

Diös

16

DIÖS FASTIGHETER **ANNUAL REPORT 2016**





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ANNUAL GENERAL MEETING 2017

The Annual General Meeting for Diös Fastigheter AB (publ) will be held at 1 pm on Wednesday 26 April 2017 at its head office, Fritzhemsgatan 1A, Frösön, Östersund municipality. We will offer a light lunch from 11.30 am and registration will take place between 12.15 pm and 12.45 pm.

Shareholders wishing to attend the Annual General Meeting must:

- Be registered in the shareholders register kept by Euroclear Sweden AB by Thursday 20 April 2017.
- Give notice of their intention to participate in the Annual General Meeting no later than noon on 20 April 2017.

Shareholders may give the company notice of their intention to participate by post to Diös Fastigheter AB, PO Box 188, SE-831 22 Östersund, by calling +46 (0)770-33 22 00 or by using the form at www.dios.se. State name, personal/corporate ID number, address and telephone number, shareholding and any representatives. In order to participate, shareholders who have elected to nominee-register their shares must temporarily re-register them in their own name with Euroclear Sweden AB. This must be done early enough to ensure that the re-registration has been carried out by Thursday 20 April 2017.

Representatives who are to participate in the meeting should send authorisation documents when giving notice of their intention to participate. A signed and dated power of attorney must be produced at the Annual General Meeting, and this document must not be more than one year old. If the provider of the power of attorney is a legal entity, a registration certificate or other document indicating the signatory's authority must be presented.

The Board of Directors proposes a dividend of SEK 2.00 per share. The record date for the right to receive a dividend is Thursday 28 April 2017. If the Annual General Meeting decides to adopt this proposal, payment will be made by Euroclear Sweden AB on Thursday 4 May 2017.

The nomination committee's proposals:

- The nomination committee proposes that Bob Persson be appointed Chairman of the Board and that existing Board members Anders Bengtsson, Maud Olofsson and Ragnhild Backman be re-elected. Anders Nelson is proposed as a new Board member. Svante Paulsson has declined re-election.
- The nomination committee proposes that Bob Persson be appointed to chair the AGM.
- The nomination committee proposes that auditor Deloitte AB reappoint Lars Helgesson as its chief auditor.

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> Tenant: Gray's in Mora. Ellinor Sparrman, shop floor assistant, and Mikael Hedh, business area manager for Dalarna.



PROFIT FOR THE YEAR

IN BRIEF

➤ RENTAL INCOME INCREASED TO SEK 1,323 MILLION (1,295)

The increase in rental income corresponds to an improved economic occupancy rate of 90 per cent (88).

➤ OPERATING SURPLUS INCREASED TO SEK 806 MILLION (776)

For comparable holdings, the operating surplus increased by 2.8 per cent compared to the previous year. The increase is a result of an improved letting situation and reduced property costs as a result of more efficient management.

➤ PROPERTY MANAGEMENT INCOME INCREASED TO SEK 539 MILLION (508)

For comparable holdings, property management income increased by 4.7 per cent compared to the previous year. The result is due to lower interest expenses and an improved operating surplus. The increase corresponds to SEK 7.21 per share (6.80) without taking into account the rights issue and SEK 5.66 per share (5.33) taking into account the rights issue.¹

➤ CHANGES IN THE VALUE OF PROPERTIES AMOUNTED TO SEK 327 MILLION (273)

The unrealised changes in value amounted to SEK 337 million (262), with the realised changes in value amounting to SEK -10 million (11). The value of the property portfolio amounted to SEK 13,683 million (13,381).

➤ CHANGES IN THE VALUE OF DERIVATIVES AMOUNTED TO SEK 91 MILLION (64)

All changes in value are unrealised. The accumulated value of derivatives amounted to SEK -43 million (-134).

➤ PROFIT FOR THE YEAR AFTER TAX AMOUNTED TO SEK 832 MILLION (542)

The profit corresponds to SEK 11.04 per share (7.09) without taking into account the rights issue, and SEK 8.66 per share (5.56) taking into account the rights issue.¹

➤ IMPROVED FINANCIAL KEY RATIOS

The equity/assets ratio increased to 31.0 per cent (27.4), the interest coverage ratio increased to 3.6 times (3.4) and the loan-to-value ratio decreased to 58.6 per cent (60.7).

➤ THE BOARD OF DIRECTORS PROPOSES AN INCREASED DIVIDEND OF 26 PER CENT WORTH SEK 269 MILLION (213), CORRESPONDING TO SEK 2.00 PER SHARE (2.85)

The proposed dividend corresponds to 53 per cent (54) of the profit, excluding unrealised changes in value and deferred tax.

¹ For the calculation of earnings per share taking into account the rights issue, see Note 19 on page 74.

FIVE-YEAR SUMMARY IN BRIEF

	2016	2015	2014	2013	2012
Income, SEKm	1,340	1,315	1,312	1,307	1,331
Operating surplus, SEKm	806	776	762	738	766
Property management income, SEKm	539	508	421	354	340
Profit for the year, SEKm	832	542	302	321	432
Surplus ratio, %	61	60	59	57	59
Economic occupancy rate, %	90	88	89	89	89
Return on equity, %	20.6	15.0	9.0	10.2	14.7
Equity/assets ratio, %	31.0	27.4	27.3	26.8	25.3
Property loan-to-value ratio, %	58.6	60.7	62.9	64.8	66.4
Average interest rate at year-end ¹ , %	2.0	2.5	2.8	3.6	3.8
Interest coverage ratio, times	3.6	3.4	2.5	2.2	2.0
Property management income per share without taking into account the rights issue, SEK	7.21	6.80	5.63	4.74	4.55
Property management income per share taking into account the rights issue ³ , SEK	5.66	5.33	4.42	3.72	3.57
Earnings per share without taking into account the rights issue, SEK	11.04	7.09	3.97	4.32	5.73
Earnings per share taking into account the rights issue ³ , SEK	8.66	5.56	3.12	3.39	4.49
Dividend per share, SEK	2.00 ²	2.85	2.85	2.30	2.30
Equity per share, SEK	57.7	49.4	45.0	43.3	41.3
Market price per share, SEK	60.0	61.3	57.8	45.6	35.0

¹ Includes expenses relating to commitment commission and derivatives.

² The Board of Directors' proposals.

³ For the calculation of earnings per share taking into account the rights issue, see Note 19 on page 74.



SIGNIFICANT EVENTS *BY QUARTER*

> Q1

- Property management income up 18 per cent compared to the same period in the previous year.
- Sale of 30 properties in Härnösand.
- Head office has been moved to previously vacant premises in Frösön, Östersund.
- Gabriel Larsson has been recruited for the newly established retail manager position.
- Barter transaction where a property in Östersund was acquired and a property in Sundsvall was disposed of.

> Q3

- Strong key ratios and increased profitability.
- Maturity of an interest derivative in two months, which will reduce financing costs.
- Acquisition of retail property Mörviken 2:91 in Åre.
- Mikael Hedh taking the role of Business Area Manager in Dalarna.

> Q2

- A contract has been signed for the acquisition of Luleå Office Building, possession of which is to be taken on 10 January 2017.
- Johan Lång has been recruited as Business Area Manager in Norrbotten.
- A letter of intent has been signed between Diös and Östersund municipality for the development of Gustav III's Square in Östersund.
- Bond issue worth SEK 441 million via SFF.
- The Group management has been reorganised. Henrik Lundmark will assume the role of Property Director. Lars-Göran Dahl will assume the new role as Business Development Manager.

> Q4

- Strongest result to date.
- A contract has been signed for the acquisition of 32 properties from Castellum for a value of SEK 4,500 million, possession of which will be taken on 1 February 2017.
- An extraordinary general meeting will be held to vote on a rights issue worth SEK 1.8 billion and a change to the Articles of Association.
- Diös will extend its financing through SFF.



➤ Tenant: Clas Ohlson in Falan Galleria, Falun. Chrille Tegemark, shop floor assistant, and Rakel Göras, centre manager.

QUARTERLY RESULTS IN BRIEF

	31/12/2016	30/09/2016	30/06/2016	31/03/2016	31/12/2015	30/09/2015	30/06/2015	31/03/2015
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income, SEKm	337	335	334	335	334	324	330	328
Operating surplus, SEKm	195	212	212	187	195	201	207	174
Property management income, SEKm	132	147	140	119	125	129	153	101
Profit for the period, SEKm	266	229	194	143	249	-10	228	75
Surplus ratio, %	59	64	64	57	59	63	64	54
Economic occupancy rate, %	90	90	90	89	88	88	88	89
Return on equity, %	6.4	5.8	5.0	3.7	6.6	-0.4	6.7	2.2
Equity/assets ratio, %	31.0	29.8	28.5	29.0	27.4	27.1	27.3	27.4
Property loan-to-value ratio, %	58.6	59.6	60.6	61.4	60.7	60.5	61.2	62.3
Average interest rate at end of period ¹ , %	2.0	1.9	2.6	2.6	2.5	2.5	2.5	2.5
Interest coverage ratio, times	3.9	3.8	3.5	3.1	3.5	3.5	4.1	2.7
Property management income per share without taking into account the rights issue, SEK	1.77	1.97	1.87	1.59	1.67	1.73	2.05	1.35
Property management income per share taking into account the rights issue ² , SEK	1.39	1.54	1.47	1.25	1.31	1.35	1.61	1.06
Earnings per share without taking into account the rights issue, SEK	3.56	3.05	2.54	1.88	3.17	-0.19	3.10	1.00
Earnings per share taking into account the rights issue ² , SEK	2.79	2.39	1.99	1.48	2.49	-0.15	2.43	0.79
Equity per share, SEK	57.7	54.2	51.1	51.3	49.4	46.1	46.3	46.0
Market price per share, SEK	60.0	64.8	60.0	59.8	61.3	55.5	53.3	68.5

¹ Includes expenses relating to commitment commission and derivatives.

² For the calculation of earnings per share taking into account the rights issue, see Note 19 on page 74.



KNUT ROST, CEO

TAKING DIÖS TO THE NEXT LEVEL

We have delivered a record profit for 2016, in a market experiencing high growth. Through acquisitions in Umeå, Luleå and Sundsvall, we are further strengthening our position for our vision of being the most active and sought-after landlord in our market.

STRONG MARKET WITH LOW RISK

There are major opportunities in our locations. We are seeing municipalities and industry wanting to increase growth and develop for the future, and more capital starting to find its way into our market. We do not find it odd that more people are discovering our market and its benefits. The yield is attractive and the property value volatility is lower than in the metropolitan regions. The population growth is positive in all our cities, and employment rates are increasing. The trend in rents for modern, flexible premises is very positive, and we are seeing an increase in demand as well as the willingness to pay. With a stronger cash flow, we are ready to face the future.

FAST TRACK INTO THE FUTURE

The acquisition of 32 properties from Castellum will take Diös to a new level. I am very happy that we seized this opportunity when it presented itself. We are buying the right properties in the right locations with the right tenants. The acquisitions have had many positive effects, the most obvious being an improved offering to tenants and improved economies of scale. From a management efficiency perspective, we are reaching a critical volume in

two of Sweden's hottest growth cities, Umeå and Luleå, while also strengthening our cash flow and our financial key ratios. Acquisitions add more tenants and high-quality properties with central locations. This increases the diversification in the portfolio, which is positive. We consider these acquisitions our fast track into the future.

IMPROVED FINANCING CONDITIONS

A rise in long-term interest rates in the autumn had a negative impact on property shares. Although low long-term interest rates have served property companies well, I am not worried about rising interest rates and their impact on earnings in the near term.

We have continuously strengthened the company financially, from which we are now reaping the benefits through improved financing conditions and greater interest from banks and the capital market. The availability of capital has improved for us, and the conditions to which we are subject when financing acquisitions lower the average interest rate and prolong both the fixed-interest term and capital tie-up.

ATTRACTIVE YIELD

The Board proposes a dividend of SEK 2.00 per share, which is an increase of 26 per cent compared to the previous year. This corresponds to 53 per cent of the profit for the year and is affected by the increase in the number of shares following the successful rights issue. Our dividend yield is still among the highest in the industry and our aim is still to distribute around 50 per cent of our profit. We aim to be a property company that pays high dividends.

SUSTAINABILITY PERMEATES OUR BUSINESS MODEL

Our work on sustainability creates value for our stakeholders. We attract and retain our employees by being an attractive employer.

We create value for our tenants and shareholders through sustainable management and being a responsible company that reduces environmental impact and costs through energy-efficient technical solutions. We want to contribute to continued growth in our locations through sustainable urban development. The city must be accessible to everyone, always, which we ensure through increased flow and more meeting places. A sustainable business model is positive for both society and for our shareholders.

NEXT LEVEL

We have a very positive market outlook for our locations, where growth and development are key words. Despite an uncertain world around us with looming political risks, we have great faith in the future. We are growing through acquisitions in terms of cash flow, number of properties and number of employees. Our ambition is to be the best at what we do by being a better equipped organisation that is clearly driving operations forward.

With a record year behind us, we are raising our sights for 2017. We are aiming for an occupancy rate of 92 per cent and a surplus ratio of 63 per cent. Our strategy is fixed, and today we are in a better position than ever to provide excellent service and good returns.

I would like to express our warmest thanks to our dedicated employees and partners for a record year in 2016. Thank you also to our tenants and shareholders for the confidence that you have in us. I hope that you will continue to follow us to the next level.



Knut Rost, CEO



HOW WE CREATE VALUE

Through efficient management, risk-aware transactions and forward-looking project development, we refine our assets to create value for our stakeholders.

ASSETS

WITHIN THE COMPANY

EMPLOYEES

*148 employees
Local expertise
Specialist skills
Ambassadors*

CAPITAL

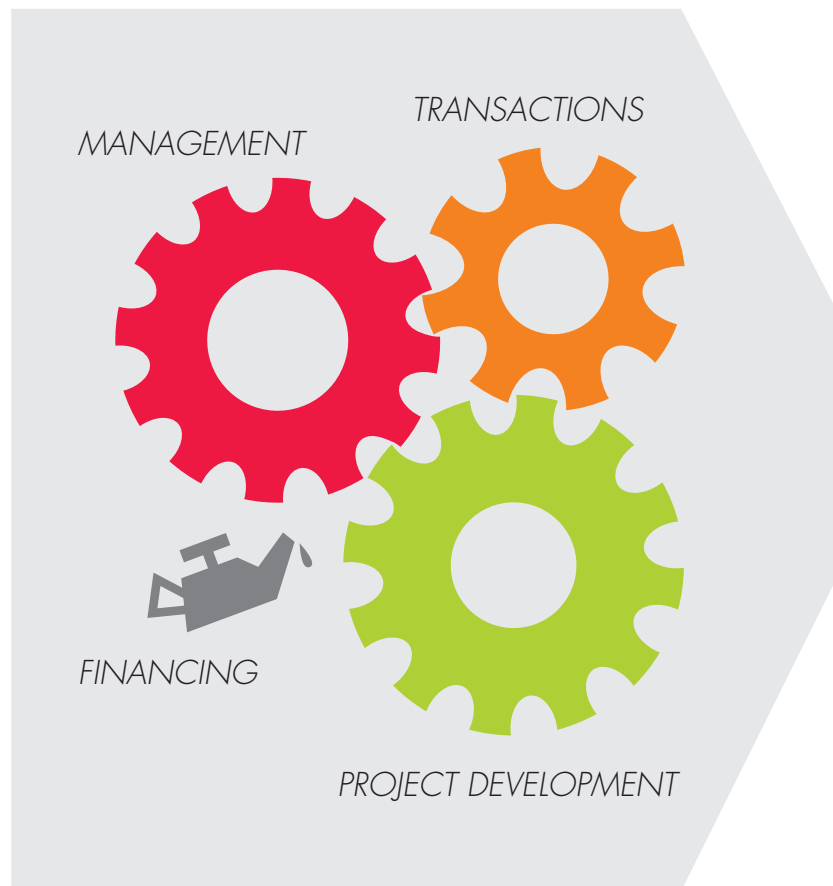
*Shareholder contributions
Bank loans
Capital market financing
Confidence*

PROPERTY PORTFOLIO

*314 properties
Commercial premises
Homes
Development rights*

VALUE CREATION

BUSINESS MODEL

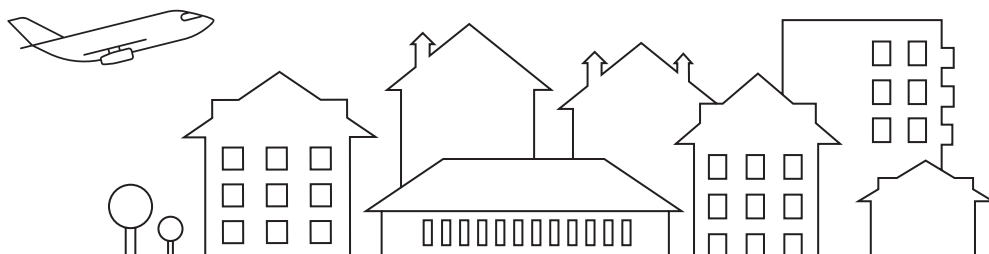


> VISION

We are the most active and sought-after landlord in our market.

