705	2,261	2,250	1,203
2–3 years	2,868	2,165	-	1,150
3–4 years	887	1,112	-	-
> 4 year	1,764	697	-	-
<b>TOTAL</b>	<b>13,249</b>	<b>12,145</b>	<b>3,403</b>	<b>2,853</b>

## CONT. NOTE 23 >

Overdraft facility, SEKm	2020	2019	2020	2019
Credit limit granted	600	600	600	600
Undrawn	537	394	517	374
Drawn	63	206	83	226

All borrowings have mortgage collateral in the form of mortgage deeds. The parent company maintains promissory notes with its subsidiaries with the mortgage collateral pledged therein. In addition to mortgages, there are financial covenants which require the loan-to-value, equity and interest coverage ratios to be maintained. All forms of loan agreement include the usual cancellation terms and conditions for renegotiation if there is a change in business focus and this exposes the lender to an unacceptable level of risk. The credit utilisation may increase or decrease at short notice during the term of the loan agreements. The agreements with lenders contain limits for various financial key ratios, known as covenants, which are designed to limit the counterparty risk for the company's lenders. Financial key ratios with limit values are equity, loan-to-value and interest coverage ratios. The minimum equity/assets ratio is 25 per cent, the loan-to-value ratio must not exceed 65 per cent, while the interest coverage ratio must be greater than 1.8 times. At year-end, the equity ratio was 36.8 per cent, the loan-to-value ratio amounted to 54.3 per cent and the interest coverage ratio was 6.0 times, meaning that all the limits were achieved.

### LIABILITIES TO CREDIT INSTITUTIONS

As a net borrower, Diös is exposed to financial risks, primarily interest rate risk, refinancing risk and credit risk. As at 31 December 2020, there was no foreign currency exposure risk. Diös' funding and financial risk management is conducted in accordance with the Board's established financial policy. For a more detailed description of our financial policy, see Note 26.

### INTEREST RATE RISK

Interest rate risk is the risk associated with changes in interest rates that affect the cost of borrowing for the Group and the value of interest-rate derivatives. Interest expense is one of the major cost items. The Group's interest-bearing liabilities totalled SEK 13,249 million (12,145) with an average annual interest rate of 1.2 per cent (1.2), including loan commitments. The average fixed-rate term, including derivatives, was 1.1 years (0.5) and the average loan maturity 2.5 years (1.6). Of the Group's total interest-bearing liabilities, SEK 4,750 million (4,000) is hedged through derivative instruments. The average remaining term is 2.5 years (0.8). Of the Group's outstanding loans, SEK 2,105 million (6,883) is subject to fixed interest rates, of which SEK 1,805 million (1,835) refers to commercial paper. The average annual interest rate, including costs related to derivative instruments, amounted to 1.2 per cent (1.2), including loan commitments.

Financial instruments limit the impact of a change in interest rates on the average interest expense. If interest rates had been increased by 1 percentage point on 31 December 2020, the interest expense, excluding effects of derivatives, would have increased by SEK 108 million annually. The effect of the derivatives would not lead to a reduction of interest expenses in that scenario. This would cause interest expenses to increase by SEK 73 million on an annual basis, including the effect of derivative instruments. If interest rates had been increased by 1 percentage point on 31 December 2020, the average interest rate would have risen by 0.6 percentage points and the value of derivative instruments would have increased by SEK 107 million. Unrealised changes in the value of derivatives held amounted to SEK 0 million (0) for the period, which has been fully recognised in the income statement.

### FINANCING AND LIQUIDITY RISKS

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. Borrowing risk is the risk that it will be costly or difficult to refinance borrowings outstanding. The financial policy states that cash and cash equivalents and undrawn credit facilities must be available to ensure sufficient liquidity

levels. The Group's cash and cash equivalents are managed through instruments with good liquidity or short-term maturity. At the end of the year, the Group had undrawn credit facilities of SEK 571 million, of which SEK 34 million referred to undrawn loan commitments, as the outstanding volume of commercial paper is subtracted from the loan commitment, and an undrawn overdraft facility of SEK 537 million. Access to liquidity is deemed to be adequate to meet liquidity requirements over the coming 12 months. Future refinancing requirements will be managed in accordance with the applicable financial policy.

### CREDIT RISK

Credit risk is the risk of financial loss to the Group due to the failure of a counterparty to meet its contractual obligations.

In order to spread the credit risk, the financial policy limits with which counterparties, and to what volume, an agreement may be entered into. We only enter into agreements with well-known and transparent counterparties who have a high external credit rating. Normal credit checks should be carried out before a new tenant is accepted. The carrying amount of trade receivables and promissory notes represents the maximum credit exposure for the Group. The credit risk in financial counterparties corresponds to the carrying amount for cash and bank balances. At year-end, there were no concentrations of credit risk with respect to trade and other receivables. Impairment of trade receivables was SEK 13,000 (8,000). The ten largest clients accounted for 17 per cent (16) of revenue.

### Financial instruments measured at fair value

SEKm	31 Dec 2020	Level 2
FOR THE GROUP		
Derivative instruments	3	3
<b>TOTAL</b>	<b>3</b>	<b>3</b>

Financial instruments are measured at fair value on three different levels.

- 1: Measurement is based on quoted prices in an active market for identical assets and liabilities.
- 2: Measurement is mainly based on observable market data for the asset or liability.
- 3: Measurement is mainly based on the entity's own assumptions.

All financial instruments are measured in accordance with Level 2. The fair values of derivative instruments are determined using discounted future cash flows, with quoted market rates for the term of each instrument. The future cash flows of the derivative portfolio are calculated as the difference between the fixed rate agreed by the respective derivative contracts and the implied STIBOR reference rate for each period. The present value of the consequential interest flows are determined using the implied STIBOR curve. The option component of the callable swaps in the portfolio has not been assigned a value, as cancellation does not have an impact on earnings. The issuer decides whether to cancel the swap or not.

The fair value of a derivatives transaction can be described as the risk-free market value after adjusting for the value of counterparty risk. The value of the counterparty risk can be calculated by estimating the expected credit exposure at the date of default, the risk of default and the recovery rate for exposed credits. If a derivatives transaction is terminated prematurely due to the default of a counterparty, losses will be incurred on derivative instruments with positive market values. No loss is incurred on derivatives with negative market values.

To limit the counterparty risk, all derivatives transactions are covered by framework agreements with netting provisions. This enables us to offset positive and negative market values so that the amount owed by or to the counterparty comprises the net market value of all outstanding derivatives transactions between the parties. In view of the net liability, the counterparty risk in the derivatives transactions is deemed to be negligible in relation to the outstanding market values. The Group has signed up to ISDA's 2013 EMIR Protocol, which describes the risk mitigation techniques prescribed in EMIR.

SEKm	31 Dec 2020			31 Dec 2019		
	Asset	Liability	Net	Asset	Liability	Net
Interest rate derivatives	3	-	3	0	-	0
<b>Gross value derivatives</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>0</b>	<b>-</b>	<b>0</b>
Covered by netting	-	-	-	-	-	-
<b>NET VALUE DERIVATIVES</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>0</b>	<b>-</b>	<b>0</b>

**CONT. NOTE 23 >**

The various categories of financial instruments included in the consolidated balance sheet are presented below.

SEKm	Financial assets measured at amortised cost		Financial liabilities measured at fair value through profit or loss		Derivatives used in hedge accounting		Financial liabilities measured at amortised cost		Non-financial instruments	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>										
Rent receivables	33	26	-	-	-	-	-	-	-	-
Other receivables	94	96	-	-	-	-	-	-	-	-
Cash and bank balances	-	-	-	-	-	-	-	-	-	-
Other business	-	-	-	-	-	-	-	-	176	105
<b>LIABILITIES</b>										
Interest rate derivatives	-	-	-3	0	-	-	-	-	-	-
Non-current liabilities	-	-	-	-	-	-	13,198	11,891	-	-
Trade payables	-	-	-	-	-	-	96	118	-	-
Other liabilities	-	-	-	-	-	-	1,881	2,057	-	-
Other business	-	-	-	-	-	-	-	-	72	125
<b>TOTAL</b>	<b>127</b>	<b>122</b>	<b>-3</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>15,175</b>	<b>14,066</b>	<b>248</b>	<b>230</b>

The values indicated in the above table represent the total credit exposure.

Financial instruments, such as rent receivables, trade payables, etc. are reported at amortised cost with deductions for any impairments. Fair value is therefore deemed to be the same as the carrying amount. The Group's long-term interest-bearing liabilities mainly have a short interest rate duration. This means that amortised cost is essentially the same as fair value.