> BUSINESS CONCEPT

To own and develop commercial and residential properties in priority growth cities from locally based offices. We create long-term values with a focus on the tenant by operating in a responsible and sustainable manner.





VALUE

FOR OUR STAKEHOLDERS

ATTRACTIVE EMPLOYER

*Security through long-term business model
Skills development
Possibility of skilled work*

SUSTAINABLE MANAGEMENT

*High level of service
Personal relationships
Local presence
Wide range of premises
Energy-efficient properties*

CORPORATE RESPONSIBILITY

*Stable positive total yield
High dividend
Long-term business relationships
Job openings*

SUSTAINABLE URBAN DEVELOPMENT

*Long-term growth
Attractive cities
Construction of homes
Increased accessibility*

VALUE DISTRIBUTION

OF OUR INCOME

ECONOMIC VALUE ADDED

*In business, value is generated from multiple sources.
This is distributed to our stakeholders. The total created
value from rental income, property sales
and other income amounted to:*

SEK 2,003 MILLION

DISTRIBUTED VALUE

42%

Retained economic
value for our
shareholders

21%

Purchases from our
suppliers

5%

Salary and benefits
for our employees

13%

Dividends to
our shareholders

9%

Taxes to
society

10%

Interest and capital costs
to our lenders



PROMISE AND CORE VALUES

*Our promise is that everything is possible.
We strive to be seen as straightforward,
responsive and active. Straightforward in that
we are open and honest. Responsive in that
we have a local presence, are approachable
and show an interest. Active in that we
develop property and ourselves as a
company, and seize opportunities.*



QUICK FACTS ABOUT DIÖS

Property value: SEK 13.7 billion

Leasable area: 1,354,000 m²

Rental value: SEK 1,478 million

Figures as at 31 December 2016



TARGETS AND OUTCOMES

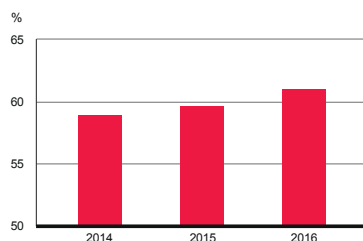
> OPERATIONAL TARGETS

OUTCOMES 2016

SURPLUS RATIO

61% ✓

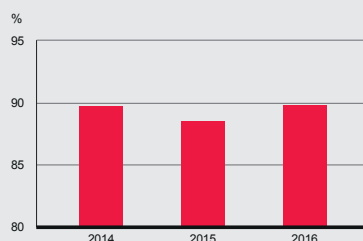
The target for 2016 was >60 per cent.



ECONOMIC OCCUPANCY RATE

90% ✓

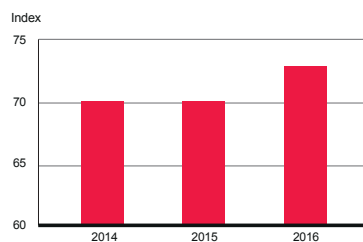
The target for 2016 was ≥90 per cent.



EMPLOYEE SATISFACTION INDEX (ESI)

73

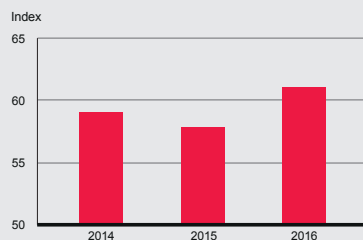
The target for 2016 was 75.



CUSTOMER SATISFACTION INDEX (CSI)

61

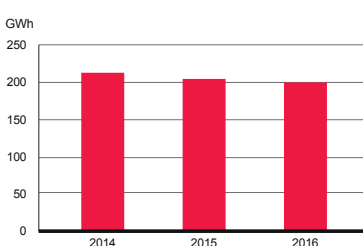
The target for 2016 was 63.



ENERGY

-0.4%

The target for 2016 was -3 per cent.



TARGETS 2017

63%

Increased occupancy rate, profitable projects and increased efficiency within management will improve the surplus ratio. The acquisition from Castellum* will contribute to an increased surplus ratio.

92%

Continued focus on new lets to fill vacant properties and on improved tenant relationships that will make our tenants stay with us. The acquisition from Castellum* will contribute to an increased occupancy rate.

76

Better understanding of each employee's contribution to operations and clarity on responsibility and roles will increase the ESI. Our training platform Diös Academy will increase expertise and enable development for employees.

70

Increased focus on tenant relationships and proactive management of opportunities and challenges will improve the CSI. Straightforward management and local expertise will be our hallmark.

-4%

Higher quality in our energy projects and increased expertise in energy optimisation will reduce our energy consumption.

* See page 14.



TARGETS AND OUTCOMES

> FINANCIAL TARGETS

	TARGETS 2016	OUTCOMES 2016	TARGET 2017
Return on equity, %	5.8% ¹	20.6	Risk-free rate +6%
Distribution of profit for the year ²	~50	53	~50
Loan-to-value ratio, %	<65.0	58.6	<60.0
Equity ratio, %	Short-term > 25 Long-term > 30	31.0	>30.0
Interest coverage ratio ³ , times	> 1.8	3.6	-

¹ Risk-free rate corresponding to an average five-year government bond interest rate, +6%.

² Profit after tax, excluding unrealised changes in value and deferred tax. The Board of Directors' proposals.

³ Targets will no longer be defined for the interest coverage ratio, which will constitute a risk-limiting covenant and be handled in Diös' finance policy.

In 2016, the return on equity amounted to 20.6 per cent, exceeding our aim of 5.8 per cent. Low market interest rates have had an effect on our target for the return on equity since the target is based on a five-year average government bond interest rate plus six percentage points. Increased cash flows and lower yield requirements for properties have led to positive unrealised property values, which increases the profit. After adjustments were made for unrealised changes in value for property and derivatives as well as deferred tax, the return on equity amounted to 13.3 per cent for 2016.



THE ACQUISITION

OF 32 PROPERTIES FROM CASTELLUM



In November 2016, we announced our second biggest transaction ever. 32 centrally located properties in Umeå, Luleå and Sundsvall were acquired at a value of SEK 4,500 million. Possession took place on 1 February 2017.

The properties, which come from Norrporten's former portfolio, are of high quality and a wonderful addition to our existing portfolio. These acquisitions have strengthened our presence in two of Sweden's fastest-growing cities, Umeå and Luleå. Locations where we have long wanted to grow. We have also strengthened our position as the biggest private property owners in Sundsvall, a city with clear plans for increased growth and development in the centre. Our tenant base will be diversified since a significant proportion of the

rental income will come from the public sector. The average contract term will be extended, which together with the extended tenant base will reduce the risk associated with the property portfolio. The properties, which mainly comprise office and retail space, strengthen our offering to tenants. The deal also strengthens our position and influence in urban development and city centre shopping. Opportunities for both revenue synergies and economies of scale will increase as we consolidate our position as northern Sweden's biggest property company.

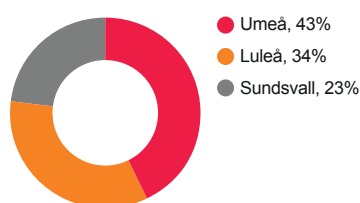
The acquisition was financed within the framework of our finance policy through a rights issue worth SEK 1,853 million and through new credit facilities worth SEK 2,700 million. The funding structure strengthens our equity ratio while our loan-to-value ratio remains unchanged, which is positive from a risk perspective. The decision to carry out a rights issue was made by the extraordinary general meeting on 21 December, which also authorised the Board to determine the terms of the rights issue. On 27 December, the Board announced the terms of the issue, under

which existing shareholders had the right to subscribe for four new shares for every five shares held at a price of SEK 31 per share, resulting in an increase of 59,783,304 shares to 134,512,438 shares. All shares entitle their holders to dividends in 2017.

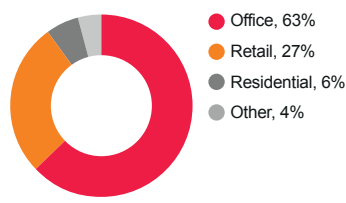
By financing the acquisition in the long term, we indicate our intention to keep, manage and develop these properties in the future. This acquisition makes us a financially stronger player with greater opportunities for competitive financing terms. We are also strengthening our influence in the cities to become a more attractive collaboration partner.

The acquisition will have several positive effects for our shareholders. A more diversified tenant base and more high-quality properties in central locations in fast-growing cities reduces the risk of loss of income. The financing structure strengthens our financial key ratios, thus reducing the financial risk. An improved offering and opportunities for revenue synergies and economies of scale will strengthen our operational key ratios and thus also our return.

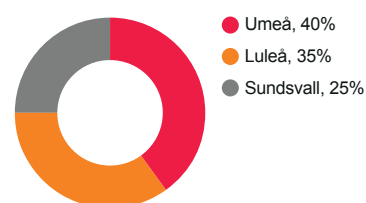
PROPERTY VALUE PER CITY



RENTAL VALUE BY TYPE OF PREMISES



LEASABLE AREA PER CITY



QUICK FACTS

about the acquired portfolio

- > Property value: SEK 4,500 million
- > Leasable area: 216,000 sq.m
- > No. of properties: 32
- > Rental value: SEK 360 million
- > Economic occupancy rate: 93%
- > Public tenants: 30%
- > Average contract term: 4.4 years
- > Date of taking possession: 1 February 2017

Figures as at 30 September 2016



BOB PERSSON
CHAIRMAN OF THE BOARD

The acquisition is fully in line with Diös' long-term strategy and aim of owning and developing properties close to the city centre. The Board of Directors is very confident that the management along with all employees will incorporate these properties into Diös' operations in an appropriate manner that will strengthen the whole company. It is also good that Diös' biggest owners supported the company's expansion and subscribed for pro-rata shares in the new share issue.

PRO FORMA BALANCE SHEET AND PRO FORMA FINANCIAL INFORMATION AS AT 30 SEPTEMBER

A pro forma balance sheet and pro forma financial information for Diös after the acquisition as at 30 September are presented below. Possession was taken of the acquired property portfolio on 1 February 2017. Diös has only had access to financial statements from 30 September 2016 for the acquired portfolio, and for this reason no reliable pro forma balance sheet can be prepared as at 31 December 2016. The presented figures, which have been prepared for illustrative purposes, do not constitute a forecast or assessment of future performance, but should be viewed simply as a snapshot. For a more detailed description and a presentation of the assumptions used, please refer to the prospectus produced for the rights issue, which is available on our website, www.dios.se.

EARNINGS CAPACITY AT AS 30 SEPTEMBER 2016

SEK m	Diös before the acquisition	Acquired property portfolio	Diös after the acquisition
Rental value	1,469	360	1,829
Vacancies and discounts	-148	-25	-173
Rental income	1,321	335	1,656
Other income	17	0	17
Property costs	-525	-99	-624
Operating surplus	813	236	1,049
Central administration costs	-60	-5	-65
Net financial items	-148	-42	-190
Property management income	605	189	794

KEY RATIOS

Based on earnings capacity and pro forma balance sheet as at 30 September 2016.

Key ratios	Diös before the acquisition	Diös after the acquisition
Loan-to-value ratio, %	59.6	59.7
Equity/assets ratio, %	29.8	32.3
Occupancy rate, %	90	91
Surplus ratio, %	62	63
Average term of leases, years	3.2	3.5

PRO FORMA BALANCE SHEET AS AT 30 SEPTEMBER 2016

SEK m	Diös before the acquisition	Acquired property portfolio	Diös after the acquisition
Investment properties	13,357	4,508 ¹	17,865
Other non-current assets	46	2	48
Current assets	190	19	209
Total assets	13,593	4,529	18,122
Equity	4,047	1,806 ²	5,853
Deferred tax liability	957		957
Non-current liabilities	7,969	2,700	10,669
Overdraft facilities	118		118
Current liabilities	502	23	525
Total liabilities and equity	13,593	4,529	18,122

¹ Adjusting the fair value pertaining to the property portfolio. The investment properties' fair value is based on a property valuation carried out by Savills Sweden AB with valuation date 30 September 2016. The fair value is adjusted by the agreed discount with the addition of transaction costs of EUR 8 million. The acquisition is an asset acquisition and for this reason no deferred tax on acquired assets is reported.

² The total value of the rights issue is SEK 1,853 million, with deductions for issue costs of SEK 47 million and eliminations of acquired equity of SEK 116 million.

SHARE INFORMATION AND SHAREHOLDERS

Interest in Diös' shares was still high during the year and increased further with the acquisition of the 32 properties in Umeå, Luleå and Sundsvall.

SHARE PRICE PERFORMANCE

The total yield for shares during the year amounted to 2.8 per cent (12.1), while the share price, excluding dividend paid, fell by -2.0 per cent (6.1) from SEK 61.3 to 60.0 per share. The highest and lowest price per share was SEK 68.8 and 53.5 respectively. During the same period, Nasdaq OMX Stockholm 30 rose by 9.4 per cent (-1.2). The property index of the Stockholm Stock Exchange, expressed as Nasdaq OMX Real Estate PI, rose by 11.0 per cent (23.6). 41 million shares (32) were traded at a value of SEK 1,925 million (1,996). Converted into traded shares per trading day, this corresponds to 126,685 shares (127,676). The market value amounted to SEK 4,484 million (4,577) on 31 December.

SHARES AND SHARE CAPITAL

The share capital of SEK 149,457,668 remained unchanged, as did the number of shares, which amounted to SEK 74,729,134.

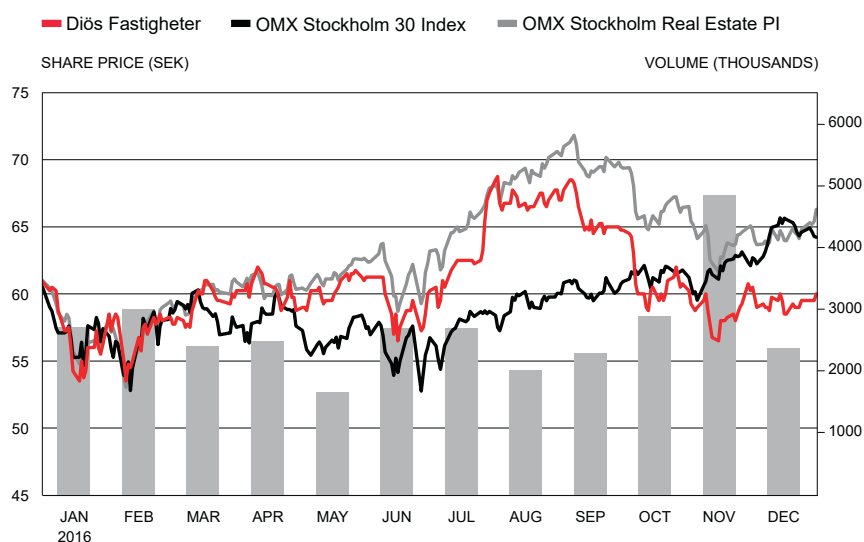
EVENTS AFTER YEAR-END

At the beginning of 2017, a rights issue of SEK 1,853 million was carried out to part-finance the acquisition of properties in Umeå, Luleå and Sundsvall (see page 14). After the issue share capital increased to SEK 269,024,276 and the number of shares to 134,512,438. The issue ended at the beginning of February 2017.