**Maturity analysis of financial assets**

SEKm	2020				2019			
	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
<b>FOR THE GROUP</b>								
Promissory notes	-	0	1	0	-	3	11	2
Trade receivables	-	33	-	-	-	26	-	-
Other receivables	-	146	123	-	-	137	28	-
Cash and cash equivalents	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>0</b>	<b>179</b>	<b>124</b>	<b>0</b>	<b>-</b>	<b>165</b>	<b>39</b>	<b>2</b>

**Maturity analysis of financial assets**

SEKm	2020				2019			
	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
<b>PARENT COMPANY</b>								
Trade receivables	-	12	-	-	-	-	-	-
Receivables from Group companies	-	12	852	-	-	8	517	-
Other receivables	-	9	13	-	-	11	13	-
Cash and cash equivalents	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>32</b>	<b>865</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>529</b>	<b>-</b>

**Maturity analysis of financial liabilities**

SEKm	2020				2019			
	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
<b>FOR THE GROUP</b>								
Trade payables	-	96	-	-	-	118	-	-
Repayment of debt	-	716	1,775	9,004	-	5,101	888	5,694
Interest expenses	-	40	120	320	-	38	113	301
Derivative instruments	-	0	1	0	-	0	1	0
<b>TOTAL</b>	<b>-</b>	<b>852</b>	<b>1,895</b>	<b>9,324</b>	<b>-</b>	<b>5,257</b>	<b>1,001</b>	<b>5,996</b>

**Maturity analysis of financial liabilities**

SEKm	2020				2019			
	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
<b>PARENT COMPANY</b>								
Trade payables	-	1	-	-	-	2	-	-
Repayment of debt	-	403	780	2,550	-	500	0	2,353
Interest expenses	-	10	31	82	-	6	19	50
Derivative instruments	-	0	0	0	-	0	0	0
<b>TOTAL</b>	<b>-</b>	<b>414</b>	<b>811</b>	<b>2,633</b>	<b>-</b>	<b>509</b>	<b>19</b>	<b>2,403</b>

## NOTE 24 > ACCRUED EXPENSES AND DEFERRED INCOME

SEKm	FOR THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Prepaid rents	320	341	-	-
Accrued interest expenses	5	10	3	-
Other items	165	156	25	25
<b>TOTAL</b>	<b>490</b>	<b>507</b>	<b>28</b>	<b>25</b>

## NOTE 25 > CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES

SEKm	Carrying amount		Changes not affecting cash flow			Carrying amount
	2019	Cash flow	Unrealised changes in value	Acquisitions	Reclassifications	2020
FOR THE GROUP						
Non-current liabilities to credit institutions	6,234	1,202	-	-	2,785	10,221
Current portion of non-current liabilities	5,911	-107	7	-	2,785	3,026
Overdraft facilities	206	-143	-	-	-	63
Derivative instruments	0	-	-3	-	-	-3
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>12,351</b>	<b>952</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>13,307</b>

SEKm	Carrying amount		Changes not affecting cash flow		Carrying amount
	2019	Cash flow	Unrealised changes in value	Reclassifications	2020
PARENT COMPANY					
Non-current liabilities to Group companies	5,909	557	-	-	6,466
Non-current liabilities to credit institutions	2,353	566	-	-671	2,248
Current portion of non-current liabilities	500	-20	2	671	1,153
Overdraft facilities	226	-143	-	-	83
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>8,988</b>	<b>960</b>	<b>2</b>	<b>-</b>	<b>9,950</b>

## NOTE 26 > ASSET MANAGEMENT

The operations are financed by equity and liabilities. The relationship between equity and liabilities is regulated on the basis of a selected financial risk level and the amount of equity required to meet the lenders' requirements for loans received. The cost of capital is set at a level to meet the required rate of return on equity, to make it possible to obtain necessary loan financing and to ensure room for investment. The target for the capital structure is an equity ratio of at least 35 per cent and a loan-to-value ratio of 55 per cent or less. Diös has a covenant under our financial agreements that stipulates an interest coverage ratio of at least 1.8 times, an equity ratio of at least 25 per cent and a loan-to-value ratio of not more than 65 per cent. At 31 December 2020, the assets had a total value of SEK 24,890 million (23,187). These were financed partly through equity of SEK 9,148 million (8,484) and liabilities of SEK 15,742 million (14,703), of which SEK 13,249 million (12,145) were interest-bearing property credits. Diös' funding and financial risk management is conducted in accordance with the Board's established financial policy. The financial operations are centralised in the parent company. The finance department acts as the Group's internal bank, with responsibility for the Group's financing, financial risk management and cash management. The financial policy defines mandates and limits for managing the financial risks, as well as the general division of responsibility. The financial operations must be conducted so that the costs for financial risk management are minimised. This means that financial transactions are based on an estimate of the Group's requirements for funding, liquidity and interest rate risk. An inter-company transaction, such as an internal loan, does not therefore necessarily mean that an identical external loan transaction is also carried out. External loans are taken up once the Group's aggregate borrowing requirements have been assessed. A group accounts system enables net management of the Group's payment flows. The Group's interest rate risk is managed cost-effectively by assessing the interest rate risk that arises when an individual loan with a short fixed-interest term is raised. Interest-rate derivative transactions will subsequently be carried out as needed to achieve the desired fixed-rate term for the Group's overall loan portfolio.

Policy	Goal	Outcome
Loan-to-value ratio	Capped at 65%	54.3%
Interest coverage ratio	At least 1.8 times	6.0 times
Currency risk	Not allowed	No exposure
Liquidity risk	Liquidity reserve to meet payment obligations	SEK 571 million in undrawn committed credit facilities
Equity ratio	At least 25%	36.8%

The financial policy is a stand-alone document that is separate from the financial targets, which means that differences occur. The Group's covenants cover equity ratio, loan-to-value-ratio and interest coverage ratio. The minimum equity ratio is 25 per cent, the loan-to-value ratio must not exceed 65 per cent and the interest coverage ratio must be greater than 1.8 times.



The fitting rooms at PickPackPost and PopUpMarket, Sundsvall.

**NOTE 27 > PLEDGED ASSETS**

SEKm	FOR THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Shares in subsidiaries	6,032	5,307	2,076	2,076
Floating charges	239	239	-	-
Property mortgages	13,659	12,267	-	-
Non-current receivables in Group companies	-	-	2,844	2,397
<b>TOTAL</b>	<b>19,930</b>	<b>17,813</b>	<b>4,920</b>	<b>4,473</b>

**NOTE 28 > CONTINGENT LIABILITIES**

SEKm	FOR THE GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Guarantees to Group companies	-	-	9,846	9,292
Other contingencies	2	2	2	2
<b>TOTAL</b>	<b>2</b>	<b>2</b>	<b>9,848</b>	<b>9,294</b>

When borrowing is arranged directly against property ownership companies the parent company provides the guarantee.

**NOTE 29 > RELATED-PARTY TRANSACTIONS**

There were no significant related party transactions in the period. Those related party transactions which did occur are deemed to have been concluded on market terms. None of the Board members, senior executives or auditors of Diös Fastigheter AB or its subsidiaries have themselves, via companies or related parties, had any involvement in business transactions which were or are unusual in nature or terms and which took place in 2020. Transactions with the company's largest owner, AB Persson Invest, represented 1.0 per cent (1.0) of the company's purchasing costs for the year and were concluded on market terms. Remuneration to the Board and senior executives is provided in Note 5.

**NOTE 30 > EVENTS AFTER THE END OF THE YEAR**

No significant events have occurred after the end of the financial year.



# Other information



# Allocation of profit and dividend

## DIVIDEND POLICY

Approximately 50 per cent of the company's annual profit after tax, excluding unrealised changes in value and deferred tax, will be distributed in the form of dividends.

## Proposed appropriation of retained earnings

The following profits in the parent company are at the disposal of the Annual General Meeting:

Retained earnings	SEK 2,210,169,658
Profit for the year	SEK 176,766,716
<b>Total</b>	<b>SEK 2,386,936,374</b>

The Board of Directors proposes that the profits be allocated as follows:

Distributed to ordinary shareholders	SEK 442,434,366
Carried forward	SEK 1,944,502,008
<b>Total</b>	<b>SEK 2,386,936,374</b>

As at 31 December 2020, the number of registered shares in Diös was 134,512,438. At 31 December, 441,418 shares had been repurchased during the year at an average price of SEK 64.6.

## PROPOSED DIVIDEND

The Board of Directors proposes that the 2020 Annual General Meeting approve a dividend of SEK 3.30 per share, to be distributed in two separate payments of SEK 1.65 each. The total dividend amount may change up to and including the record date

depending on purchases and sales of treasury shares. The proposal would mean that 50.3 per cent of the year's profit after tax, excluding unrealised changes in value and deferred taxes, is paid out to shareholders.

## THE BOARD OF DIRECTORS' STATEMENT ON THE PROPOSED DIVIDEND

The Group's equity has been calculated according to IFRS standards as adopted by the EU and in accordance with Swedish law by the application of the Swedish Financial Reporting Board's recommendation RFR 1. The parent company's equity has been calculated according to IFRS standards as adopted by the EU and in accordance with the laws of Sweden by the application of the Swedish Financial Reporting Board's recommendation RFR 2.

With reference to the calculation methods mentioned above and other disclosures, the Board deems the proposed dividend to be justifiable with regard to the requirements given in chapter 17, section 3, paragraphs 2 and 3 of the Swedish Companies Act. The nature and scope of the operations do not entail risks to a greater extent than what is normal in the industry. Based on the Board's assessment of the parent company's and the Group's financial position, the dividend is justifiable in view of the parent company and consolidated equity requirements arising from the nature, scope and risk of the operations and the consolidation needs, liquidity and position

of the parent company and the Group.

The Board does not expect that the proposed dividend will affect the company's ability to meet its short-term and long-term obligations or to make necessary investments. The proposed dividend constitutes 50.3 per cent of the consolidated profit after tax, excluding unrealised changes in value and deferred tax, which is in line with the stated objective. The Board of Directors finds there is full coverage for the restricted equity after the proposed dividend. The parent company and the Group maintain sufficient reserves of cash and cash equivalents in the form of both short-term and long-term credit lines. The lines of credit can be used at short notice. This means that the company and the Group are well prepared for fluctuations in liquidity and unexpected events. The Board of Directors has taken into account all other known circumstances that could have an impact on the financial position of the parent company and the Group and which have not been taken into account within the scope of the above considerations. In this respect, no circumstances have been found to indicate that the proposed distribution is not justified.

Östersund, 10 March 2021

The Board of Directors of Diös  
Fastigheter AB (publ)  
Company registration number 556501-1771

# Annual report signature

The Board of Directors and Chief Executive Officer of Diös Fastigheter AB (publ) hereby certify that the annual report has been prepared in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 of the Swedish Financial Reporting Board. The annual accounts give a true and fair view of the company's financial position and results. The Directors' Report gives a true and fair overview of the performance, financial position and results of the company, and describes significant risks and uncertainties faced by the company. The Board of Directors and Chief Executive Officer hereby certify that the consolidated financial statements have been prepared in accordance

with the International Financial Reporting Standards (IFRS), as adopted by the EU. The consolidated financial statements give a true and fair view of the Group's financial position and results. The annual accounts give a true and fair view of the company's financial position and results. The Directors' Report gives a true and fair overview of the performance, financial position and results of the Group, and describes significant risks and uncertainties faced by the companies in the Group. The Directors' Report gives a true and fair overview of the performance, financial position and results of the company, and describes significant risks and uncertainties faced by the company.

Östersund, 10 March 2021

Bob Persson  
*Chairman*

Eva Nygren  
*Board member*

Anders Nelson  
*Board member*

Ragnhild Backman  
*Board member*

Peter Strand  
*Board member*

Tobias Lönnevall  
*Board member*

Tomas Mellberg  
*Board member*  
*Employee representative*

Knut Rost  
*Chief Executive Officer*

Our auditor's report was submitted on 11 March 2021

Deloitte AB

Richard Peters  
*Authorised Public Accountant*



# Auditor's Report

The Board of Directors of Diös Fastigheter AB (publ)

Company registration number 556501-1771

## Statement on the annual financial statements and consolidated financial statements

### Opinion

We have conducted an audit of the annual financial statements and consolidated financial statements of Diös Fastigheter AB (publ) for the financial year 1 January to 31 December 2020, with the exception of the Corporate Governance Report on pages 63–72. The company's annual financial statements and consolidated financial statements can be found on pages 57–106 of this document.

In our opinion, the annual financial statements have been prepared as required pursuant to the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company on 31 December 2020, and its financial performance and its cash flows for the year, in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been prepared as required by the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group on 31 December 2020, and its financial performance and cash flows for the year, in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other sections of the annual report and the consolidated financial statements.

We therefore recommend that the Annual General Meeting adopts the income statement and the balance sheet of the parent company and the Group.

Our statements in this report on the annual financial statements and consolidated financial statements are consistent with the contents of the supplementary report that has been delivered to the Board of the parent company in accordance with article 11 of the EU Audit Regulation (537/2014/EU).

### Basis for the opinion

We have conducted our audit in compliance with the requirements of the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden (Swedish GAAS). Our responsibility to these standards are described in greater detail in the section Auditor's responsibility. We are independent in relation to the parent company and Group in accordance with good auditing practices in Sweden and have completed our ethical responsibility in accordance with these requirements. This includes, to the best of our knowledge and conviction, that no prohibited services as per article 5.1 of the EU Audit Regulation (537/2014) have been provided by the audited company or, where applicable, the parent company or companies under its control within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key audit matters

Key audit matters for the audit were the areas that, according to our professional assessment, were most important for the audit of the annual financial statements and consolidated financial statements for the relevant period. These areas were processed within the framework of our audit of and position on the annual financial statements and consolidated financial statements as a whole, but we make no separate opinions on these areas.

### Valuation of investment properties

Diös Fastigheter AB recognises its investment properties at fair value and the property portfolio was valued at SEK 24,512 million as at 31 December 2020. The properties have been valued internally but a portion of the portfolio is also valued externally on a quarterly basis. The starting point for the valuation consists of an individual assessment for each property of future earning capacity and the market's required rate of return. The assessment is based on estimates and assumptions that can significantly impact on the Group's earnings and financial position.

Our audit included the following audit procedures but were not limited to these:

- We have assessed the process for Diös' internal valuation procedures and the assumptions made and their application in the internal valuation model.
- We have examined input data and calculations in the internal valuation model at property level for a selection of properties to assess completeness and valuation.
- We have evaluated and assessed the assumptions used in the valuation model regarding long-term vacancy and required rates of return for a selection of properties.
- We have confirmed that appropriate accounting policies are being applied and the necessary disclosures are being made in the relevant notes accompanying the financial statements.

For further information, please see the section on property valuation on page 78, the section on risks and risk management on pages 60–62, the Group's accounting policies on page 88–91, and Note 11 Investment properties in the annual report.

### Other information included in the annual report

The Board of Directors and the CEO are responsible for the other information. The other information consists of the remuneration report and pages 1–55, 111–126 in this document but does not include the annual accounts, consolidated financial statements and our auditor's report regarding these.

Our opinion on the financial statements and consolidated financial statements does not include this information and we will not express an opinion verifying this other information.

In connection with our audit of the financial statements and consolidated financial statements, it is our responsibility to read the information identified above and assess whether the information is materially inconsistent with the financial statements and consolidated financial statements. In this review, we also take into account the other information we have obtained in the audit and identify whether the information otherwise appears to contain material misstatement.

## Auditor's Report cont.

If, based on the work carried out with respect to this information, we conclude that there is a material misstatement in the other information, we are required to report this. We have nothing to report in this respect.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and CEO are responsible for the preparation and fair presentation of financial statements and consolidated financial statements in accordance with the Swedish Annual Accounts Act and, with regard to the consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In their preparation of the financial statements and consolidated financial statements, the Board of Directors and CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, where appropriate, information on conditions that may affect the ability to continue as a going concern and to use the going concern basis of accounting. However, the going concern basis of accounting is not used if the Board of Directors and CEO intend to liquidate the company, discontinue operations or do not have a realistic alternative to either of these actions.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) and generally accepted auditing standards in Sweden will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement in the financial statements and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the part of the company's internal control relevant to our audit in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- come to a conclusion on the appropriateness of the Board of Directors' and CEO's use of the going concern basis of accounting when preparing the financial statements and consolidated financial statements. We will also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the relevant disclosures in the financial statements and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion on the financial statements and consolidated financial statements. Our conclusions are

based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the company and the Group to be unable to continue as a going concern.

- we evaluate the overall presentation, structure and content of the financial statements and consolidated financial statements, including the disclosures, and whether the financial statements and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of, among other matters, the planned scope and timing of the audit. We also need to inform the Board of significant audit findings, including any significant deficiencies in internal control that we have identified.

We also need to provide the Board with a statement that we have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Board, we determine those matters that were of most significance in the audit of the financial statements and consolidated financial statements, including the most significant assessed risks of material misstatement and which therefore constitute the key audit matters. We describe these matters in the auditor's report unless laws or legal and regulatory requirements prevent disclosure on the matter.

## Statement on other legal and statutory requirements

### Opinion



In addition to our audit of the financial statements and consolidated financial statements, we have also conducted an audit of the management of Diös Fastigheter AB (publ) by the Board of Directors and the Chief Executive Officer for the financial year 1 January 2020 to 31 December 2020, as well as of the proposed appropriation of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated as proposed in the Directors' Report and that the members of the Board and the Chief Executive Officer be discharged from liability for the financial year.

### Basis for the opinion

We have conducted our audit in compliance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in greater detail in the section Auditor's responsibilities. We are independent in relation to the parent company and Group in accordance with good auditing practices in Sweden and have completed our ethical responsibility in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. Dividend proposals include an assessment of whether the dividend is justifiable considering the demands that the nature, scope and risks of the operations place on the amount of equity and the parent company's and the Group consolidation requirements, liquidity and financial position in general.

The Board is responsible for the organisation of the company and the management of its affairs. Among other things, this includes continuously assessing the company's and Group's financial position and ensuring that the company's organisation is designed such that controls of accounting records, asset management and the company's financial circumstances in general are performed in a satisfactory manner. The CEO must take charge

of the day-to-day management in accordance with the Board's guidelines and directives, including taking the necessary measures to ensure that the company's accounting records are complete according to law and that asset management is conducted satisfactorily.

### Auditor's responsibilities

Our objective for the management audit, and thereby our statement on discharge from liability, is to obtain audit evidence to enable us to determine with reasonable assurance whether any member of the Board or the CEO has, in any material respect:

- taken any action or been guilty of any negligence that may result in a claim for compensation being brought against the company, or
- in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective for the audit of the proposed appropriation of the company's profit or loss, and thereby our opinion on this matter, is to determine with reasonable assurance whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions which may result in a claim for compensation being brought against the company, or that a proposal for appropriation of the company's profit or loss is inconsistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The review of the management and the proposed appropriation of the company's profit or loss is largely based on the audit of the accounts. Any additional audit procedures performed are based on our professional assessment, with risk and materiality as the starting point. This means that our review focuses on such procedures, matters and conditions that are material to the business and where deviation and infringement would have

special significance for the company's situation. We go through and examine decisions taken, documentation supporting decisions, actions taken and other conditions that are relevant to our statement on discharge from liability. As a basis for our opinion on the Board's proposed appropriation of the company's profit or loss, we examined the Board's statement of reasons and a selection of supporting evidence in order to assess whether the proposal is consistent with the Swedish Companies Act.