SHAREHOLDERS

The number of shareholders continued to increase during the year and amounted to 11,233 (10,329) at the end of 2016. The number of shareholders registered abroad accounted for 19.4 per cent (17.9). The largest single shareholder was AB Persson Invest with a 15.4 per cent (15.4) shareholding. The 10 largest shareholders accounted for 57.1 per cent (60.9) of the shares and votes. During the year, Länsförsäkringar Fondförvaltning AB

DIÖS SHARE PRICE PERFORMANCE 2016



reduced its holding to less than five per cent, according to a disclosure notice.

PROPOSED DIVIDEND AND DIVIDEND POLICY

The Board proposes a dividend for the financial year of SEK 2.00 per share (2.85). This equates to a yield of 4.3 per cent, in relation to the share price on 31 December. A dividend of SEK 2.00 per share means that a total of SEK 269 million (213) is distributed to the shareholders. This is an increase of 26 per cent. The dividend per share for 2016 is affected by the increase in the number of shares of 59,783,304 as a result of the rights issue.

According to the dividend policy, approx. 50 per cent of the profit for the year after tax, excluding unrealised changes in value and deferred tax, should be passed onto the shareholders as a dividend. The decision on the distribution and payment of dividends will be made by the Annual General Meeting on 26 April 2017. The record date will be 28 April and distribution of dividends will take place on 4 May 2017.

YIELD

The target for return on equity is a risk-free interest rate corresponding to a five-year government bond, plus six percentage points. Return on equity amounted to 20.6 per cent (15.0), thereby exceeding the return target of 5.8 per cent (6.2). Low market interest rates have had an effect on our target for the return on equity

since the target is based on a five-year average government bond interest rate plus six percentage points. Increased cash flows and lower yield requirements for properties have led to positive unrealised property values, which increases the profit. After adjustments were made for unrealised changes in value for property and derivatives as well as deferred tax, the return on equity amounted to 13.3 per cent for 2016. Equity amounted to SEK 4,313 million (3,694) as at 31 December 2016, which gives SEK 57.7 per share (49.4).

LONG-TERM AND CURRENT NET ASSET VALUE

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 NAV. The key ratios are primarily intended for long-term owners and are therefore adjusted for value changes in the income statement that can be considered to be of a temporary nature, such as fair value of financial instruments and deferred tax on temporary differences between properties. Adjustments are also made for equity attributable to non-controlling interests. At year-end, EPRA NAV amounted to SEK 5,336 million (4,704), which corresponds to SEK 71.4 per share (63.0). This means that the share price as at 31 December was 84 per cent (97) of the long-term net asset value. The current net asset value according to EPRA NNNNAV amounted

to SEK 68.4 per share (58.7) at 31 December, which means that the share price was 88 per cent (104) of the current net asset premium.

EARNINGS

Earnings per share before the rights issue amounted to SEK 11.04 (7.09), while the long-term earning capacity per share, expressed according to EPRA EPS, amounted to SEK 6.56 (5.77). The earning capacity is based on property management income adjusted for 22 per cent corporation tax, less earnings attributable to non-controlling interests.

SHARE BUY-BACKS

The 2016 AGM authorised the company to buy back its own shares, subject to a limit

of 10 per cent of all outstanding shares in the company. Share buy-back is a method used to adapt and improve the effectiveness of the capital structure. No buy-backs took place during the financial year. The Board will propose a buy-back authorisation on the same terms as before to the next Annual General Meeting.

TRANSPARENCY AND ACCESSIBILITY

We seek to be transparent and accessible to our stakeholders without compromising external and internal regulations. The quarterly financial reports are of great interest to both existing and potential shareholders, as well as equity research analysts. These are available along with all press releases and more financial information at www.dios.se.

THREE REASONS TO INVEST IN DIÖS

DIVERSIFIED PROPERTY PORTFOLIO

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

ATTRACTIVE YIELD

> Since 2012, the yield has amounted to five per cent on average, which is among the highest in the industry. According to the dividend policy, approx. 50 per cent of the profit for the year after tax, excluding unrealised changes in value and deferred tax, should be passed onto the shareholders as a dividend.

VALUE GROWTH THROUGH INCREASED CASH FLOW

> Since 2012, the cash flow per share has increased by 50 per cent. Efficient management, energy-saving measures, continued property development and a tenant-oriented organisation lays the foundation for continued growth.

>>> NET ASSET VALUE ACCORDING TO EPRA¹

AS AT 31/12/2016	SEKm	Per share
Equity	4,313	
Equity held by non-controlling interest	-43	
<i>Reversal</i>		
Fair value of financial instruments	43	
Deferred tax on temporary differences	1,023	
EPRA NAV	5,336	71.4
<i>Deductions</i>		
Fair value of financial instruments	-43	
Estimated actual deferred tax on temporary differences, approx. 4% ²	-180	
EPRA NNAV	5,113	68.4

¹ For the calculation of earnings per share taking into account the rights issue, see page 101.

² 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 22 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of six per cent. The use of tax loss carry-forwards is taken into account for the first two years.

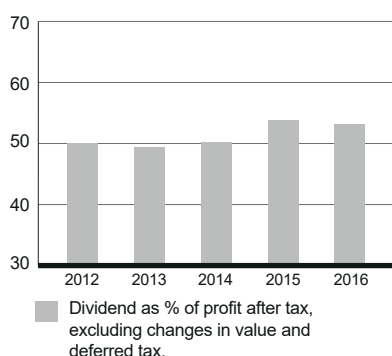
>>> EARNINGS PER SHARE ACCORDING TO EPRA EPS¹

AS AT 31/12/2016	SEKm	Per share
Property management income	539	
Tax attributable to property management income	-42	
Non-controlling interests' share of earnings	-7	
EPRA EPS	490	6.56

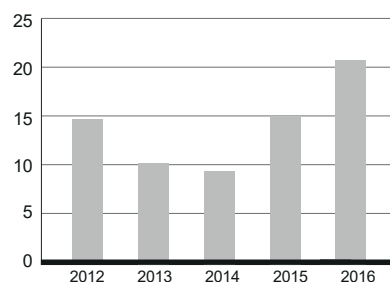
¹ For the calculation of earnings per share taking into account the rights issue, see page 101.

EPRA, the European Public Real Estate Association, is a trade association for listed property companies and investors in Europe whose activities include defining common standards for financial reporting. The key ratios EPRA EPS (long-term earnings capacity per share), EPRA NAV (long-term net asset value) and EPRA NNAV (current net asset value) are part of this. For definitions see page 109.

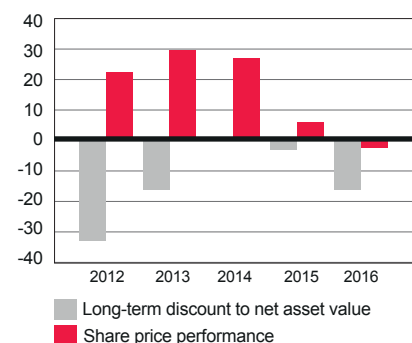
DIVIDEND DIVIDED BY PROFIT, %



RETURN ON EQUITY, %



LONG-TERM DISCOUNT TO NET ASSET VALUE AND SHARE PRICE PERFORMANCE, %



A middle-aged man with short, graying hair and blue eyes is standing in front of a textured, reddish-brown wall. He is wearing a bright red polo shirt with a black and white striped collar and blue jeans. He has his hands in his pockets and is looking directly at the camera with a slight smile. The lighting is warm and focused on him.

SUSTAINABLE DEVELOPMENT

> Tenant: the County Administrative Board of Dalarna, Kansliet 20 in Falun, has a green lease which has resulted in huge energy savings. Kent Larsson, the county governor's local representative.



SUSTAINABILITY STRATEGY

With focused and integrated sustainability work, we strive to be the most active and sought-after landlord in our market.

SUSTAINABILITY MANAGEMENT

The starting point for our sustainability strategy is the materiality analysis and the stakeholder dialogue that we had during the year. This resulted in an action plan based on four focus areas – sustainable management, sustainable

urban development, being an attractive employer and corporate responsibility. In addition to meeting our business objectives, our ambition is to reduce carbon dioxide emissions and water consumption. Likewise, we will continue to environmentally certify our properties.

The sustainability strategy is a natural part of the business plan. The strategy is to generate long-term, profitable business that takes responsibility for people and the environment. Our ability to ensure commitment among our stakeholders in our improvement work is a key consideration.

> GLOBAL REPORTING INITIATIVE (GRI)

We report our sustainability work in accordance with GRI's standards to simplify comparison with other companies. GRI is an international independent organisation that has produced a standard. The aim is to ensure that companies understand their impact and are able to report on sustainability issues. Our sustainability report is produced annually and follows 2016 GRI G4, Core.

For further information, visit www.globalreporting.org

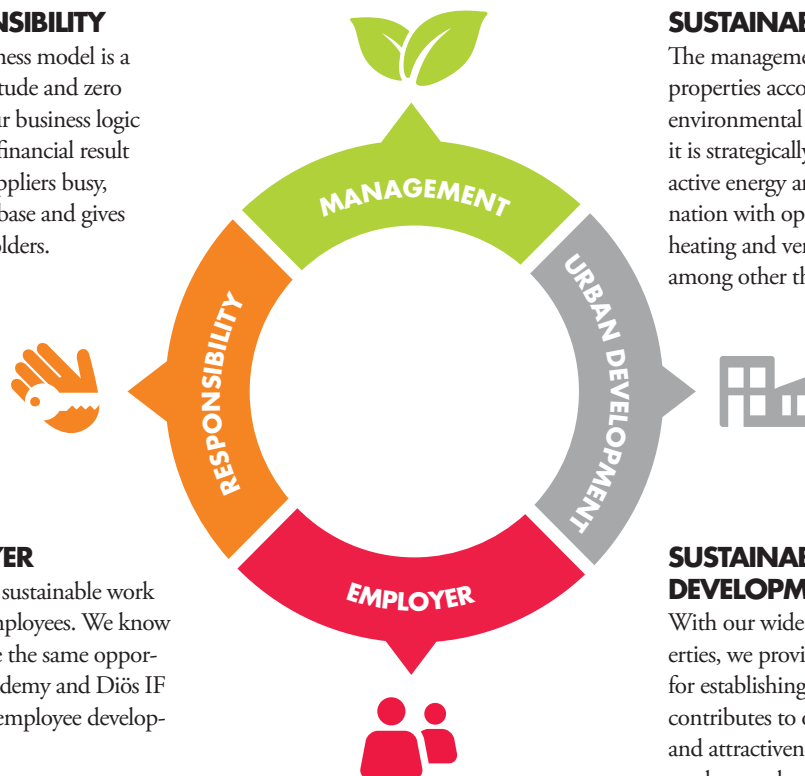
> OUR FOCUS AREAS

CORPORATE RESPONSIBILITY

The framework for our business model is a highly business-oriented attitude and zero tolerance for corruption. Our business logic is based on creating a stable financial result that generates jobs, keeps suppliers busy, contributes to a positive tax base and gives good returns for our shareholders.

ATTRACTIVE EMPLOYER

A prerequisite for active and sustainable work is competent and healthy employees. We know that all employees must have the same opportunities to develop. Diös Academy and Diös IF are two initiatives to ensure employee development and health.



SUSTAINABLE MANAGEMENT

The management and operation of the properties accounts for most of the business' environmental impact and costs. That is why it is strategically important that we conduct active energy and water-saving work in combination with operation-optimising work for the heating and ventilation systems in properties, among other things.

SUSTAINABLE URBAN DEVELOPMENT

With our wide range of centrally located properties, we provide our tenants with conditions for establishing themselves and growing. This contributes to our business locations' growth and attractiveness. Sensitivity to tenants and market needs, wise investments and quality-aware management is our strategy for ensuring sustainable urban development.

STAKEHOLDER DIALOGUE

We have identified the sustainability aspects that are essential to our company. We have built our sustainability strategy based on these.

Based on our focus areas, we have identified the most significant sustainability aspects and decided which GRI indicators and measuring points should be reported. This was done by analysing how other sustainable companies in the market work and by having a more in-depth dialogue with our stakeholders to figure out what the key aspects are from their perspective. The stakeholder dialogue occurs on an ongoing basis in our daily operations in relation to, for example, tenant meetings, refurbishment projects and various network meetings.



PRIORITY GRI INDICATORS

> ENERGY

EN 3	Energy consumption
EN 8	Water consumption
EN 15, 16, 17	Emissions
CRE 1, 2, 3, 4	Intensity energy, water and emissions

> EMPLOYMENT AND WORKING CONDITIONS

LA 5, 6	Employee health and safety
LA 9, 11	Skills development for employees
LA 12	Diversity and equality
CRE 6	Management system for health

> ECONOMY AND SOCIETY

EC 1	Economic results
SO 4, 5	Anti-corruption

> PRODUCT LIABILITY

PR 5	Labelling of products and services
CRE 8	Certifications

Below is a summary of the dialogues that we have had with various stakeholders on the prioritised sustainability issues and how we address these issues. The extended stakeholder dialogue are described on page 107.

DIALOGUE SPACE	PRIORITISED SUSTAINABILITY ISSUES	HOW WE ARE ADDRESSING THE AREA
INTERNAL STAKEHOLDERS		
EMPLOYEES	Staff appraisals ESI surveys Kick-off Intranet	Long-term sustainable business model Personal and professional development Working environment Increasing energy efficiency
BOARD OF DIRECTORS	Board meetings Annual General Meeting Ongoing dialogue	Good working conditions Dios IF Working environment checks Health benefits Development review Code of conduct and core values
OWNER	Financial statements Roadshows Quarterly presentations Annual General Meeting	Long-term sustainable business model Control and reporting Regulatory compliance
EXTERNAL STAKEHOLDERS		
TENANTS	Ongoing dialogue CSI surveys Fault reports Own channels*	Sustainable and long-term economic performance Efficient use of resources
ANALYSTS	Financial statements Quarterly presentations Annual General Meeting Capital market days Own channels*	Stable and long-term total yield Corporate governance Growth Effective risk management
SUPPLIERS	Procurement of contracts Ongoing dialogue Own channels*	Energy projects Ongoing review Project development Code of conduct and core values
SOCIETY	City centre associations Enterprise network Own channels*	Economic profitability Long-term strategic decisions Transparency
	SUSTAINABLE URBAN DEVELOPMENT Employment Minimise environmental impact Integration	Clear communication of information Stable and long-term total yield Effective risk management
		Supplier code of conduct Development of procurement requirements
		Conversion of vacant premises Improve the conditions for companies to find premises in our locations Work based on sustainability strategy and environmental targets Internships and student collaborations Sponsorship UF

*dios.se, Facebook, LinkedIn



SUSTAINABLE URBAN DEVELOPMENT

FOCUS AREA

Through long-term decisions and creative solutions, we are involved in creating active cities for everyone.

For us, sustainable urban development is about being involved in the creation of active cities. Cities for everyone who lives and works there. As the largest private property owner in several of our locations, we have great opportunities to influence urban spaces when we develop our property portfolio. By taking our starting point in the market's opportunities, residents' and visitors' movement patterns, and the needs of those looking to establish themselves, we are increasing our potential to become a long-term success.

In most of our locations, the demand for housing is significantly higher than the supply. There is a limit on urban development. By converting office space into residential units and developing available land with new homes, we contribute to increased opportunities to live and work in our locations.

Another barrier to urban development is the sought-after but limited supply of modern and flexible office and retail premises. We are seeing an increased demand for smaller offices in central locations, e.g. from start-ups, which we are meeting through a large offering of flexible

office premises. House Be in Åre and Great Spaces in Sundsvall are two specific examples. We are also seeing a greater demand for pop-up spaces in addition to e-retailers' digital stores, which we meet by adapting our retail spaces.