### Auditor's review of the Corporate Governance Report

The Board of Directors is responsible for the Corporate Governance Report on pages 63–72 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Our review has been carried out in accordance with FAR's statement RevU 16 Auditors' review of the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different aim and is of significantly smaller scope than the aim and scope of an audit compliant with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient grounds for our opinions.

A Corporate Governance Report has been prepared. Disclosures as per chapter 6, section 6, paragraph 2–6, points 2–7 of the Swedish Annual Accounts Act, and chapter 7, section 31, paragraph 2 of the same act are consistent with the other sections of the annual financial statements and consolidated financial statements and conform to the Swedish Annual Accounts Act.

Deloitte AB were appointed Diös Fastigheter AB's auditors by the Annual General Meeting on 16 June 2020 and have been the company's auditors since 30 May 2005.

Östersund, 11 March 2021

Deloitte AB  
Richard Peters, Authorised Public Accountant

## **Auditor's report on the review of Diös Fastigheter AB's Sustainability Report and opinion on the statutory Sustainability Report**

Till Diös Fastigheter AB, CRN 556501-1771

### **INTRODUCTION**

We have been engaged by the Board of Directors of Diös Fastigheter AB to review Diös Fastigheter AB's Sustainability Report for 2020. The company has defined the scope of the Sustainability Report on pages 116–123 and the statutory Sustainability Report is defined on page 123.

### **Responsibilities of the Board of Directors and management**

Responsibility for preparing a Sustainability Report including the statutory Sustainability Report in accordance with applicable criteria and the Swedish Annual Accounts Act rests with the Board of Directors and management.

The criteria are defined on pages 116–123 of the Sustainability Report and comprise those sections of the framework for sustainability reporting published by GRI (Global Reporting Initiative) that apply to the Sustainability Report as well as the company's own reporting and calculation principles. This responsibility also includes such internal control as is deemed necessary for preparing a Sustainability Report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities**

Our responsibility is to express a conclusion on the Sustainability Report based on our review and to express an opinion on the statutory Sustainability Report. Our engagement is limited to the historical information that is presented and thus does not cover prospective information.

We conducted our review in accordance with ISAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. A review consists of making inquiries, primarily with persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. We conducted our review of the statutory Sustainability Report in accordance with Recommendation RevR 12 *The Auditor's Opinion on the Statutory Sustainability Report* published by FAR, Sweden's professional institute for accountants. A review and an examination conducted in accordance with RevR 12 has a different

focus and significantly narrower scope than a full audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards.

The audit firm applies the International Standard on Quality Control (ISQC 1) and therefore has a broad system for quality control consisting of documented guidelines and procedures for compliance with professional ethical requirements, standards for professional conduct, and applicable requirements in laws, regulations and administrative provisions. We are independent of Diös Fastigheter AB in accordance with Swedish GAAS and have otherwise fulfilled our ethical responsibilities under these standards.

The review procedures taken in a review and an examination in accordance with RevR 12 do not enable us to obtain a degree of certainty that would make us aware of all important circumstances that would have been identified if an audit had been performed. The conclusion expressed in a review and examination in accordance with RevR 12 therefore does not provide the same level of assurance as a conclusion based on an audit.

Our review of the Sustainability Report is based on the criteria selected by the Board of Directors and management, which are defined above. We consider these criteria to be appropriate for the preparation of the Sustainability Report,

and we believe the evidence we have obtained in the course of our review is sufficient and appropriate for the purpose of establishing a basis for issuing the following opinion.

### **Opinion**

Based on our review, we have not discovered any circumstances that would give us reason to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the above criteria indicated by the Board of Directors and management. A statutory Sustainability Report has been prepared.

Östersund, 11 March 2021

Deloitte AB

Richard Peters  
Authorised Public Accountant



# Key ratios

# Financial key ratios

The company presents certain financial measures in the annual report that have not been defined in accordance with IFRS. We consider that these measures provide valuable additional information for investors, analysts and the company's management, as they enable the evaluation of relevant trends and the company's performance. As not all companies calculate financial measures in the same way, these are

not always comparable with the 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 found on page 124.

Figures refer to SEK million unless otherwise indicated.

	2020 12 mths Jan-Dec	2019 12 mths Jan-Dec
Number of shares at end of period, thousands ( <i>balance sheet key ratios</i> )	134,071	134,512
Average number of shares, thousands ( <i>income statement key ratios</i> )	134,166	134,512

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

## OPERATING RESULTS

The operations are governed based partly on the objective of generating capital growth by increasing the surplus ratio and thereby the cash flow from operating activities, i.e. increased income from property management. We also report the alternative performance indicators property management income and EPRA earnings, as these are deemed to be relevant for investors and analysts, and provide additional information on the company's operating results. The indicators provide a picture which excludes factors that are partly beyond the control of the company, such as changes in the value of properties and derivatives.

	2020 12 mths Jan-Dec	2019 12 mths Jan-Dec
<b>Property management income</b>		
Profit before tax	1,152	1,302
Reversal		
Change in value, properties	-194	-350
Change in value, derivatives	0	0
<b>Property management income</b>	<b>958</b>	<b>952</b>
<b>EPRA earnings (property management income after tax)</b>		
Property management income	958	952
Reversal, current tax property management income	-29	-78
Minority share of earnings	1	-9
<b>EPRA earnings</b>	<b>930</b>	<b>865</b>
<b>EPRA earnings per share, SEK</b>	<b>6.93</b>	<b>6.43</b>

## FINANCIAL RISK

Our strategy is urban development. Diös seeks to run its business in a sustainable manner with a stable financial risk. This is expressed in the ambition to ensure that the loan-to-value ratio does not exceed 55 per cent over extended periods and to maintain an equity ratio in excess of 35 per cent. The loan-to-value ratio and equity ratio show the company's financial stability while the interest coverage ratio shows the company's ability to pay interest. Net debt to EBITDA shows our ability to generate cash flow in relation to our liabilities. These key ratios are deemed to be relevant for investors and analysts from a financial risk perspective. Our loan-to-value ratio, equity ratio and interest coverage ratio also constitute covenants from the company's lenders and the Board has defined targets for these key ratios, which are used to govern the company's activities.

	2020 12 mths Jan-Dec	2019 12 mths Jan-Dec
<b>Loan-to-value ratio</b>		
Interest-bearing liabilities	13,247	12,145
Cash and cash equivalents	0	0
Drawn overdraft facilities	63	206
<b>Net debt</b>	<b>13,310</b>	<b>12,351</b>
Investment properties	24,512	22,885
<b>Loan-to-value ratio, %</b>	<b>54.3</b>	<b>54.0</b>
<b>Equity ratio</b>		
Equity	9,148	8,484
Total assets	24,890	23,187
<b>Equity ratio, %</b>	<b>36.8</b>	<b>36.6</b>
<b>Interest coverage ratio</b>		
Property management income	958	952
Reversal		
Net financial items	191	170
<b>Total</b>	<b>1,149</b>	<b>1,122</b>
Financial costs	191	170
<b>Interest coverage ratio, times</b>	<b>6.0</b>	<b>6.6</b>

**> financial key ratios cont.**

	2020 12 mths Jan-Dec	2019 12 mths Jan-Dec
<b>Net debt to EBITDA</b>		
Interest-bearing liabilities as per balance sheet	13,247	12,145
Cash and cash equivalents	-	-
Overdraft facilities	63	206
<b>Net debt</b>	<b>13,310</b>	<b>12,351</b>
Operating surplus as per income statement	1,219	1,187
Central administration as per income statement	-76	-73
Reversal		
Depreciation and amortisation	5	5
<b>EBITDA</b>	<b>1,148</b>	<b>1,119</b>
<b>Net debt to EBITDA</b>	<b>11.6</b>	<b>11.0</b>

**NET ASSET VALUE**

Net asset value is the total capital which the company manages on behalf of its owners. Based on this capital, we aim to generate returns and growth while maintaining a low risk. 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 124. These performance indicators can be compared with the company's share price to obtain a picture of how the shares are valued in relation to equity.

	2020 12 mths Jan-Dec	2019 12 mths Jan-Dec
<b>Net asset value</b>		
Equity as per balance sheet	9,148	8,484
Minority share of equity	-57	-58
Reversal		
Fair value of financial instruments	-3	0
Deferred tax on temporary differences	1,592	1,450
<b>EPRA NAV (long-term net asset value)</b>	<b>10,680</b>	<b>9,876</b>
<b>EPRA NAV (long-term net asset value) per share, SEK</b>	<b>79.7</b>	<b>73.4</b>
Deductions		
Fair value of financial instruments	3	0
Estimated actual deferred tax on temporary differences, approx. 4% <sup>1</sup>	-297	-270
<b>EPRA NNNAV (short-term net asset value)</b>	<b>10,386</b>	<b>9,606</b>
<b>EPRA NNNAV (short-term net asset value) per share, SEK</b>	<b>77.5</b>	<b>71.4</b>

<sup>1</sup> Estimated actual deferred tax has been calculated at approx. four per cent based on a discount rate of three per cent. The calculation is based on the assumption that the property portfolio will be realised over a period of 50 years, with 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 12 mths Jan-Dec	2019 12 mths Jan-Dec
Equity	9,148	8,484
Equity relating to non-controlling interests	-57	-58
Reversal		
Fair value of financial instruments	-3	0
Deferred tax on temporary differences	1,592	1,450
<b>EPRA NRV</b>	<b>10,680</b>	<b>9,876</b>
<b>EPRA NRV per share</b>	<b>79.7</b>	<b>73.4</b>
Deductions:		
Fair value of financial instruments	3	0
Estimated actual deferred tax on temporary differences, approx. 4% <sup>1</sup>	-297	-270
<b>EPRA NTA</b>	<b>10,386</b>	<b>9,606</b>
<b>EPRA NTA per share</b>	<b>77.5</b>	<b>71.4</b>

Equity as per balance sheet	9,148	8,484
Equity relating to non-controlling interests	-57	-58
<b>EPRA NDV</b>	<b>9,091</b>	<b>8,426</b>
<b>EPRA NDV per share</b>	<b>67.8</b>	<b>62.6</b>

<sup>1</sup> Estimated actual deferred tax has been calculated at approx. 4 per cent based on a discount rate of 3 per cent. The calculation is based on the assumption that the property portfolio will be realised over a period of 50 years, with 10 per cent of the portfolio being sold directly subject to a nominal tax rate of 20.6 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of 6 per cent.