We adapt the premises in dialogue with our tenants, based on their needs. During the year, we have adapted approx. 30,000 square metres to meet market demand. As a basis for our analyses, we use data from flowmeters in and outside our shopping centres, among other things.

Urban development is also about creating a safe and pleasant city environment. A specific example is the enclosure of a long, dark outdoor arcade in central Östersund. The result was larger shop areas, better signage opportunities and a more inviting pedestrian area.

GREEN PROPERTIES

During the year, we certified two properties. For 2017, the aim is to certify two properties per business area in accordance with GreenBuilding. As part of the strategy for achieving this target, we have implemented training initiatives within certification for all business areas. We also continue to offer our tenants the opportunity to enter into green tenancy agreements, something for which we are noticing an increased demand.



➤ Tenant: Blackstone in Falun. Magnus Ehn, restaurateur, and Christer Edvinsson, caretaker.

➤ CERTIFICATIONS

GreenBuilding is a certification for energy efficiency improvements. The requirement is to reduce energy consumption by 25 per cent compared to before or compared to the new-build requirements in the National Board of Housing, Building and Planning's building regulations (BBR). GreenBuilding has one checkpoint.

Sweden Green Building Council is a certification that stipulates requirements for energy, indoor environment and materials. The certification can be used for new and existing buildings. Sweden Green Building Council has approx. 15 checkpoints.

More information: www.sgbc.se

➤ CERTIFIED PROPERTIES

	Certification	Year of certification
Mörviken, Åre	GreenBuilding	2009
Stenstaden, Sundsvall	GreenBuilding	2016
Intagan, Borlänge	GreenBuilding	2016
Barberaren, Östersund	Sweden Green Building Council (Silver)	2015



SUSTAINABLE MANAGEMENT

FOCUS AREA

Sustainable management is about creating long-term value with the tenant in focus.

TARGETS 2017

Our energy conservation target for 2017 is a reduction of four per cent, our emissions target is a reduction of two per cent and our water target is a reduction of five per cent.

EFFICIENT PROPERTIES

Saving energy is a given for us since each saved kWh results in lower costs and a reduced environmental impact. Continuing to carry out energy projects and continuously optimising our properties is our most effective strategy. As is adapting cooling, heating and ventilation systems to the conditions in the properties and our tenants' needs. Our aim to reduce energy consumption by three per cent in 2016 was not reached.

ENERGY PROJECTS

The purpose of our energy projects is, among other things, to update installations in the properties to ensure that pumps and fans use less energy and that the ventilation systems have good recovery functions. We do this by, among other things, testing new control system technology and heat pump solutions. During the year, 31 (30) energy projects were approved and 20 (14) projects completed in 2015 were followed up. The followed-up projects resulted in a cost reduction for electricity and heat of

about SEK 1.4 million.

2015's biggest energy project, the geothermal heat plant in Metropol in Sundsvall, has so far resulted in a reduction in district heat consumption, from 876 MWh for all of 2014 to 0 kWh per month in the last 11 months, and an annual reduction of electricity consumption by 13 per cent. The total operating cost saving so far is SEK 450 thousand.

EMISSIONS

A property company's biggest emission items come from energy consumption and project waste. Our energy-saving work is therefore an important part of the strategy to reduce our emissions. We are also in active discussions with district heating suppliers about their choice of fuel for their plants. During 2016, 99.5 per cent of our energy consumption came from renewable sources.

During 2017, we will start development work to produce reliable and easy-to-use emissions figures for our property projects, which will give us better control and create conditions for reducing emissions. During 2016, we started to follow up on figures for emissions from employee and company cars, and from travel by train, bus, plane and taxi. By drawing attention to this statistic, we create awareness among employees and increase understanding of how day-to-day work affects our environment. Through improved video conferencing systems, we will increase opportunities for remote meetings and thereby reduce the need to travel.

WATER

The clear trend towards increased water costs due to the municipalities' outdated water mains systems has moved the issue of water-saving measures higher up on the agenda. During 2016, we consumed 580 m³ of water, which is an increase of 10 per cent compared with 2015. The saving target of five per cent annually will be achieved through focused water-saving projects and product control during tap replacements.



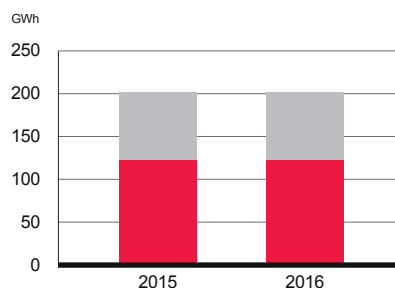
THOMAS EDSTRÖM

ENERGY-OPTIMISATION
SPECIALIST IN
VÄSTERBOTTEN

WHAT WAS THE YEAR'S BIGGEST ENERGY PROJECT?

➤ Office property Hjorten that was acquired at the end of 2015. To start it was afflicted by fluctuating indoor temperatures and an outdated ventilation system. To get to the bottom of the problems, we replaced the old ventilation unit with a new, effective unit with heat recovery. The calculated energy saving is 30 per cent and the cost saving is expected to amount to a total of SEK 500 thousand per year.

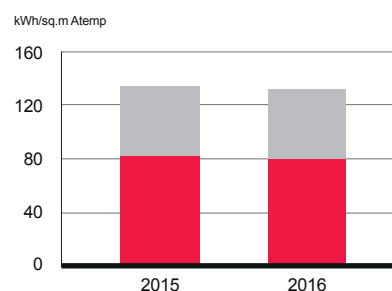
ELECTRICITY AND HEATING¹



¹ Adjusted to a normal year.

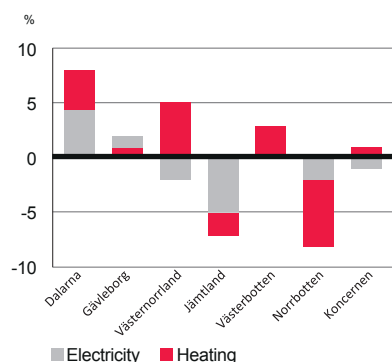
■ Electricity ■ Heating

ELECTRICITY AND HEATING PER SQUARE METRE



■ Electricity ■ Heating

ENERGY SAVINGS PER BUSINESS AREA





➤ Centralpalatset, Barberaren 7, Östersund.

ENERGY CONSUMPTION AND CARBON DIOXIDE EMISSIONS

	Unit	2016	2015
Heating ¹	kWh/sq.m	79.7	80.6
Electricity ²	kWh/sq.m	51.8	51.4
District cooling ³	kWh/sq.m	2.2	2.1
Carbon dioxide ⁴	g CO ₂ /kWh	23.5	23.6
Water	m ³ /sq.m	0.4	0.3

¹ Adjusted to a normal year.

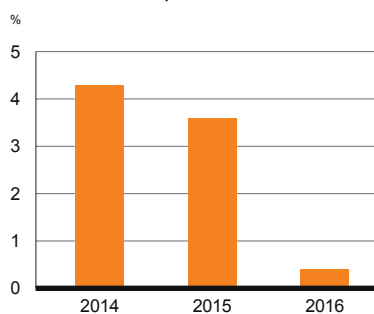
² Own consumption and tenant consumption where electricity is included in the lease.

³ Excludes self-produced cooling.

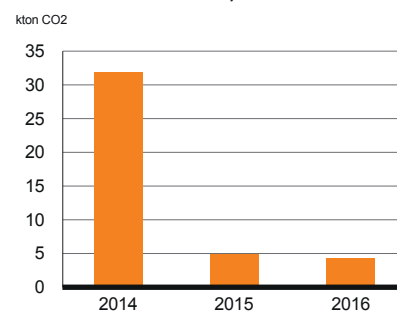
⁴ From electricity and heat.

All values have been provided by the suppliers. The area refers to the leasable area excluding garage space multiplied by a factor of 1.15 to obtain the heated area.

TOTAL ENERGY SAVING, ELECTRICITY AND HEAT



CARBON DIOXIDE EMISSIONS, ENERGY CONSUMPTION



TOTAL CARBON DIOXIDE EMISSIONS

	2016	2015
Scope 1 ¹	97	99
Scope 2 ²	4,717	4,849
Scope 3 ³	39	46
Total, tonnes of CO ₂ -e	4,853	4,994
Total, kg CO ₂ -e/sq.m	0.0036	0.0037

¹ Direct greenhouse gas emissions from e.g. employee and company cars.

² Energy indirect greenhouse gas emissions, i.e. purchased energy.

³ Other indirect greenhouse gas emissions from e.g. business travel by plane and train.



ATTRACTIVE EMPLOYER

FOCUS AREA

Our ability to attract, develop and engage the right skills is a prerequisite for us to achieve our business goals.

ORGANISATIONAL DEVELOPMENT

During the year, we started a brand journey with a view to anchoring the load-bearing parts of the Diös brand linked to our vision, our business concept, our core values and our promise. All employees were involved in developing our core values: straightforward, responsive and active.

In order to develop our opportunities for more and better business, we created new, clearer areas of responsibility for the Group management and extended the team with one more person. Today Group management consists of the CEO, CFO, Property Director, Business Development Manager and Director of Business Support. We also bolstered the organisation with a project manager, an environmental manager and a retail manager. During the year, several employees were offered the chance to take part in skills development training initiatives. Partly in order to be able to take on new challenges and partly to increase skills within their existing area of responsibility. During 2017, we will introduce a staff appraisal model with personal goals and more frequent follow-ups to further clarify areas of responsibility and maintain each employee's skills.

Skills provision is an important issue for us and we are keen to be considered an attractive employer. Though our cooperation with Mid Sweden University, we offer students work experience placements and the option to write their dissertations with us.

On 31 December 2016, we had 148 (150) permanent employees, of which 60 (60) were female. The average age was 43 (44). The majority of the employees, 97 (105), worked within the business areas: 39 (48) with physical property management in roles such as caretaker and operating technician.

During the year, we had a staff turnover of about 12 (9) per cent. One (3) person retired and 21 (16) people left the company. Ten people transferred internally within the company.

DIÖS ACADEMY

During the year, we ran position-specific training courses for letting agents and property managers for the purpose of improving the skills required for tenant relationships and business acumen. In total, our employees did 2,580 hours of training during the year, of which 510 hours was within the framework of the Diös Academy.

SATISFIED EMPLOYEES

The year's employee satisfaction index, ESI, increased to 73 (70). The areas with the most improvement were leadership, customer relationships and future development. Greater employee satisfaction with more confidence

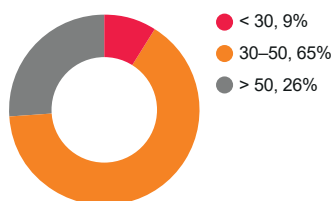
in managers suggests that our focus on leadership training has yielded results. Our commitment to clearer role descriptions seems to have extended out into the organisation and contributed to a positive outlook on the future of the company. Even if we do not reach our target of an ESI score of 75, the score for the year shows a positive development.

WORKING ENVIRONMENT AND HEALTH

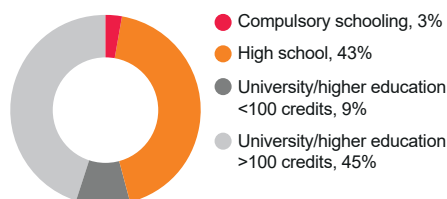
Through good collaboration with occupational health care, we make it possible to take measures to prevent sick leave. All employees are also offered private health insurance. During 2016, sick leave was 2.6 (2.8) per cent, 1.1 (0.5) of which was long-term sick leave. Sick leave was 3.0 (4.5) per cent among women and 1.7 (1.8) per cent among men.

We have a company-wide working environment committee, with representatives from all business areas, head office and job roles, that meets regularly. The group discusses, plan and follows up on essential working environment issues. During the year, four (two) workplace accidents were reported and three (zero) incidents.

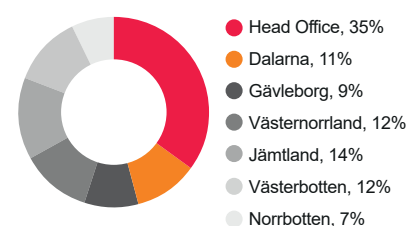
AGE DISTRIBUTION



LEVEL OF EDUCATION



GEOGRAPHIC BREAKDOWN





➤ Tenant: Naturkompaniet in Östersund. Martin Larsson, shop floor assistant, and Sandrina Zetterström, retail property manager.



SANDRINA ZETTERSTRÖM

RETAIL PROPERTY MANAGER

WHAT IS YOUR ROLE AT DIÖS TODAY AND HOW HAS IT DEVELOPED SINCE YOU STARTED?

➤ I started out as a coordinator for our shopping centres in 2013 and as the centre manager for Kärnan shopping centre in Östersund. Today I am a letting agent with a focus on retail. The role involves a lot of travelling, giving me the opportunity to meet both

new and existing tenants. Retail tenants are important for commerce in the cities and we therefore work actively to ensure a good mix of tenants. My work largely involves forging good relationships, being receptive to the tenants' needs and attracting new tenants to our premises.

WHAT IS THE BEST THING ABOUT YOUR JOB?

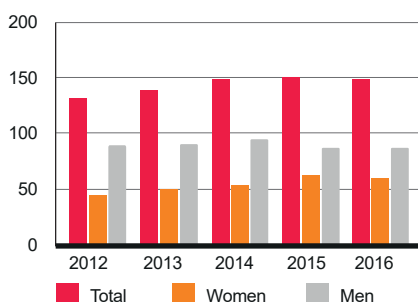
➤ I've had the opportunity to develop within my role and I feel involved in the company's future direction for development. We can see that our efforts are paying off and that our tenants appreciate them. Of course this means that your self-confidence increases and you enjoy your work. We are now working in

a team with property managers and project managers, among others, to streamline the letting work and ensure that our projects are successful. This cooperation means that we have a better understanding of each other's roles, which gives better results in the end.

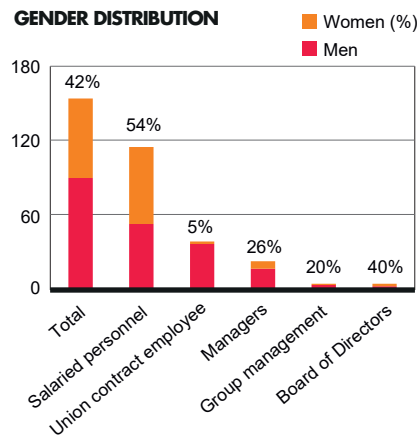
WHAT CHALLENGES DO YOU SEE IN THE FUTURE?

➤ Retail and trade are industries in constant flux, which creates new challenges all the time. Increased e-retail and changed buying behaviour generate new retailer requirements, which keep us on our toes. By being active and responsive, we can deliver new solutions, and I look forward to many fun challenges in the future.

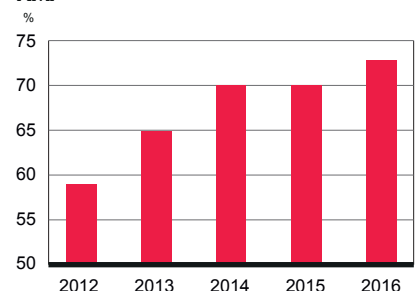
NUMBER OF EMPLOYEES



GENDER DISTRIBUTION



NMI





CORPORATE RESPONSIBILITY

FOCUS AREA

Corporate responsibility means having a long-term profitable business model where the company's role in society is central.

PROFITABLE BUSINESS MODEL

We strive to create long-term profitable business where a stable economic result contributes to a positive development of our business locations while also ensuring a good return for shareholders.

The objective and the owners' requirements are a long-term return on equity that exceeds the risk-free rate plus six percentage points. The result for the last five years has been an average return on equity of 13.9 per cent, including unrealised changes in value. Operations are controlled by operational

targets set annually by the Group management and the Board of Directors.

BUSINESS ETHICS

The code of conduct contains our standpoint on business ethics and applies to all employees. In addition to the code of conduct, there is an anti-corruption policy that has been adopted by the Board and Group management. It covers all employees and is available on our intranet. During the year, our trade union representative completed a training course on anti-corruption work. The content of this will be revealed in an internal forum where all employees participate. No cases of corruption or suspected corruption were reported during the year.

SATISFIED TENANTS

Our focus is to improve our tenant relationships. We follow up on our efforts through the

customer satisfaction index, CSI, among other things. The year's CSI showed an improvement, 61 (58), though we did not reach our target of a CSI of 63. However, the result shows that the organisational changes made to clarify roles and communication channels have created simpler and more active tenant relationships.

SUPPLY CHAIN

Our suppliers are an important link in our quality work. We have approximately 4,000 suppliers in total, of which around twenty are more long-term partners. We therefore continuously review the quality of the work and products supplied based on our requirements for quality, business ethics, working conditions and working environment. To benefit our market, we choose to work with local suppliers as far as possible. But not to the detriment of our business practice.

»»» CREATED AND DISTRIBUTED VALUE

SEKm		2016	2015	Comments
» Economic value directly generated				
Income	From our customers	1,340	1,315	Rental income and income from invoiced costs for work performed
Property sales	From our buyers	661	159	Income from property sales
Other income	From our customers	2	2	Interest income
TOTAL		2,003	1,476	
» Economic value distributed				
Purchases	To our suppliers	425	430	Purchase of materials, consumables and services
Salaries and benefits	For the employees	103	100	Total salaries and benefits, including social security contributions
Dividend ¹	To our shareholders	269	213	Dividends to our shareholders
Cost of capital	To lenders	192	202	Interest expenses to lender
Payments to government	To society	173	332	Current tax, property tax and VAT
TOTAL		1,162	1,277	
» Economic value retained				
Value left in the business	To our shareholders	841	199	Economic value generated minus economic value distributed

¹ The dividend is proposed or determined for each financial year.

MARKET AND BUSINESS- AREAS



➤ Tenant: Amberline in Falu office premises. Sofie Lofors-Lück, owner, and Anders Wesström, technical manager.

MARKET OVERVIEW

The market continues to be characterised by high growth and activity, which makes it beneficial to be a property owner.

MARKET OVERVIEW

The property market is significantly affected by the macroeconomic development that forms the basis of the economic activity and the economic situation. The development is measured for example via BNP, employment, inflation, interest rates and growth. Other things that significantly affect the property market are population growth, residential development and households' capacity to pay.

SWEDEN EXPERIENCING A BOOM

2016 was another year of strong growth. Sweden's GNP increased by 3.3 per cent compared to 2015 according to Statistics Sweden. The growth rate is somewhat slower than 2015, as GNP increased by 4.1 per cent. Growth has been driven by, among other things, an increase in investments in above all residential construction and increased public consumption. The Swedish National Institute of Economic Research expects that Swedish growth will be primarily driven by increased exports and increased spending by households in the future, and the forecast for 2017 is a GDP growth of 2.2 per cent.

The employment rate, which shows what proportion of the population aged 15–74 is employed, as well as the participation rate, has increased every year since 2010. According to the Swedish National Institute of Economic Research, the growth of the workforce is expected to slow down in the future. According to the European Commission, unemployment, measured as a percentage of the workforce, is expected to decrease from 6.9 per cent in 2016 to 6.4 per cent in 2017.

TRENDS IN OUR MARKET

The six counties that constitute our business areas have approx. 1.4 million inhabitants. The

vast majority of the property portfolio is concentrated in locations that are characterised by positive population, employment and income trends, good access to effective communications and proximity to a university and college.

The confidence indicator for industry in northern Sweden is stronger than in the rest of the country according to the Swedish National Institute of Economic Research. A strong development in the construction sector is one reason highlighted, as is the boom in the IT industry. Of all our business areas, Jämtland and Norrbotten show the strongest trends with bright prospects within the manufacturing and construction industry.

The gross regional product (GRP) for our market was developed during 2015 in line with the rest of Sweden (metropolitan areas excluded). The employment level remained largely unchanged, with more development in service and goods-related work and a decline in industry-related jobs.

The difficulty involved in finding the right expertise will be an increasing problem in the future, which may affect both growth and employment trends. The need to replace people who are retiring will increase. This in combination with expected skills deficiencies in new recruits constitutes a risk, not just within the property industry.

RENTAL MARKET

Rent trends in our locations have remained good during the year. The demand for modern premises is high, and the willingness to pay is increasing. Rent increases as a result of index adjustments related to KPIs have been low due to low inflation.

For offices, rent increases were highest in Luleå and Umeå, where the rent levels amounted to just over SEK 2,000 per square metre for modern premises. Rents also increased in Östersund, Sundsvall and Gävle.

For commercial properties and shopping centres, demand for attractive locations is high. This contributes to rent increases. The number of store openings for both large chains and

smaller shops indicates that there is a great interest in our locations.

TRANSACTION MARKET

The value of property transactions in Sweden was approx. SEK 200 billion in 2016. This is an increase of approx. 40 per cent compared with the previous year. Low interest rates and political uncertainty in the world make Swedish properties a relatively safe investment option. Offices accounted for the largest volume, 29 per cent, followed by homes, 28 per cent, retail, 18 per cent, industry, 9 per cent, and other, 16 per cent.

HIGH ACTIVITY IN OUR MARKET

During 2016, 64 property transactions over SEK 50 million were conducted in our market with a total value of SEK 29.1 billion according to Pangea Property Partners. Castellum's foray into the market through the acquisition of Norrporten constituted the starting point for a number of consecutive transactions. We acquired the majority of Castellum's Norrland portfolio with 32 properties in Umeå, Luleå and Sundsvall for around SEK 4,500 million.

Transaction volumes by region in Norrland were distributed as follows: Västernorrland (26%) followed by Västerbotten (24%), Norrbotten (22%), Jämtland (15%) and Gävleborg (13%). The volume share per sector was highest for offices (34%), homes (22%), public properties (22%), retail (14%) and other (8%).

Continued very low interest rates and a stable economic growth lay the foundation for a continued stable property market. The low alternative return in other asset classes and properties in the metropolitan regions should increase interest in northern Sweden's property market further.



LETTING AND MANAGEMENT

Relationships and business transactions are the foundation of our property management. We deliver customer value through active management and local knowledge.

Management is part of our business model where we bring value to both the tenants and shareholders. By working closely with our market and tenants, we gain a local knowledge and presence that is highly valued among both existing and prospective tenants. With our diversified property portfolio, we can offer flexible tenant solutions for various types of premises, primarily in central locations. Through efficient management and a conscious focus on letting, we strengthen our operational key ratios while also retaining our tenants.



HENRIK LUNDMARK PROPERTY DIRECTOR

HOW WOULD YOU SUMMARISE 2016?

> The growth in our locations remained positive and we saw strong rent trends for flexible and modern premises. Our tenants started to request customised premises to a greater extent, even at high rent levels. Increased focus on more efficient management, higher cost control and development of our business

processes translated into improved key ratios during the year. The number of new leases increased as we continued our improvement measures when it comes to increasing the quality of our tenant relationships.

WHAT IS THE FORECAST FOR 2017?

> The relatively strong economic development that is expected to continue in 2017 will have positive effects for both our tenants and for growth in the locations where we operate. The demand for open premises with high functionality, flexibility and modern design will continue to increase. We will also see a continued increase of conversions of existing spaces for new applications. With the acquisition from Castellum, we are extending our offering of centrally located premises, which will increase the choice for our tenants.

The rate of urbanisation continues, which means even more stringent requirements for the municipalities' and industry representatives' ability to develop attractive cities. Here we can contribute both expertise and property assets when it comes to designing the city as a meeting place rather than a retail park. We are seeing great opportunities for strengthening our retail operations with 12 shopping centres, among other things, and from 2017 we will start to report these activities as a separate business area.

WHAT WILL DIÖS FOCUS ON?

> Business transactions and relationships will be the order of the day. By being curious about tenant needs as well as business and cooperation opportunities, we will continue to generate value, improve our key ratios and forge good



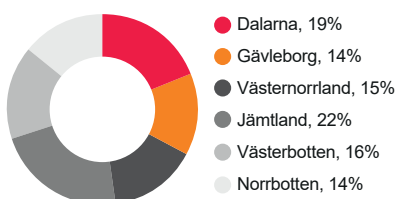
> Henrik Lundmark, Property Director.

tenant relationships. We will be looking into tenant needs, business opportunities and new collaborations. But, above all, we will try to boost our tenant relationships.

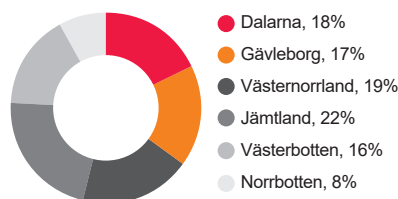
HOW WILL THE ACQUISITION AFFECT DIÖS?

> With 32 new properties in locations where we see great opportunities for growth, we will be able to offer more breadth in our already generous tenant offering. This acquisition gives the opportunity for greater flexibility and increased synergy effects in property management. We will also be able to offer new jobs in the locations where we are expanding our operations. An increased number of tenants in the public sector are stipulating new requirements that give us the opportunity to develop our expertise and our way of working.

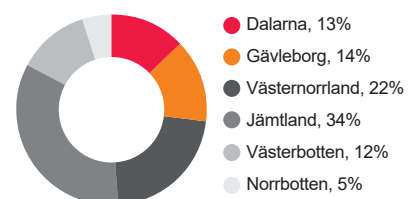
PROPERTY VALUE



LEASABLE AREA



NUMBER OF PROPERTIES



BUSINESS AREA DALARNA

➤ *Retail and offices dominate in the business area's principal locations Borlänge, Falun and Mora.*

The Dalarna business area includes 19 per cent of Diös' total property value with a property portfolio that primarily consists of office and retail premises located centrally in Falun, Borlänge and Mora.

BORLÄNGE

Borlänge along with Falun constitutes the industrial hub of Dalarna. 38 per cent of the county's total population lives here. With the continued positive population trend, the need for new homes is increasing. In the last ten years, the city has gone from having 250 empty flats in the municipality's property portfolio to having long waiting lists for homes and significantly higher prices in the housing market. The municipality plans to build approx. 1,600 new homes over a three-year period. With one of the country's strongest trade indices, the increase in development density of the city's retail areas is a top priority, and there are a number of early construction plans to link the city centre with other retail areas. Borlänge is home to one of Dalarna University's two campuses and both the Swedish Transport Administration and the Swedish Transport Agency have their head offices in the city.

The economic occupancy rate in the city's 14 properties was 90 per cent with a rental value for the full year of SEK 102 million.

FALUN

With world heritage status, Falun and the historic industrial landscape around Stora Kopparberget is an attractive place to visit. The original architecture of the wooden city of Falun's worker districts is still in evidence to remind us how miners and smelters lived more than 300 years ago. The urban development focuses on the transport hub and major investments have been made in improved public transport in order to improve the conditions for residents as well as those travelling in and out. Commuting is on the increase and the objective is to significantly reduce travel time by train to and from Stockholm. Falun is the second of Dalarna University's campus areas.

The economic occupancy rate in the city's 16 properties was 90 per cent with a rental value for the full year of SEK 141 million.

MORA

Mora is north Dalarna's centre and an important location for industry, tourism and retail. Due to the positive population development, housing shortages in the central parts of the municipality have been a fact of life for the last three years. However, the municipality has land available for both flats and small houses, and it is thought that the housing market will be back in balance in five years. Mora has a strong retail and tourism tradition with several large-scale events that put the city on the world map every year. The best known is Vasaloppet, which generates tourism income of more than a quarter of a billion kronor.

The economic occupancy rate in the city's 12 properties was 93 per cent with a rental value for the full year of SEK 40 million.



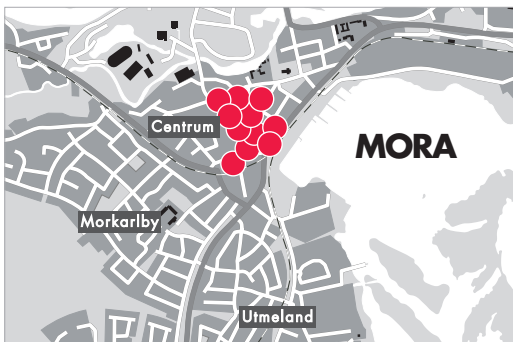
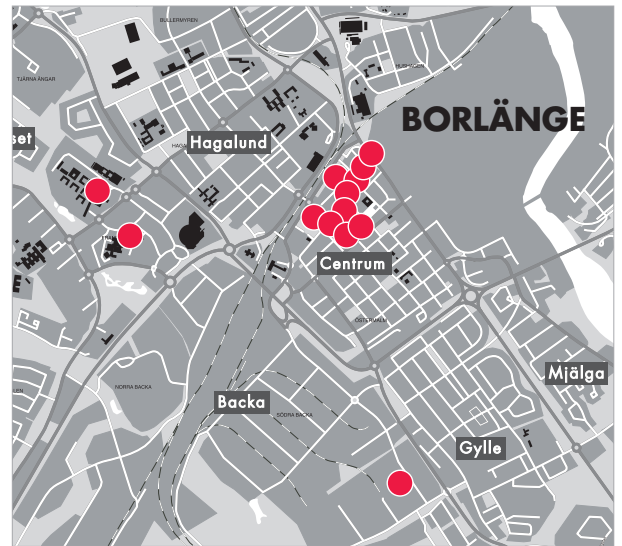
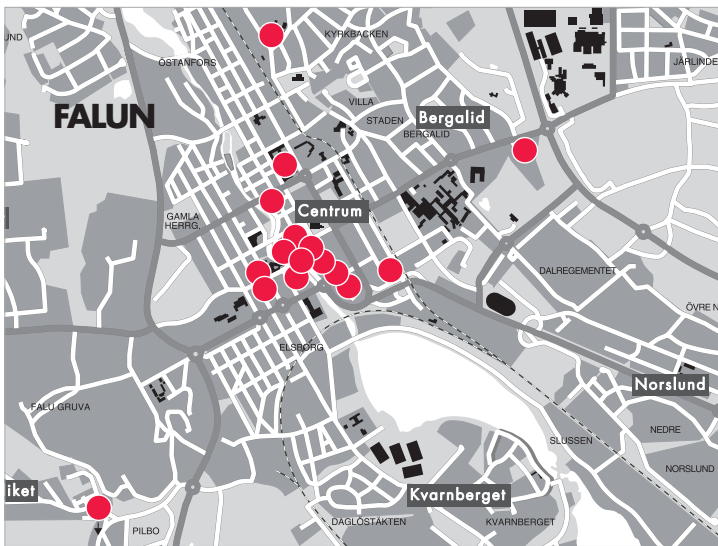
MIKAEL HEDH BUSINESS AREA MANAGER

➤ There is a strong concentration around the central parts of the business area's three built-up areas. As the dominant landlord, the increase in development density is something to which we contribute greatly. Above all, through the conversion and new use of already developed properties. In Falun, we are refurbishing Hemköpsbutiken, Engelska Skolan and Bergströms Galleria. In Borlänge, discussions are underway with the municipality on the development of the city's public areas, which are a major contributing factor to the city's attractiveness. In Mora, we are actively participating in the strong industry network that traditionally works to promote growth in industry, retail and tourism.

MARKET RENTS AND YIELD¹

		BORLÄNGE		FALUN		MORA	
		Rent SEK/sq.m	Yield, %	Rent SEK/sq.m	Yield, %	Rent SEK/sq.m	Yield, %
Office	A-location	900–1,350	6.5–8.0	950–1,400	6.5–7.0	750–1,000	7.5–9.0
	B-location	850–1,100	7.5–9.0	800–1,150	7.3–7.8	600–850	8.0–10.0
Retail	A-location	1,200–2,500	5.8–6.5	1,300–3,000	5.8–6.8	900–1,300	8.0–9.5
	B-location	700–1,000	6.8–8.3	800–1,500	6.0–6.8	750–1,100	8.5–9.5
Warehouse/ industrial	A-location	450–750	7.0–8.5	400–700	6.8–9.5	350–600	8.5–9.0
	B-location	350–450	8.5–11.0	350–450	9.0–11.0	250–400	9.0–10.0

¹ Data taken from Datscha AB.