## > financial key ratios cont.

### OTHER KEY RATIOS

Other key ratios refer to a number of measures of return which are used to describe various aspects of the statement of financial position and to give investors and analysts further information about the operations. We report return on equity, equity per share and cash flow per share, as these performance indicators show the company's results and profitability, equity on a per share basis, and the company's ability to fulfil its obligations and pay dividends to the shareholders. These alternative performance indicators supplement the picture given of Diös' financial performance and enable investors and analysts to gain a better understanding of the company's return and results. Yield is a measure of the results generated by the properties in relation to their market value. It shows the profitability of the properties and is considered to provide supplementary information for investors and analysts concerning the risk in the portfolio. The debt/equity ratio is presented in order to supplement the picture of the company's financial situation. It shows the ratio of interest-bearing liabilities to equity. The measure is considered to enhance investors' and analysts' ability to assess the company's financial stability.

	2020 12 mths Jan-Dec	2019 12 mths Jan-Dec
Return on equity, %	10.4	12.8
Equity per share, SEK	68.2	63.1
Earnings per share, SEK	6.81	7.74
<b>Cash flow per share, SEK</b>		
Profit before tax	1,152	1,302
Reversal		
Unrealised change in value, properties	-198	-331
Unrealised change in value, derivatives	0	0
Depreciation and amortisation	5	5
Current tax	-75	-79
<b>Total</b>	<b>884</b>	<b>897</b>
Average number of shares ('000)	134,166	134,512
<b>Cash flow per share, SEK</b>	<b>6.58</b>	<b>6.67</b>

### OTHER INFORMATION

We also report data for economic occupancy, surplus ratio and vacancy rate, as these performance indicators provide a more in-depth picture of the company's financial performance with regard to revenues in the properties and thus also in the company. These performance indicators are widely used in the industry, and enable investors and analysts to make comparisons between different property companies.

	2020 12 mths Jan-Dec	2019 12 mths Jan-Dec
Contracted rental income, SEKm	1,834	1,821
Economic occupancy rate, %	89	90
Surplus ratio, %	66	65
Debt/equity ratio, times	1.4	1.4

### EPRA vacancy rate

Estimated market rent for vacant space	177	182
Annualised rental value for the whole portfolio	2,070	2,018
<b>EPRA vacancy rate, %</b>	<b>8.6</b>	<b>9.0</b>

## > EPRA key figures

EPRA key figures	2020	2019
EPRA earnings, SEKm	930	865
EPRA earnings per share, SEK	6.93	6.43
EPRA NAV, SEKm	10,680	9,876
EPRA NAV per share, SEK	79.7	73.4
EPRA NNNAV, SEKm	10,386	9,606
EPRA NNNAV per share, SEK	77.5	71.4
EPRA NRV	10,680	9,876
EPRA NRV per share	79.7	73.4
EPRA NTA	10,386	9,606
EPRA NTA per share	77.5	71.4
EPRA NDV	9,091	8,426
EPRA NDV per share	67.8	62.6
EPRA vacancy rate, %	8.6	9.0
Rental growth for comparable portfolio, %	1.8	2.5

The EPRA key figure for sustainability can be found on our website, [www.dios.se](http://www.dios.se).



The artist Erik "Dirty Elmo" Lindström adds some colour to the loading dock doors with his painting "Connections", Sundsvall.

# GRI disclosures

This section contains supplementary information to the annual report and describes methods, assumptions and correction factors used in preparing our GRI disclosures.

## Scope and limitation

The Sustainability Report complies with the Swedish Annual Accounts Act, see page 123, and the recommendations in the GRI Standards, Core option. The report refers to 2020 and covers the whole company. The previous report was published in April 2019. The scope of the Sustainability Report is indicated in the page references in the GRI index on pages 122–123. The CEO has ultimate responsibility for the Sustainability Report and the Sustainability Director is responsible for its preparation.

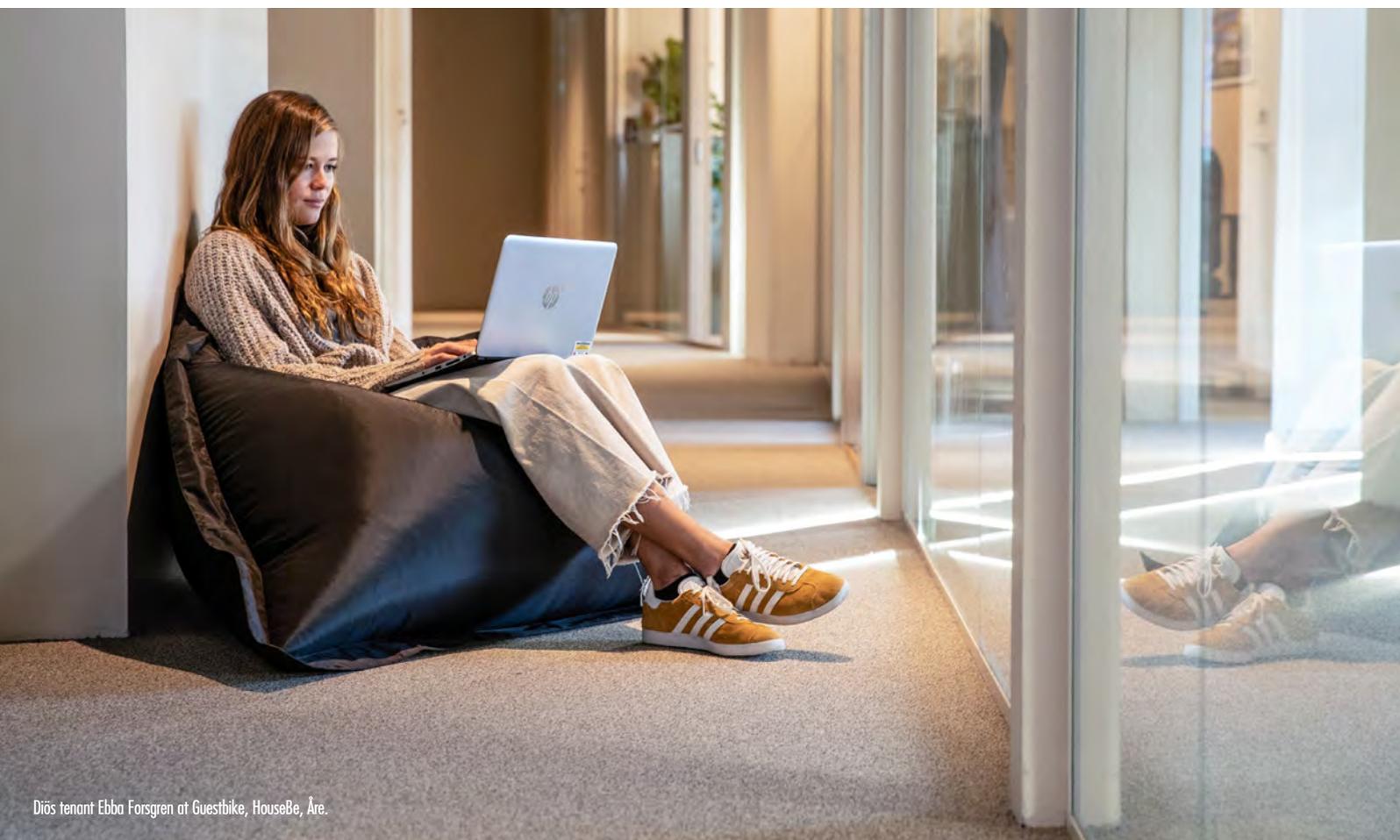
## Stakeholder dialogue and materiality analysis

Based on our business plan and our focus areas – project development, property management, transactions and financing – we have identified our stakeholders as employees, tenants, society, suppliers, lenders and shareholders. We engage in ongoing dialogue with all our stakeholders in our daily activities. In 2020, we focused on the tenant dialogue, as many of our tenants were affected by the pandemic. Based on our stakeholder dialogue and the materiality analysis carried out in 2016, we

have produced the following prioritisation based on relevance and ability to influence (see below). The prioritisation includes both areas that we are addressing actively today, such as energy efficiency and reduced climate impact, and areas such as climate adjustment and healthy societies, which are still development areas for us. The survey also showed that the disclosures that we consider to be material (see material GRI disclosures on page 118) are also important for our tenants.



For key figures related to sustainability reporting in accordance with EPRA, see the annex at [dios.se](https://www.dios.se).



Diös tenant Ebba Forsgren at Guestbike, HouseBe, Åre.