PROPERTY PORTFOLIO IN DALARNA

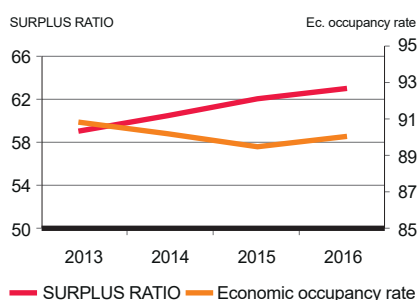
No. of properties	44
Area, thousand sq.m	267
Property value, SEKm	2,576
Operating surplus, SEKm	169



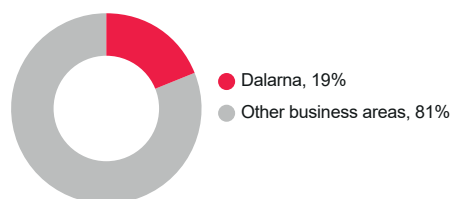
URBAN DEVELOPMENT OFFICES IN DIFFICULT-TO-RENT PREMISES

➤ We have created new office premises in newspaper Falu Kuriren's old premises in Engelbrektsvägen in Falun. The premises are made up of many smaller rooms as well as large common areas that are perfect for office premises. The conversion was completed during the spring of 2016 and the office premises have been in high demand. By thinking innovatively in previously difficult-to-rent premises, we have succeeded in breathing new life into the building and meeting the needs of the market.

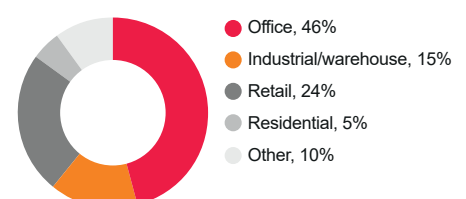
SURPLUS RATIO AND ECONOMIC OCCUPANCY RATE, %



SHARE OF TOTAL CONTRACT VALUE



FLOOR AREA BY TYPE OF PREMISES



BUSINESS AREA GÄVLEBORG

➤ During the year, active work on attracting companies to the city continued, within the framework of Marknadsplats Gävle, among other things.

The Gävleborg business area includes 14 per cent of Diös' total property value with a property portfolio that mainly consists of office and industrial premises with a central location in Gävle.

Gävleborg is a region characterised by its long tradition of innovative and world-leading high-tech industries for, among other things, green technology. The University of Gävle's profile research relating to working environment and living climate is an important driver of growth. The county has a well-earned reputation as an industrious region with just over ten registered companies per 100 people. Together with Gävle municipality, Diös and other big property owners have joined forces to create Marknadsplats Gävle to increase the city's appeal as place of establishment.

GÄVLE

Gävle is growing and will soon reach 100,000 inhabitants. To remedy the housing shortage, it is the municipality's aim to build 500 new homes per year. The development of the Lindbacken residential area is in progress and a completely new residential area of approx. 550 homes is planned to be built in Hemlingby. To attract large companies, the municipality's approach is to release 60 hectares of land ready for development in the expanding Ersbo industrial area, among other places. Another initiative to increase the city's attraction is the construction of new arena town Gavlehov.

With its strategic location, the city has a unique position as a logistics hub, and the municipality is investing a lot of resources in becoming a natural place of establishment for major industries and companies. At the intersection of three main railway lines and two European highways, the municipality now plans to build the Nordic region's most innovative logistics park. The area to be constructed covers 500 hectares with good sea, rail, car and plane connections.

The economic occupancy rate in the city's 42 properties was 88 per cent with a rental value for the full year of SEK 196 million.



ANDERS HEDSTRÖM BUSINESS AREA MANAGER

➤ As a landlord in a municipality with high ambitions, a lot of flexibility is required. The demand for large office buildings has for many years been detrimental to multi-purpose properties comprising both homes and retail/office premises. Rents for centrally located adaptable premises has increased considerably in recent years. Our strategy for meeting the new needs is to increase the value of our existing property portfolio through conversion and smart environmental solutions. Improving dialogues with both tenants and municipal/industry representatives is a prerequisite for our ability to deliver what is sought-after, both now and in the future.

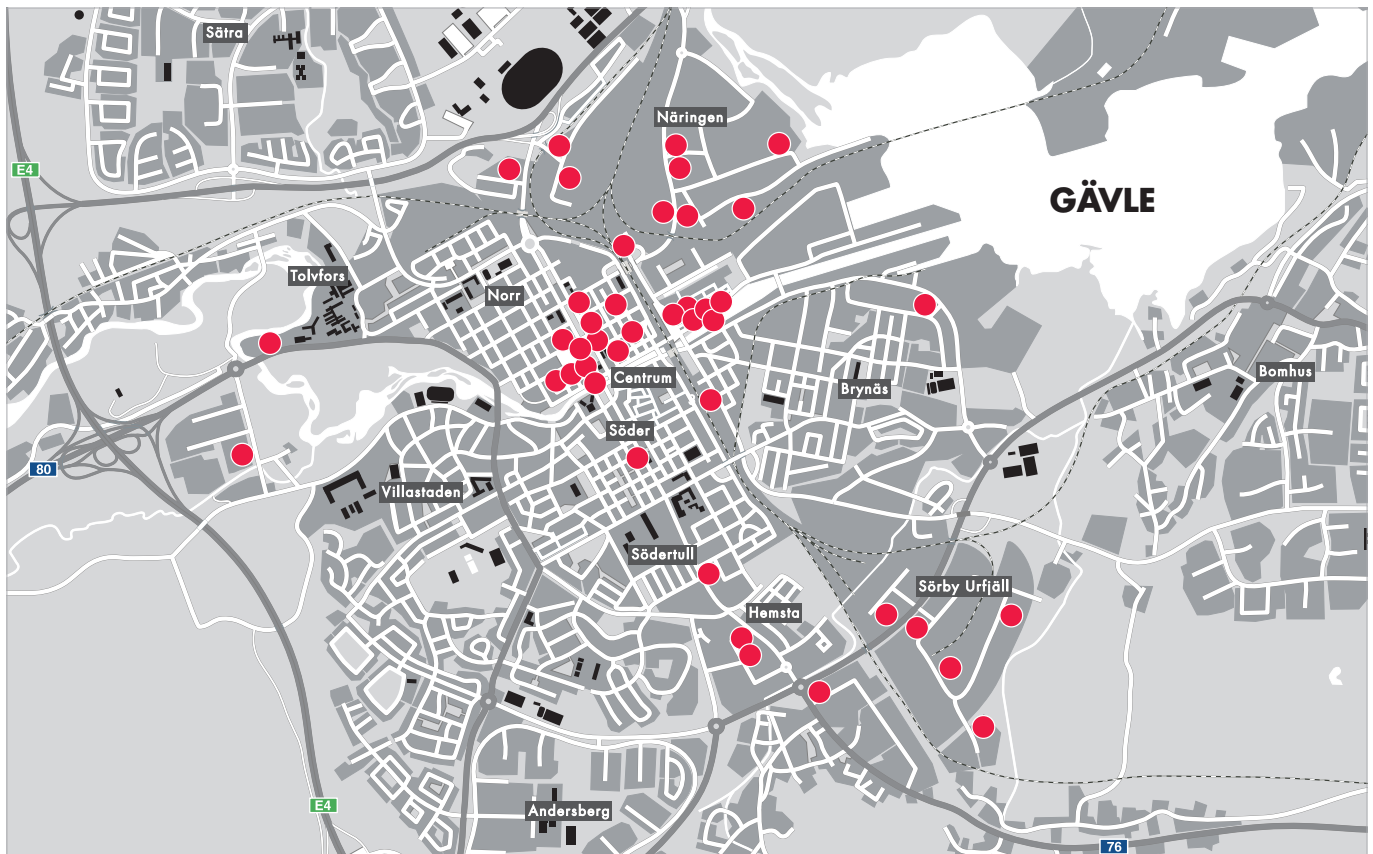
PROPERTY PORTFOLIO IN GÄVLEBORG

No. of properties	51
Area, thousand sq.m	251
Property value, SEKm	1,978
Operating surplus, SEKm	120

MARKET RENTS AND YIELD¹

		Rent SEK/sq.m	Yield, %
Office	A-location	1,000–1,500	6.0–6.8
	B-location	900–1,350	6.5–8.0
Retail	A-location	1,100–3,250	5.8–6.5
	B-location	700–1,200	6.5–7.5
Warehouse/ industrial	A-location	450–800	7.5–9.0
	B-location	400–600	8.0–10.0

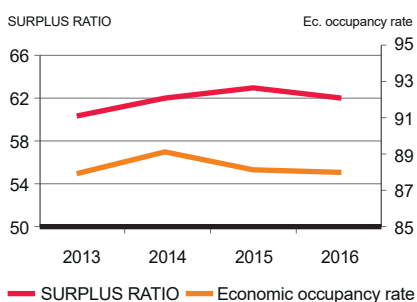
¹ Data taken from Datscha AB.



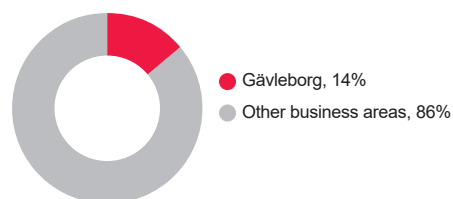
URBAN DEVELOPMENT *SMART MANAGEMENT SOLUTIONS*

➤ Buildings consume a lot of energy and therefore have a direct impact on the environment and operating costs. By installing new control systems and new control equipment in Åhlénshuset in central Gävle, we have reduced the energy consumption by as much as 60 per cent. Through smart management solutions, where the heating system is optimised by means of weather forecasts, and by selecting the heat storage capacity, we have succeeded in improving the indoor environment for visitors and tenants at the same time as reducing our environmental impact.

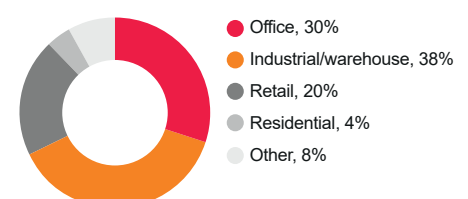
SURPLUS RATIO AND ECONOMIC OCCUPANCY RATE, %



SHARE OF TOTAL CONTRACT VALUE



FLOOR AREA BY TYPE OF PREMISES



BUSINESS AREA VÄSTERNORRLAND

➤ *With acquisitions in Sundsvall and sales in Härnösand, we are consolidating our position as a leading player in the private property industry.*

The Västernorrland business area includes 15 per cent of Diös' total property value with a property portfolio that mainly consists of office and retail premises with central locations in Sundsvall.

As part of the strategy to concentrate the property portfolio in priority growth locations, we sold the remainder of the property portfolio in Härnösand during the year. The acquisition of ten central properties from Castellum further strengthened our market position in Sundsvall.

SUNDSVALL

Sundsvall is in an expansive phase with a view to reaching 100,000 inhabitants in 2021. The municipality has detailed plans for the development of up to 10,000 new homes to meet both the expected population growth and the prevailing housing shortage. The plans clarify

that housing construction will mainly take place through increased density. The construction of Sundsvallsbron, which made it possible to move the E4, has freed up land near the town and sea for the development of new operations, residential and recreational areas. Examples of comprehensive development projects are Norra Kajen, Norra Stenstan and Alliero/Norrmalm. The areas have connections to Stenstan, the location of our In: shopping centre, which is one of Sweden's largest centrally located shopping centres. During 2018 the municipality plans to begin the design of a new travel centre in connection with the central station.

Sundsvall is a strategic location for road, rail, sea and air traffic. The first stage expansion of a double track on the Sundsvall-Gävle section of railway line will provide major opportunities to attract new inhabitants and business start-ups. When fully expanded, the travel time from Sundsvall to Stockholm will be halved. The flow to and from Sundsvall's Logistikpark would also receive a major boost.

The economic occupancy rate of the city's 43 properties was 86 per cent with a rental value for the full year of SEK 230 million.



SOFIE STARK

BUSINESS AREA MANAGER

➤ Being part of the urban development stimulates creativity and we actively participate in the dialogue with the municipality and other players concerning Sundsvall's growth strategy. As a major player in the centre, we see significant opportunities from the ongoing expansion of the city which has been made possible by moving the E4. The road previously cut the city centre off from the surrounding land which can now finally be developed. Few locations can compete with Sundsvall when it comes to the offering of premises for housing and businesses close to both the city and the sea. It puts the city in a unique position, which can attract many new residents and entrepreneurs. The demand for centrally located space-efficient premises and homes is already high today.

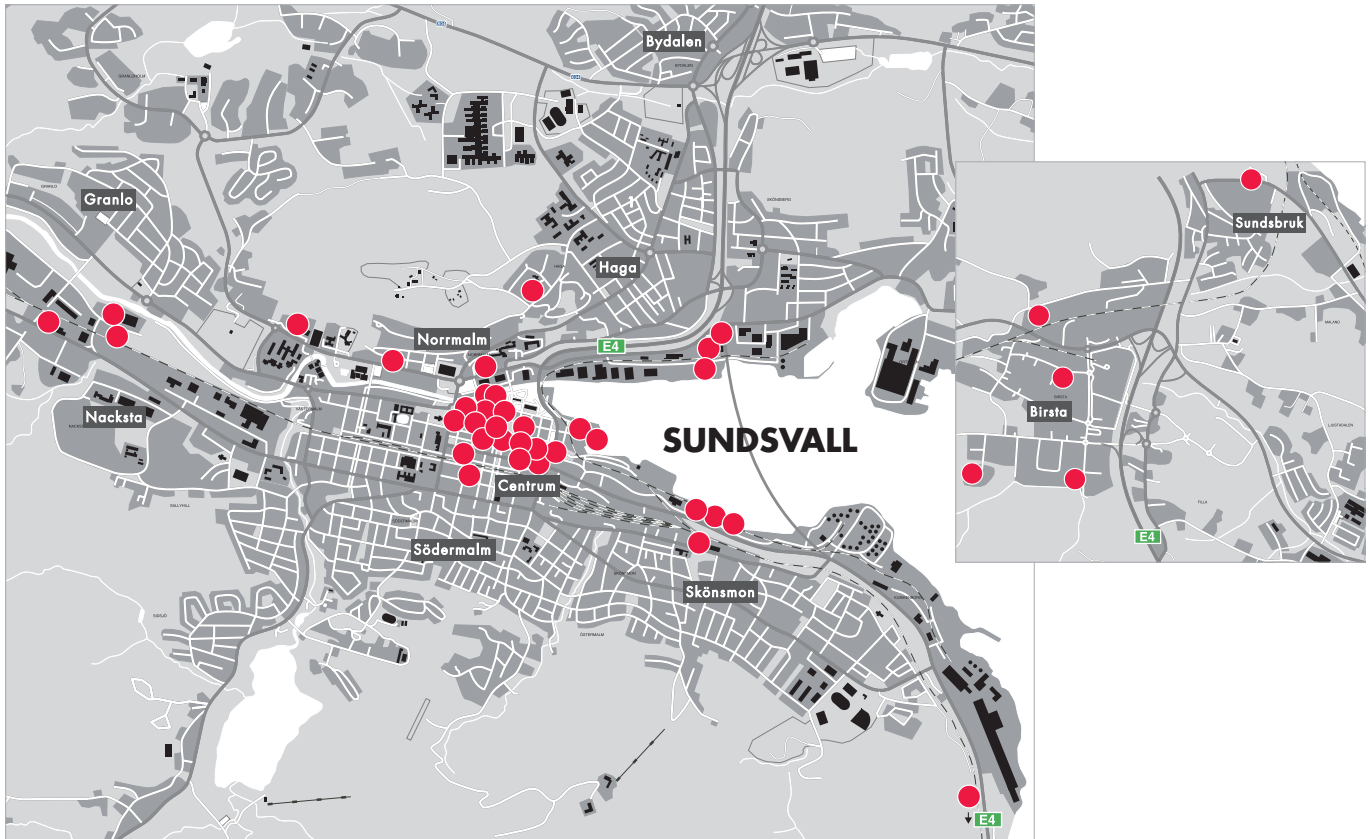
PROPERTY PORTFOLIO IN VÄSTERNORRLAND

No. of properties	46
Area, thousand sq.m	185
Property value, SEKm	2,033
Operating surplus, SEKm	115

MARKET RENTS AND YIELD¹

		Rent SEK/sq.m	Yield, %
Office	A-location	1,400–1,900	5.8–6.5
	B-location	1,300–1,700	6.3–6.8
Retail	A-location	1,300–3,500	5.8–6.5
	B-location	900–1,400	6.0–7.0
Warehouse/ industrial	A-location	500–900	7.0–8.5
	B-location	400–800	7.8–9.5

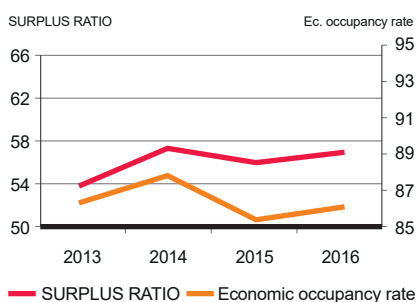
¹ Data taken from Datscha AB.



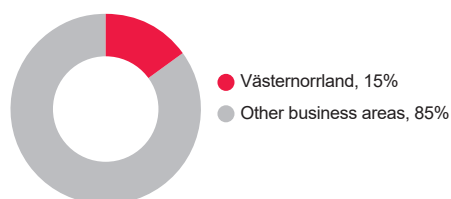
URBAN DEVELOPMENT *ATTRACTIVE DEVELOPMENT SPACE*

➤ When Great Space contacted us in its search for premises in Sundsvall, we knew it was well in line with our city development strategy. Great Space wants to attract more IT entrepreneurs to Northern Sweden by creating an attractive meeting and development space. We, along with Microsoft, Sundsvall Municipality and Founded by me, are partners with Great Space. The premises where Great Space has been based since May is very central, at the top of the In: shopping centre.

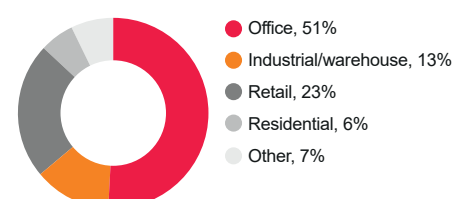
SURPLUS RATIO AND ECONOMIC OCCUPANCY RATE, %



SHARE OF TOTAL CONTRACT VALUE



FLOOR AREA BY TYPE OF PREMISES



BUSINESS AREA JÄMTLAND

➤ During the year, the business area's market position was strengthened with the acquisition of an office and retail property in Östersund and a retail property in Åre.

The Jämtland business area includes 22 per cent of Diös' total property value with a property portfolio that mainly consists of office premises and homes, centrally located in Östersund and Åre.

ÖSTERSUND

As the county town, Östersund is responsible for a large proportion of the region's growth. We have our head office here. From having the character of a regimental city in the past, today's Östersund offers a wide range of services, commerce, sports, culture and educations with good options for living and working in the same area. The municipality has just over 61,000 inhabitants with a growth target of 450 new inhabitants a year.

In parallel with extensive residential construction in both the central parts of the city and more outlying areas, accessibility has increased with new road links connecting the centre more closely with the surrounding districts.

As a city characterised by small businesses, Östersund offers a multi-faceted business community that does not rely on a few dominant employers. Thanks to its active work in developing the business sector in conjunction with

other business players, the municipality was awarded Visma's Swedish new business municipality of the year during the year. As well as a strong service industry, commerce takes a central role with a number of major chain stores having established themselves in the area.

During the year, we acquired the property Åkeriet 11. The economic occupancy rate of the city's 83 properties was 90 per cent with a rental value for the full year of SEK 279 million.

ÅRE

Home to Sweden's largest ski area, Åre is one of the country's most established tourist destinations. Interest in the city as a permanent place of establishment continues to grow. 2005–2015 the population increased by just over seven per cent. The number of new companies has also grown significantly, and in 2015 was well above the national average. The companies' financial revenue also increased significantly, as did income.

Åre has been voted the country's fourth best location for young entrepreneurs to start a company in. In order to facilitate entrepreneurial activity, three major Swedish businesses started House Be, a hub for start-up tech firms, during the year. In 2017 the company will move into fully renovated premises in our property Totten 1:68.

During the year we acquired the property Åre Mörviken 2:91. The economic occupancy rate of the city's 29 properties was 93 per cent with a rental value for the full year of SEK 38 million.



MALIN RUNBERG
BUSINESS AREA MANAGER

➤ Urban development is an important part of our business concept and with our broad portfolio of properties, we have the opportunity to make a difference. Together with Östersund municipality, we are planning a development project of Gustav III's Square to promote foot flow in the city centre. This is where we want to develop space for homes, culture, meeting places and commercial activity. We are also carrying out comprehensive development projects in existing properties in both Åre and Östersund. This is in order to meet the huge demand for office space and housing in the centre. To strengthen Östersund as an attractive centre of commerce, we have adapted several premises during the year and thereby attracted new establishments, such as Volt and Peak Performance.

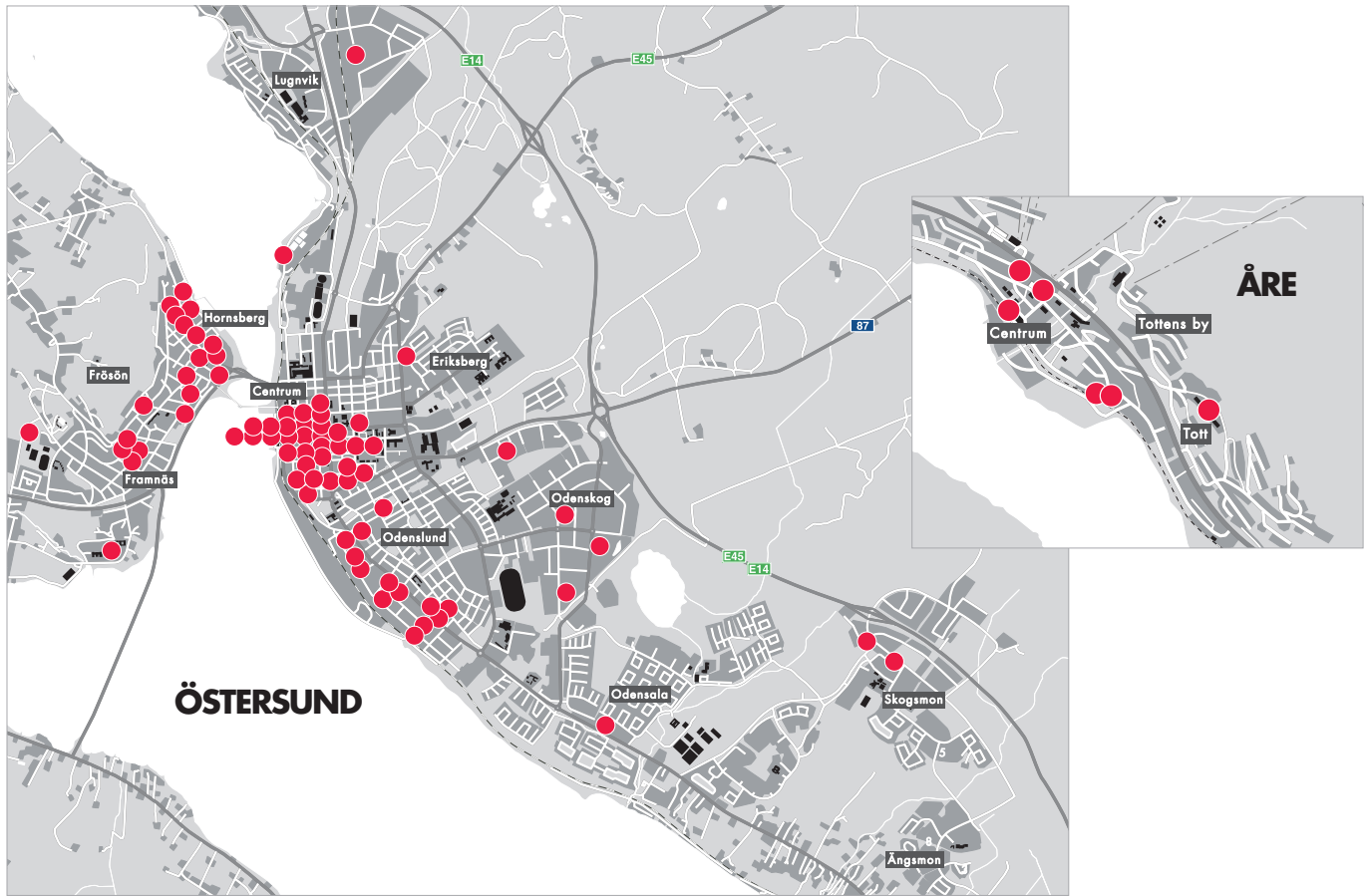
PROPERTY PORTFOLIO IN JÄMTLAND

No. of properties	115
Area, thousand sq.m	305
Property value, SEKm	3,025
Operating surplus, SEKm	164

MARKET RENTS AND YIELD¹

		Rent SEK/sq.m	Yield, %
Office	A-location	900–1,700	6.3–7.0
	B-location	800–1,300	6.5–7.5
Retail	A-location	1,400–2,500	6.0–7.0
	B-location	1,000–1,600	6.0–7.0
Warehouse/ industrial	A-location	450–800	7.5–9.5
	B-location	350–600	8.0–10.0

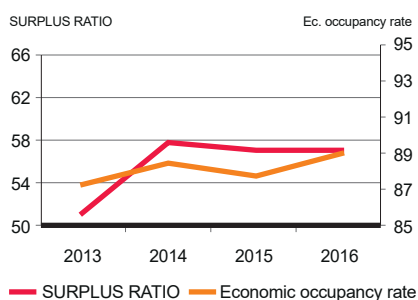
¹ Data taken from Datscha AB.



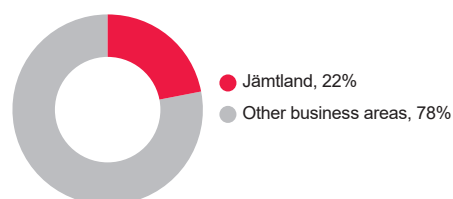
URBAN DEVELOPMENT *A HONED CITYSCAPE*

➤ In connection with Volt's establishment in Östersund, a decision was taken to hone the cityscape in central Östersund. By enclosing the arcade that extends past three of our tenants' stores in glass, we created new retail space and freshened up the property's facade. Generating a new lease to a strong brand in vacant premises, while also improving the experience for residents and visitors to the city, is a perfect example of our idea of urban development.

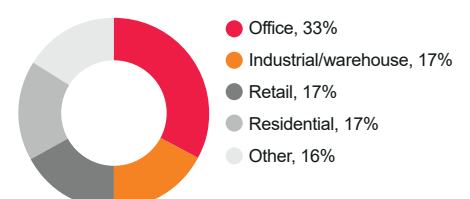
SURPLUS RATIO AND ECONOMIC OCCUPANCY RATE, %



SHARE OF TOTAL CONTRACT VALUE



FLOOR AREA BY TYPE OF PREMISES



BUSINESS AREA VÄSTERBOTTEN

➤ The business area's growth trend continued during the year with the acquisition of 13 properties in Umeå amounting to a total of 87,000 sq.m.

The Västerbotten business area includes 16 per cent of Diös' total property value with a property portfolio that primarily consists of office and industrial premises with central locations in Umeå and Skellefteå.

UMEÅ

Umeå is a city with strong population growth, with an annual increase of approximately 2,000 inhabitants. Around 1,300 new jobs are created each year. The municipality's growth strategy has focused on a density of the city within a radius of five kilometres from the city centre and university campus. The strategy is to use existing infrastructure and reduce the dependence on cars through a clear city block structure and a functional mixture of homes, shops and businesses. With our broad portfolio of properties, we contribute by taking advantage of development rights for new buildings and developing existing properties. The planning process for the properties and the areas around Vale 17 and Saga 3 are expected to be ready during 2017.

An exciting development of central Umeå is the Ön city district; strategically located in the middle of the Umeälven river with the centre on one side of the river and the Teg city district on the other. The plan is to develop the city district with up to 3,000 new homes. The

construction of apartment blocks will begin after 2019 and will continue for 10–15 years.

During the year we acquired thirteen properties in Umeå which, among other things, house the Court of Appeal for Northern Norrland, the County Administrative Board and the MVG shopping centre. A major development right is also included. The economic occupancy rate of the city's 23 properties was 85 per cent with a rental value for the full year of SEK 104 million.

SKELLEFTEÅ

As an industry leader in research and development of modern timber technology and with convenient access to high quality wood, Skellefteå has assumed the position of internationally recognised timber town. The population growth in recent years is positive, and the municipality's goal is 80,000 inhabitants in 2030. Major investments are made to create an attractive central area. The construction of a new cultural centre will start in 2017. A development of the market square, which is an important link between Södertorg and the planned travel centre in the north, is in progress. An investigation of a new route for the E4, which currently cuts through Skellefteå city centre, is also in progress.

After the acquisition of a large property portfolio in Skellefteå at the end of 2015, we are the largest private property owner in the centre. The economic occupancy rate of the city's 13 properties was 97 per cent with a rental value for the full year of SEK 124 million.



GÖRAN FONZÉN BUSINESS AREA MANAGER

➤ As one of the major private players in the property market in both Umeå and Skellefteå, we will continue to actively participate in the dialogue concerning the strategies for developing the areas around the centre of these cities. Flexible and functional premises solutions are the catchwords when we develop existing properties and build new ones. It should be easy to customise the premises according to the tenants' current and future needs. With our expanded portfolio in Umeå and new construction plans in Skellefteå, we want to further strengthen our position. The Polaris property in Skellefteå will be located next door to the cultural centre and will primarily include homes with commercial premises at street level.