## > Stakeholder dialogue

	MEDIUM OF DIALOGUE	FREQUENCY	PRIORITY ISSUES	WHAT WE ARE DOING
<b>Employees</b>	Staff appraisals	2 times/year	Attractive employer	Skills development
	eNPS	4 times/year	Working environment and health	Health benefits
	Kick-off	Annual	Resource efficiencies	Increasing energy efficiency
	Workplace meetings	Monthly	Supplier requirements	Code of Conduct
	Yammer	Ongoing		
<b>Shareholders</b>	Financial statements	Quarterly	Long-term return	Stable and long-term total yield
	Roadshows	Ongoing	Resource efficiencies	Increasing energy efficiency
	Quarterly presentations	Quarterly	ESG	Corporate governance
	Annual General Meeting	Annual		
	Website	Ongoing		
<b>Tenants</b>	Tenant meetings	Ongoing	Health and safety	Inspections and ongoing monitoring
	CSI (Customer Satisfaction Index)	Annual	Resource efficiencies	Project development
	Fault reports	Ongoing	Business ethics	Code of Conduct and core values
	Own channels	Ongoing		
<b>Lender</b>	Financial statements	Quarterly	Financial return	Targets and required rates of return
	Roadshows	Ongoing	Financial stability	Long-term business model
<b>Society</b>	City centre associations	Ongoing	SUSTAINABLE URBAN DEVELOPMENT	Conversion of vacant premises
	Enterprise network	Ongoing	Employment	Flexibility for existing tenants
	Own channels	Ongoing	Minimised environmental impact	Sustainable construction
	Citizen dialogue	When required, see the Östersund Room		Traineeships and collaboration with schools and universities
<b>Suppliers</b>	Procurement of contracts	Ongoing	Business ethics	Supplier Code of Conduct
	Ongoing reviews	Ongoing	Use of resources	Development of procurement requirements
	Own channels	Ongoing		Update of framework agreement templates

## > GRI disclosures

102-8

ORGANISATIONAL PROFILE - EMPLOYEES	2020		2019	
	Number	Percentage of women	Number	Percentage of women
Total number of employees	166	43	155	43
Number of permanent employees	162	43	153	44
- Of which full-time	156	40	146	42
- Of which part-time	6	100	7	86
Number of fixed-term employees	4	50	2	0
<b>By business unit (permanent employees)</b>				
<b>Dalarna</b>	21	33	20	25
- Of which full-time	20		18	
- Of which part-time	1		2	
<b>Gävle</b>	12	33	11	36
- Of which full-time	12		11	
- Of which part-time	0		0	
<b>Östersund/Åre</b>	22	32	20	35
- Of which full-time	22		20	
- Of which part-time	0		0	
<b>Luleå</b>	15	53	14	50
- Of which full-time	15		14	
- Of which part-time	0		0	
<b>Skellefteå</b>	8	38	5	60
- Of which full-time	8		5	
- Of which part-time	0		0	
<b>Umeå</b>	15	20	15	27
- Of which full-time	15		15	
- Of which part-time	0		0	
<b>Sundsvall</b>	16	31	16	38
- Of which full-time	16		16	
- Of which part-time	0		0	
<b>Head office</b>	53	60	52	60
- Of which full-time	48		47	
- Of which part-time	5		5	

## ➤ CONT. GRI DISCLOSURES 102–16 Values, principles, standards and Code of Conduct

Our Code of Conduct for employees and suppliers has been prepared based on the UN Global Compact's ten principles on human rights, labour, environment and anti-corruption. The Code also affirms that we support the Universal Declaration of Human Rights, the ILO core conventions on human rights at work, the Rio Declaration and the UN Convention against Corruption. The Code of Conduct was adopted by senior management, applies to all employees, and the person ultimately responsible for ensuring compliance with the Code is the CEO. The Code of Conduct is a mandatory part of our induction programme for new employees.

The Code describes how we by acting responsibly should create value for all our stakeholders. In each section of the Code, reference is also made to our policies:

- Diös' gender equality and discrimination policy
- Diös' environmental policy
- Diös' anti-corruption policy
- Diös' communication policy

The Code of Conduct and other policies are available on our website, [www.dios.se](http://www.dios.se).

### 102–47 Material aspects

In 2016, a materiality analysis was carried out to identify our most important sustainability aspects and decide which GRI disclosures and measurements to cover in our report. The analysis consisted of a market analysis looking

at how other companies are addressing these issues and an in-depth stakeholder dialogue designed to identify aspects from different perspectives. Based on the background material obtained from the materiality analysis, we conducted workshops with senior management and other functions in the organisation where material aspects were identified and the order of priority for reporting of GRI disclosures was decided, see material GRI disclosures in the table below. Since then, we have, based on our ongoing dialogue with stakeholders as well as business intelligence activities, discussed whether to add or remove any disclosures. So far, we have concluded that the material disclosures we have chosen to report remain relevant and have therefore not removed or added any new disclosures.

## ➤ Material GRI disclosures

ENERGY	
302-1	ENERGY
303-5	Water consumption
305-1, 2, 3, 4	Carbon dioxide emissions
CRE 1, 2, 3, 4	Intensity energy, water and emissions

ECONOMIC PERFORMANCE AND ANTI-CORRUPTION	
201-1	Economic performance
205-2, 3	Anti-corruption

EMPLOYMENT AND WORKING CONDITIONS	
403-1	Occupational health and safety
404-1, 3	Training and education
405-1	Diversity and equal opportunities
CRE 6	Management system for health and safety

PRODUCT LIABILITY	
CRE 8	Certifications

## ➤ Economic performance

### 201-1 Direct economic value

	2020		2019	
	SEKm	%	SEKm	%
Economic value added	2,025		2004	
<b>Value distribution of revenue</b>				
- Employee salaries and benefits	131	6	128	6
- Interest and principal payments to our lenders	169	8	147	7
- Taxes to society: current tax, property tax and VAT	194	10	223	11
- Dividends to shareholders	442	22	221	11
- Purchases from suppliers	425	21	506	25
<b>Retained economic value for shareholders</b>	<b>664</b>	<b>33</b>	<b>781</b>	<b>39</b>

## ➤ ANTI-CORRUPTION 205-2 Communication and training

Diös' anti-corruption policy applies to and has been communicated to all employees at a gathering and since then in connection with recruitment. The policy was adopted by senior management and presented to the Board.

We have a Code of Conduct for Suppliers that is enclosed with all contracts. The Code covers good business practice, free competition, corruption, bribery and money laundering. No employees or suppliers took part in anti-corruption training programmes run by Diös in 2020.

### 205-3 Confirmed incidents

No concern reports or other reports were received during the year. Reports can be submitted through an external whistleblowing service that is available to internal and external stakeholders via our website.



## > Energy and water

302-1 and CRE 1, 303-5 and CRE 2

TOTAL USAGE	2020			2019		
	Absolute value (MWh)	Like-for-like (kWh/sq.m)	Non-fossil share (%)	Absolute value (MWh)	Like-for-like (kWh/sq.m)	Non-fossil share (%)
District heating	130,422	93.3	98	134,267	95.4	98
District cooling	3,928	14.3	93	5,168	16.1	92
Electricity	82,279	59.1	100	87,390	62.6	100
Own electricity generation	1,428		100	823		100
- Of which solar cells	632			183		
- Of which wind power	795			640		
Water	510*	0.4*		580*	0.44*	

\*Water use is measured as thousands of m<sup>3</sup> and m<sup>3</sup>/sq.m, respectively.

### General information

Currently, we are not able to report the amount of energy for which the cost is passed through to tenants. Absolute figures refer to all energy used in properties that were owned by Diös at some point during the year. Like-for-like data refers to properties that were owned by Diös' throughout 2019 and 2020. The area used is leasable area, which is the area we are best able to monitor as well as the area that is used in our financial reporting.

### District heating

All district heating data is adjusted to a normal year using degree days from Degreedays. Environmental data for district heating has been taken from Swedenergy's annual summary. As the environmental data for 2020 will be released only in the autumn, data from 2019 was used. For district heating, we have chosen to present the share of non-fossil energy production. The definition includes energy from renewable sources and waste heat from industry.

### District cooling

For district cooling, we have used the same environmental values as for district heating, as no other values are currently available.

### Electricity

All electricity is from renewable sources and comes with a certificate of origin.

### Water

In 2017–2019, water saving measures were implemented in all our apartments.

### Analysis

For an analysis, see page 23.

## > Emissions

305-1, 2, 3, 4 and CRE 4 Direct GHG emissions (Scope 1)

TONNES OF CO2 EQUIVALENTS	2020		2019	
	Tonnes	kg/sq.m	Tonnes	kg/sq.m
<b>Scope 1</b>				
- Company cars	33		46	
- Service vehicles	2		16	
<b>Total</b>	<b>35</b>		<b>62</b>	
<b>Scope 2</b>				
- Purchased energy (abs)	4,198	2.93	4,965	3.45
<b>Total</b>	<b>4,198</b>		<b>4,965</b>	
<b>Scope 3</b>				
- Travel via travel agency	7		32	
- Other travel	6		26	
- Private cars used for business	5		10	
<b>Total</b>	<b>18</b>		<b>68</b>	
<b>TOTAL</b>	<b>4,251</b>		<b>6,155</b>	

### Scope 1: Company cars and service vehicles

Emissions from company cars and service vehicles come from Volvofinans and are based on the vehicles' actual consumption and reported work-related mileage. Emissions from service vehicles refer to diesel heaters and refuelling of two heavy-duty vehicles. Our service vehicles are electrically powered.

### Scope 2: Purchased energy

Energy use comprises all energy purchased by Diös for its properties. This means that all energy covered by Diös' leases is included in the statistics. Electricity for which the tenants themselves have contracts is not included in the statistics.

### Scope 3: Travel via travel agency

The pandemic and travel restrictions led to a sharp decrease in all forms of travel. Emissions data for journeys booked through a travel agency is provided by the agency. In the autumn, we switched to a different travel agency due to bankruptcy and since then only two flights have been booked. We have therefore chosen to include only those trips that were made before the switch.

## Other travel

Some trips are not booked through our travel agency and are therefore not included in those figures. We have assumed that these trips are flights between Östersund and Stockholm Arlanda. The average amount of emissions for a flight between Östersund and Stockholm is 0.05 tonnes of CO<sub>2</sub>, according to statistics from our travel agency. The number of trips is indicated by the travellers.

## Private cars used for business

Emissions from the use of private cars for work are based on mileage reported by the employees for journeys in 2020. It is assumed that the fuel used for all private cars is petrol and the distance travelled is multiplied by the emissions

factor 2.92 kg of CO<sub>2</sub>-e/l for petrol and the average fuel use for a mid-sized car, 40.6 mpg.

## Construction projects

We are currently unable to report emissions for our construction projects. In spring 2021, we will complete a survey of our emissions. The aim is to enable us to report more data on emissions in all scopes and to set targets for Scope 3, which includes construction projects.

## Emission reductions

### HVO100

During the year, we encouraged all employees with the benefit of a company car to run their

cars on HVO100. It is hoped that all will do so, but currently we do not have any means of monitoring adherence and therefore cannot assess the impact. We will continue to review and develop our car and travel policy with the aim of further reducing the climate and environmental impact of our journeys.

## Development

In 2020, we initiated a survey to identify all our emissions. Our ambition is to obtain an overall picture of where we need to implement measures, how to manage the collection of data and get a better idea of Scope 3. We see the survey as the first step in a process of setting science-based targets.

## > Health and safety

### 403-1 Occupational health and safety management under the Work Environment Act

Diös takes a systematic approach to occupational health and safety management in accordance with the Swedish Work Environment Act and Regulation AFS 2001:1 of the Swedish Work Environment Authority. Under the Work Environment Act, we have a duty as an employer to plan, lead, control and monitor our business in a way that promotes health and safety at work. Each manager is responsible for his or her employees' health and safety at work. Our health and safety policy and health and safety guide are useful tools in this work. It is important for us an employer to be able to work together with our employees in promoting health and safety. We

do this partly through our health and safety team, which consists of representatives from all business units, the head office and HR.

### 403-8 Workers covered

All Diös employees are covered by the activities under Section 403-1. External persons who work for Diös or in our business are also covered by our activities under Section 403-1. We are currently unable to report statistics on how many external people are covered.

### 403-9 Work-related injuries

No workplace injuries resulting in death or which had significant consequences for the injured person occurred in 2020. There were three accidents (2) in 2020, which

represents an injury rate of 2,2 per 200,000 hours worked. There were also two incidents (2) during the year, 1.5 per 200,000 hours worked. The injuries and accidents were of a minor nature, minor cuts or falls.

### 403-10 Work-related ill health

We are currently unable to report statistics on work-related illness. This is partly because work-related illness is unusual in our industry and partly because we have chosen not to classify stress-related illness as work-related or other illness. As we have previously reported sick leave, we are choosing to do so this year as well using the same standard in order to be able to present comparative figures and report a continued low rate of sick leave.

SICK LEAVE	2020	2019
	%	%
Sick leave (AR)	2.1	3.1
- Women	2.6	4.1
- Men	1.7	2.5



## > Education/training

### 404-1 Hours of training delivered

	2020		2019	
	Women (h/person)	Men (h/person)	Women (h/person)	Men (h/person)
Average hours of training	18.9	20.9	21.6	25.2
- White-collar (not broken down by sex)		24.6		22.5
- Blue-collar (not broken down by sex)		7.9		25.3

#### 404-1 Training and education

In 2020, our training activities in Diös Academy covered areas such as Courageous leadership for all managers.

#### 404-3 Performance reviews

In 2020, 75 per cent of Diös' permanent employees (59) took part in performance and career development reviews. The statistics are

based on the number of performance reviews registered in our HR system. Unfortunately, not all reviews are registered in the HR system, so the actual figure exceeds the number we are able to report.

## > Diversity and equal opportunities

### 405-1 Composition of the company

EMPLOYEES	2020		2019	
	Number	Percentage of women	Number	Percentage of women
Board of Directors <sup>1</sup>	6	33	5	40
- Of which under 30	0	0	0	0
- Of which 30–50	2	0	1	0
- Of which over 50	4	50	4	50
White-collar <sup>2</sup>	122	53	116	54
- Of which under 30	6	83	8	88
- Of which 30–50	89	55	82	57
- Of which over 50	27	41	26	35
Blue-collar <sup>2</sup>	40	10	37	11
- Of which under 30	5	20	3	33
- Of which 30–50	18	11	19	11
- Of which over 50	17	6	15	7
Total number of employees <sup>2</sup>	162	43	153	44

<sup>1</sup> AGM-appointed.

<sup>2</sup> Permanent employees.

## > Product liability

### CRE 8 Certifications

ENVIRONMENTAL CERTIFICATIONS	2020		2019		Comments
	Number	% of total area	Number	% of total area	
GreenBuilding	0	0	2	0.5	
Sweden Green Building Council (Silver)	2	1	2	0.9	
BREEAM In-Use	38	19	32	15.9	
BREEAM-SE	3	-	2	-	Projects in progress
Nordic Swan Ecolabel	1	0	1	-	
Total	44	21	39	17.3	

Around 40 per cent of the BREEAM In-Use properties meet the criteria for Very Good.

#### Analysis

For an analysis, see page 48.

# GRI index

The GRI index contains references to those pages in the annual report and Sustainability Report where information about the various GRI disclosures is presented. The GRI disclosures' publication year is 2016, except for GRI 403, which was published in 2018.

## > General standard disclosures

GRI STANDARD		PAGE	COMMENTS
<b>ORGANISATIONAL PROFILE</b>			
102-1	Name	57	
102-2	Type of business	57	
102-3	Location of headquarters	126	
102-4	Active in which countries	57	
102-5	Nature of ownership	57–59	
102-6	Market	9–15	
102-7	Size	57–58, 64, 117	
102-8	Employees	117	
102-9	Supply chain	22–23, 52	
102-10	Changes to the organisation and its supply chain	57–59	
102-11	Precautionary principle	60–62, 76	
102-12	External declarations and principles	41	Has signed the UN Global Compact
102-13	Memberships	41, 122	Member of the Sweden Green Building Council and GRESB
<b>STRATEGY</b>			
102-14	Chief Executive's review	6–7	
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards and norms of behaviour	41, 52, 118	
<b>GOVERNANCE</b>			
102-18	Governance structure	64–72	
102-22	Composition of the highest governance body	65–66, 71, 121	For ethical reasons, we only present a breakdown by sex and age.
102-24	Nominating and selecting the highest governance body	66, 67, 71	
102-25	Conflicts of interest	70	
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups	46	
102-41	Collective bargaining agreement	118	All employees except the CEO are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	46	
102-43	Approach to stakeholder engagement	46, 117	
102-44	Key topics and concerns raised	117	
102-45	Entities in the organisation	118	The Sustainability Report covers the entire Diös organisation.
<b>REPORTING PRACTICE</b>			
102-46	Report content and topic boundaries	116	
102-47	Material aspects	118	
102-48	New definitions	122	
102-49	Changes in reporting	116	
102-50	Reporting period	116	
102-51	Date of most recent previous report (if any)	116	
102-52	Reporting cycle	116	
102-53	Contact information	128	
102-54	GRI Standard	116	
102-55	GRI index	122–123	
102-56	External assurance	110	



## > Material disclosures

GRI STANDARD		PAGE	PAGE REFERENCE TO GRI 103-1, -2, -3
<b>ECONOMIC DEVELOPMENT</b>			41–42, 52, 116–118
201-1	Direct economic value	118	
<b>ANTI-CORRUPTION</b>			41–42, 52, 116–118
205-2	Communication and training	118	
205-3	Confirmed incidents	118	
<b>ENERGY</b>			41–42, 45, 48–49, 116–118
302-1	ENERGY	119	
CRE 1	Energy intensity	119	
<b>WATER</b>			116–118
303-5	Water consumption	119	
CRE 2	Water intensity	119	
<b>EMISSIONS</b>			21, 41–42, 48–49, 116–118
305-1	Direct (Scope 1) GHG emissions	119	
305-2	Energy indirect (Scope 2) GHG emissions	119	
305-3	Other indirect (Scope 3) GHG emissions	119–120	
305-4	Emissions intensity, buildings	120	
CRE 4	Emissions intensity, new build and conversion projects	120	
<b>HEALTH AND SAFETY</b>			41–42, 54–55, 116–118
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## > Sustainability Report pursuant to the Annual Accounts Act

The table below shows references to the Sustainability Report that has been prepared in accordance with the Swedish Annual Accounts Act.

	ENVIRONMENT	EMPLOYEES	SOCIAL CONDITIONS	HUMAN RIGHTS	ANTI-CORRUPTION
<b>BUSINESS MODEL</b>			16–23 How we create value, 41–42 Sustainability for Diös		
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This Sustainability Report has been prepared in accordance with the Swedish Annual Accounts Act and the Global Reporting Initiative (GRI) Standards: Core.

# Definitions

Definitions of key figures were changed during the year.

## > Financial

### Number of shares at end of period

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

### Return on equity

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

### Return on total assets

Profit before tax plus financial costs divided by average assets. Average assets are calculated by adding the opening and closing balances and dividing by two.

### Return on capital employed

Profit before tax plus financial expense in relation to average capital employed.

### 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.

### Interest coverage ratio

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

### Service income

Income relating to tariff-based services and income from the care and upkeep of properties.

### Debt/equity ratio

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

### Equity ratio

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

### Capital employed

Total assets at the end of the period minus non-interest-bearing liabilities and provisions. Average capital employed is calculated by adding the opening and closing balances and dividing by two.

## > Share-related

### Equity per share

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

### EBITDA

Operating surplus less central administration after reversal of scheduled depreciation and amortisation. The calculation is made on 12-month rolling basis, unless otherwise stated.

### EPRA earnings

Property management income less nominal tax attributable to property management income, divided by average number of shares. Taxable property management income refers to property management income less, inter alia, tax-deductible depreciation and amortisation and redevelopments.

### EPRA NAV/Long-term net asset value per share

Equity at the end of the period after reversal of interest rate derivatives and deferred tax attributable to temporary differences in properties and minority share of equity, divided by the number of outstanding shares at the end of the period.

### EPRA NNAV/Current net asset value per share

Equity at the end of the period adjusted for actual deferred tax instead of nominal deferred tax and minority share of equity, divided by the number of shares outstanding at the end of the period.

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

### 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.

### Average number of outstanding shares

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

### Cash flow per share

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

### Net debt to EBITDA

Net debt is calculated as interest-bearing liabilities less cash and cash equivalents plus overdraft facilities. Net debt is then divided by EBITDA.

### Earnings per share

The profit for the period after taxation, attributable to shareholders, divided by the average number of outstanding shares.

### Dividend per share

Approved or proposed dividend divided by the number of shares outstanding at the end of the period.

## > Property-related and other

### Yield

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

### Operating costs

Costs of electricity, heating, water, care and upkeep of properties, cleaning, insurance and regular maintenance.

### Operating surplus

The rental income less building operating and maintenance costs, ground rent fees, property taxes and property management.

### Economic occupancy rate

Contracted rental income for the period divided by rental value at the end of the period.

### Economic vacancy rate

Estimated market rent for unused premises divided by total rental value.

### EPRA vacancy rate

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

### Property category

The main use of the properties is based on the distribution of their areas. Properties are defined according to the purpose and use of the largest proportion of the property's total area.

### Market value of properties

Estimated market value from the most recent valuation.

### Property management income

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

### Contracted rental income

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

### Rental value

Rent invoiced for the period plus estimated market rent for unoccupied floor space.

### Comparable properties

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

### Net leasing

Net annual rent, excluding discounts and supplements, for newly signed, terminated and renegotiated contracts. The lease term is not taken into account.

### Project property

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

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

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

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

### Physical occupancy rate

Rented area in relation to total leasable area.

### SURPLUS RATIO

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



# Five-year summary

## INCOME STATEMENT

SEKm	2020	2019	2018	2017	2016
Revenue	1,878	1,854	1,810	1,719	1,340
Property costs	-659	-667	-670	-639	-534
<b>Operating surplus</b>	<b>1,219</b>	<b>1,187</b>	<b>1,140</b>	<b>1,080</b>	<b>806</b>
Central administration	-76	-73	-71	-73	-63
Profit from financial items	-185	-162	-175	-185	-204
<b>Property management income</b>	<b>958</b>	<b>952</b>	<b>894</b>	<b>822</b>	<b>539</b>
Unrealised changes in value on interest-rate derivatives	0	0	16	27	91
Change in value of properties, realised	-4	19	9	10	-10
Change in value of properties, unrealised	198	331	678	402	337
<b>Profit before tax</b>	<b>1,152</b>	<b>1,302</b>	<b>1,597</b>	<b>1,261</b>	<b>957</b>
Current tax	-75	-79	-90	-43	11 <sup>1</sup>
Deferred tax	-164	-173	-166	-189	-136
Less profit attributable to non-controlling interests	1	-9	3	2	7
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>	<b>914</b>	<b>1,041</b>	<b>1,338</b>	<b>1,027</b>	<b>825</b>

<sup>1</sup> Current tax for 2015 included a provision of SEK 137 million relating to a tax case. In the second quarter of 2016, SEK 37 million of the provision was reversed.

## BALANCE SHEET

SEKm	2020	2019	2018	2017	2016
Investment properties	24,512	22,885	20,802	19,457	13,683
Other non-current assets	74	81	54	46	41
Current receivables	304	221	201	173	196
Cash and cash equivalents	-	-	-	32	-
<b>ASSETS</b>	<b>24,890</b>	<b>23,187</b>	<b>21,057</b>	<b>19,708</b>	<b>13,920</b>
Equity	9,148	8,484	7,839	6,887	4,313
Deferred tax liability	1,699	1,533	1,362	1,206	1,018
Interest-bearing liabilities	13,247	12,145	11,099	11,104	8,013
Overdraft facilities	63	206	198	-	15
Non-current lease liability	55	53	-	-	-
Current liabilities	678	766	559	511	561
<b>LIABILITIES AND EQUITY</b>	<b>24,890</b>	<b>23,187</b>	<b>21,057</b>	<b>19,708</b>	<b>13,920</b>

## CONSOLIDATED CASH FLOW

SEKm	2020	2019	2018	2017	2016
Cash flow from operating activities	713	908	800	691	482
Cash flow from investing activities	-1,415	-1,331	-495	-2,843	27
Cash flow from financing activities	702	423	-337	2,184	-509
Cash flow for the year	0	0	-32	32	0
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>0</b>

## FINANCIAL KPIS

	2020	2019	2018	2017	2016
Return on equity, %	10.4	12.8	18.2	18.3	20.6
Return on total assets, %	5.6	6.7	8.7	8.6	8.5
Return on capital employed, %	5.8	6.9	9.0	8.9	8.9
Equity ratio, %	36.8	36.6	37.2	34.9	31.0
Property loan-to-value ratio, %	54.3	54.0	54.3	56.9	58.7
Interest coverage ratio, times	6.0	6.6	5.9	5.3	3.6
Debt/equity ratio, times	1.4	1.4	1.4	1.6	1.9

## DATA PER SHARE<sup>1</sup>

	2020	2019	2018	2017	2016
Earnings per share, SEK	6.81	7.74	9.94	7.78	8.66
Equity per share, SEK	68.2	63.1	58.3	51.2	45.3
Cash flow per share, SEK	6.58	6.67	6.05	6.00	5.29
EPRA earnings per share, SEK	6.93	6.43	6.05	5.54	5.14
EPRA NRV per share, SEK	79.7	73.4	67.6	59.7	56.0
Average number of shares outstanding at year-end (thousands)	134,166	134,512	134,512	132,041	95,289
Number of shares outstanding at end of period (thousands)	134,071	134,512	134,512	134,512	95,289
Dividend	3.30 <sup>2</sup>	1.65	3.00	2.90	2.00

<sup>1</sup> Historical data for the number of shares has been restated to factor in the effect of bonus issues (i.e. the value of the subscription rights) in issues of new shares, and has been used in all key ratios calculations for SEK per share. The conversion factor is 1.28.

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

## PROPERTY-RELATED KEY RATIOS AT YEAR-END

	2020	2019	2018	2017	2016
No. of properties	329	333	330	339	314
Leasable area, sq.m	1,455,094	1,482,780	1,463,822	1,552,524	1,353,525
Market value of properties, SEKm	24,512	22,885	20,802	19,457	13,683
Rental value, SEKm	2,070	2,018	1,936	1,875	1,478
Economic occupancy rate, %	89	90	91	91	90
Surplus ratio, %	66	65	64	64	61

## Annual General Meeting 2021

The Annual General Meeting of Diös Fastigheter AB (publ) will take place on Tuesday 13 April 2021. More information about the arrangements will be published in connection with the notice of Annual General Meeting.

Shareholders wishing to attend the Annual General Meeting must:

- › be registered in the shareholders register kept by Euroclear Sweden AB by Thursday 1 April 2021.

For more information and to register, visit Diös' website: [www.dios.se](http://www.dios.se)

### Key agenda items 2021

The Board proposes a dividend of SEK 3.30 per share, divided into two payments of SEK 1.65 per share on each date. The record dates for dividends, meaning the

right to receive a dividend, are Thursday 15 April 2021 and Monday 1 November 2021. If the AGM approves the proposed dividend, payments will be made on Tuesday 20 April and Thursday 4 November.

The Nomination Committee's proposals in brief:

- › The Nomination Committee proposes that the Board members Bob Persson, Ragnhild Backman, Anders Nelson, Eva Nygren, Peter Strand and Tobias Lönnevall be re-elected.
- › The Nomination Committee proposes the re-election of Bob Persson as the Chairman of the Board.
- › The Nomination Committee proposes that Bob Persson be appointed to chair the AGM.
- › The Nomination Committee proposes that auditor Deloitte AB be reappointed. Deloitte has notified that Richard Peters will remain as auditor-in-charge.



Diös' annual report was prepared by Diös Fastigheter in collaboration with Strand Kommunikation AB and Oxenstierna Kommunikation.

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# Diös



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