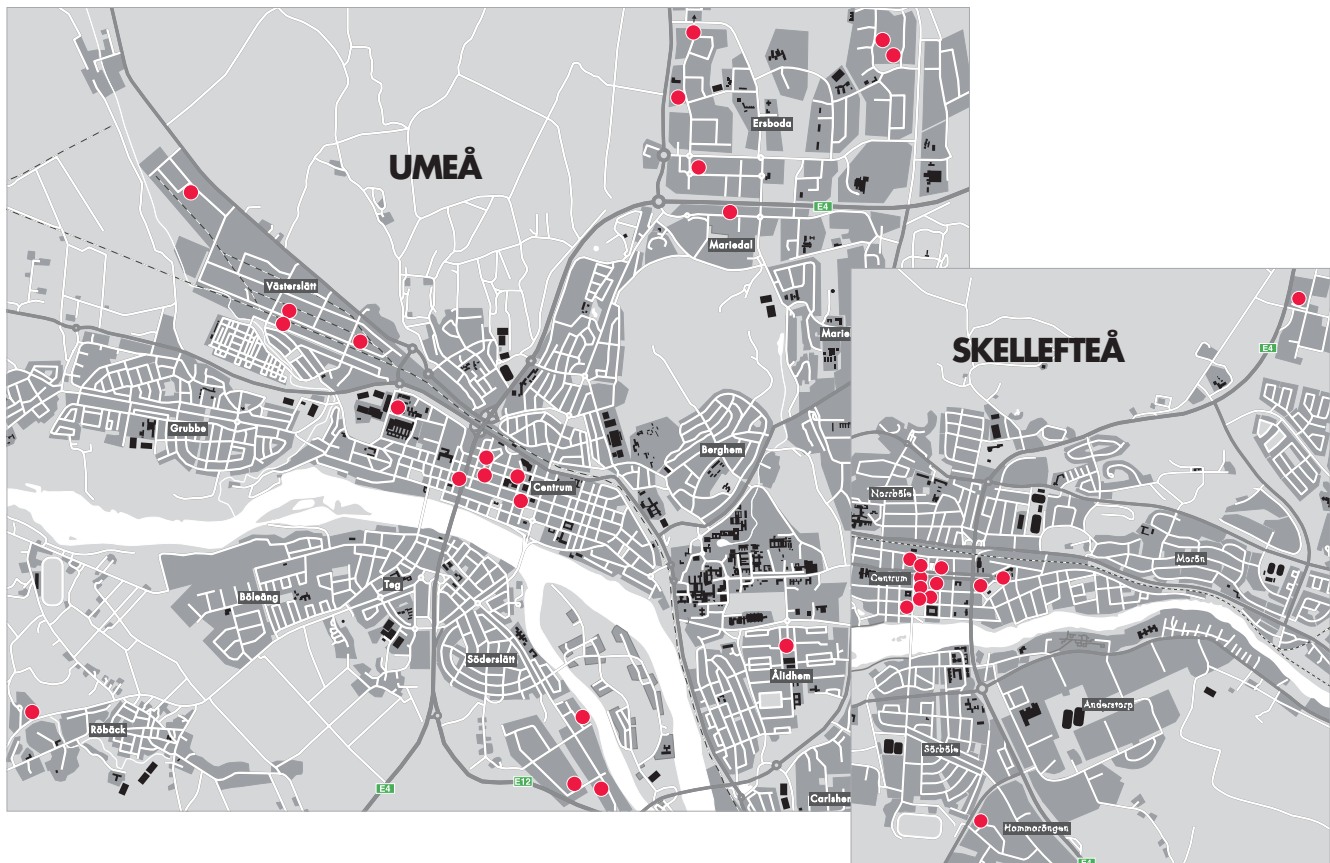
PROPERTY PORTFOLIO IN VÄSTERBOTTEN

No. of properties	40
Area, thousand sq.m	226
Property value, SEKm	2,219
Operating surplus, SEKm	131

MARKET RENTS AND YIELD¹

		UMEÅ		SKELLEFTEÅ	
		Rent SEK/sq.m	Yield , %	Rent SEK/sq.m	Yield , %
Office	A-location	1,700–2,000	5.5–6.5	850–1,350	6.8–7.8
	B-location	950–1,400	6.5–7.5	700–1,000	8.0–9.0
Retail	A-location	2,200–4,200	5.8–6.8	1,250–2,400	6.3–7.0
	B-location	1,000–1,800	6.0–6.8	700–1,100	6.5–7.5
Warehouse/ industrial	A-location	450–900	7.0–8.8	350–800	7.3–10.0
	B-location	350–600	8.0–9.8	250–550	8.0–11.0

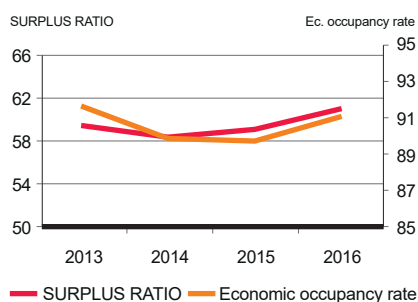
¹ Data taken from Datscha AB.



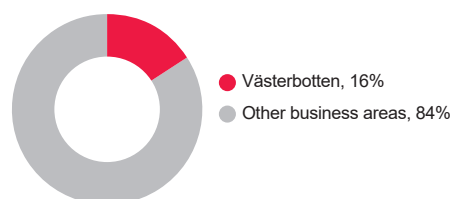
URBAN DEVELOPMENT *CONVERSION TO APARTMENTS*

➤ The housing shortage is apparent in many of our towns and cities, particularly when it comes to rental rights near the centre. When the office premises in the Rind property at Vasagatan 19 in Umeå became empty, we decided to convert them into 18 new apartments. Homes in the centre are a great way to create a vibrant 24/7 city centre. This is demonstrated by the huge interest here when we opened the application of interest for the apartments in July. Approx. 6,000 applications of interest were registered.

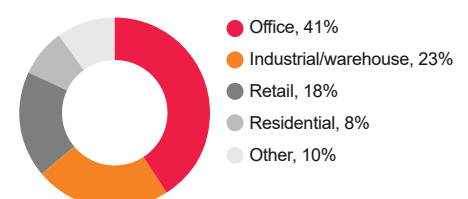
SURPLUS RATIO AND ECONOMIC OCCUPANCY RATE, %



SHARE OF TOTAL CONTRACT VALUE



FLOOR AREA BY TYPE OF PREMISES



BUSINESS AREA NORRBOTTEN

➤ *We are increasing our offering of office and retail properties with the acquisition of ten new properties in Luleå.*

The Norrbotten business area comprises 14 per cent of Diös' total value of properties with a property portfolio that mainly consists of office and retail premises with central locations in Luleå.

LULEÅ

Luleå is a fast growing municipality with high ambitions. In 2015 Luleå was awarded Growth Municipality of the Year and since 2008, the municipality has climbed 93 places in the Confederation of Swedish Enterprise's ranking of the business climate in Sweden. The municipality has also been named Place-brander of the Year award for its efforts to strengthen Luleå's brand.

To attract more inhabitants, visitors, events, investments and new businesses, the municipality expects to invest SEK 2 billion between 2015 and 2017 primarily in new residential and workplace areas, new routing of water and sewage pipelines, traffic improvements and new park areas. The expansion of Östra Länken, the development of the Kronan city

district, as well as the planning of a new travel centre are examples of current building projects. Approx. 2,400 new homes are expected to be completed by 2019.

With a target of 2,000 new jobs at Porsön and a vision of amalgamating the university and Luleå Science Park, the municipality is planning to make new land ready for the construction of, among other things, hotels, offices, restaurants, student residences and research institutes. Luleå University of Technology has an internationally prominent position and is taking part as the only Swedish higher education centre in a comprehensive European research project within a new intelligent technology, safety, sustainability and working conditions within the mining industry.

As a part of strengthening our position in Luleå, we acquired a total of ten properties during the year. In June, the new Luleå Office Building was acquired with Telia as the largest tenant and in November an additional nine properties were acquired with a rental value consisting of 46 per cent office space and 41 per cent retail premises, including two shopping centres. We will take possession of the properties at the start of 2017.

The economic occupancy rate in the city's 18 properties was 94 per cent with a rental value for the full year of SEK 172 million.



JOHAN LÅNG
BUSINESS AREA MANAGER

➤ Through the year's acquisitions, Diös has shown that we want to strengthen our position in Luleå. With an expanded property portfolio, we are widening the offering to our tenants while simultaneously increasing the opportunities for synergies in management. Our local presence should be marked in both our offering and collaboration where we will become the obvious choice due to our great sensitivity and initiative. The breadth of premises in our offering, as well as in the tenancy structure, is a fantastic asset when it comes to developing the business. By responding to the tenants' changing needs, we will gain invaluable data for our marketing strategy, and I look forward to further deepening relationships with tenants, colleagues and partners.

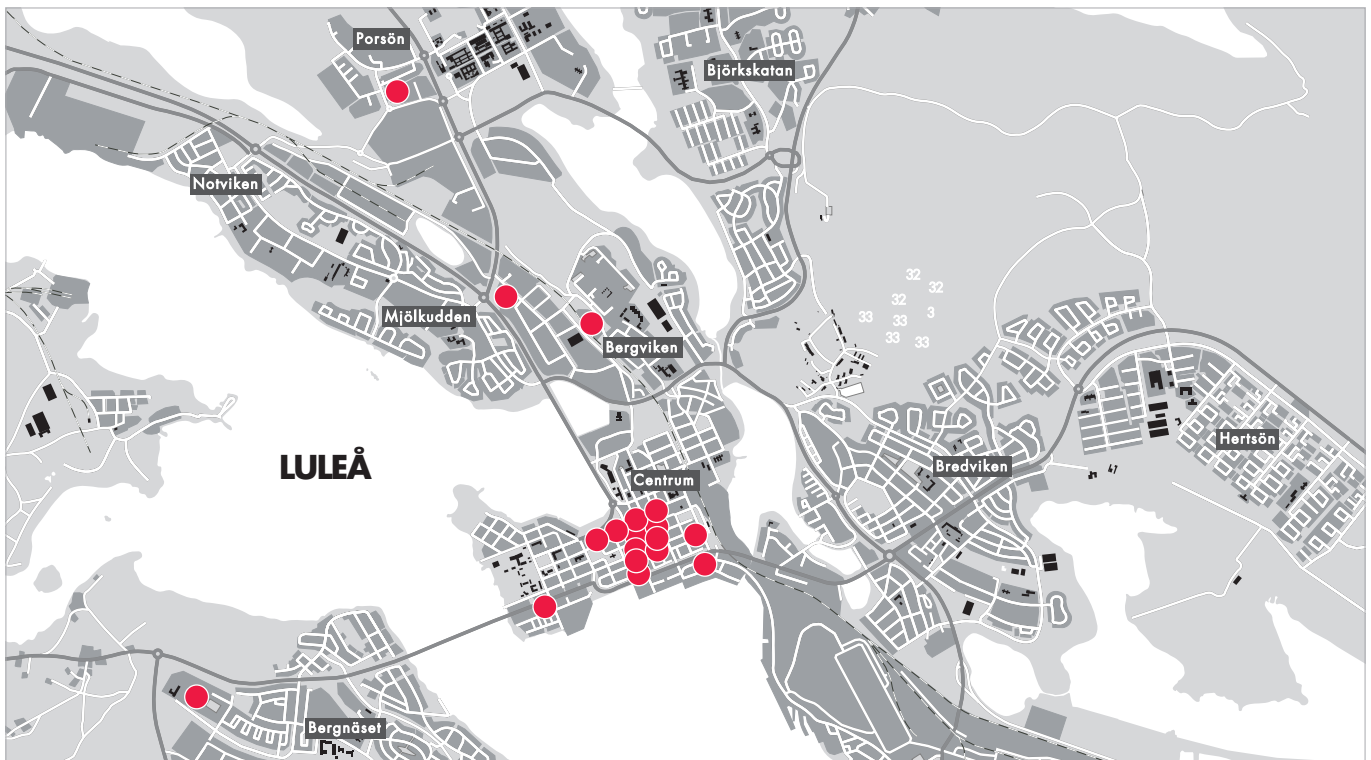
PROPERTY PORTFOLIO IN NORRBOTTEN

No. of properties	18
Area, thousand sq.m	120
Property value, SEKm	1,852
Operating surplus, SEKm	107

MARKET RENTS¹

		Rent SEK/sq.m	Yield, %
Office	A-location	1,500–1,700	5.8–6.5
	B-location	800–1,150	6.5–7.5
Retail	A-location	1,400–3,600	5.8–6.8
	B-location	900–1,500	6.0–7.0
Warehouse/ industrial	A-location	500–750	7.0–8.8
	B-location	350–600	8.0–9.8

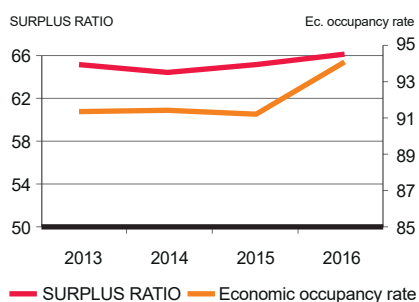
¹ Data taken from Datscha AB.



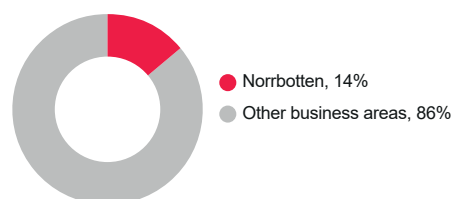
URBAN DEVELOPMENT *NEW FACADE AND ENTRANCE*

➤ Central Luleå has been given a real makeover with the renovation of the Smedjan shopping centre. Renovation of both facade and entrance provides a more welcoming impression. Similarly, the internal renovation of areas and spaces provides visitors and shop owners with a much more pleasant environment to be in. A shopping centre with a wide range of shops and fresh space creates a natural meeting place in a city, with options for a number of pleasant experiences.

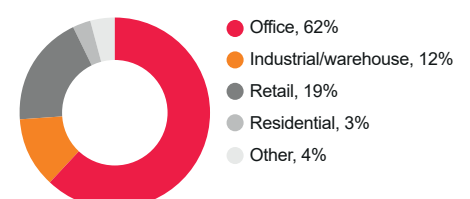
SURPLUS RATIO AND ECONOMIC OCCUPANCY RATE, %



SHARE OF TOTAL CONTRACT VALUE



FLOOR AREA BY TYPE OF PREMISES





DIRECTORS' REPORT

➤ Maria Persson, Centre Manager, In: shopping centre in Sundsvall.

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 2016. 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 83–89.

OPERATIONS

We are one of northern Sweden's leading private property companies with a total property value of SEK 13,683 million (13,381) which consists of commercial and residential premises in central locales. The operations are organised into six business areas: Dalarna, Gävleborg, Västernorrland, Jämtland, Västerbotten and Norrbotten. The head office is located in Östersund. Since 2006, the company has been listed on NASDAQ OMX Stockholm. The largest owner is AB Persson Invest, which holds 15.4 per cent of the shares and votes.

Parent company operations are made up of shared corporate functions, such as IT, economy and finance, HR, rental administration, communications and energy optimisation, as well as the ownership and operation of the

Group's subsidiaries. Revenue totalled SEK 137 million (127) and post-tax profit was SEK 311 million (-11). Profit after tax includes dividends from Group companies in the amount of SEK 300 million (0). Net revenue refers chiefly to services sold to subsidiaries.

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 2016 were:

- An equity/assets ratio of at least 25 per cent in the short term and 30 per cent in the long term.
- An interest coverage ratio of at least 1.8 times.
- A loan-to-value ratio of no more than 65 per cent.

The company achieved its financial targets for 2016. All financial key ratios improved, and the company is comfortably meeting the financial stability requirements defined by the banks. The equity/assets ratio amounted to 31.0 per cent (27.4) in the Group, and 12.5 per cent (11.9) in the parent company. After the proposed dividend, the equity/assets ratio would be 29.6 per cent (26.2) in the Group and 9.8 per cent (9.7) in the parent company.

SHARE BUY-BACKS

The 2016 AGM authorised the company to buy back shares of the company, subject to a limit of 10 per cent of all outstanding shares. No share buybacks were made during the year.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

For a description of events after the end of the financial year, see Note 28 on page 78.



➤ The artwork "Paket i långa rader" by Lennart Rodhe, Arken 8, Östersund.

PROPERTY PORTFOLIO AND OPERATING SURPLUS

The property portfolio consisted mainly of centrally-located office and retail premises in growth areas in northern Sweden. The annual operating surplus amounted to SEK 806 million (776).

PROPERTIES

At 31 December 2016 the property portfolio consisted of 314 properties (351) with a total rentable area of 1,354,000 (1,463,000). The market value amounted to SEK 13,683 million (13,381). The change in value compared with the previous year due to investments of SEK 420 million (456), unrealised changes in value of SEK 337 million (262), acquired properties of SEK 206 million (622) and completed sales of SEK -661 million (-159).

At the end of the year, the holding consisted of 92 per cent (90) commercial properties with the following distribution of the total rental value: 47 per cent (46) offices, 23 per cent (24) retail, 7 per cent (7) warehouse/industry and 15 per cent (13) other. Residential properties comprised 8 per cent (10) of holdings.

RENTAL VALUE AND RENTAL INCOME

The property portfolio's total rental value for the year amounted to SEK 1,478 million (1,466). Estimated rental value for vacant

premises was SEK 137 million (147).

The contracted rental income at the end of the year amounted to SEK 1,330 million (1,361), which is equivalent to SEK 983/sq.m (931). For comparable portfolios, rental income increased by 3.2 per cent (0.5) compared with the previous year. Rental income includes rent supplements in a total amount of SEK 159 million (155), which is passed on to the tenants. The rent supplements relate to property tax, heating, water, waste collection and electricity.

The economic occupancy rate for the year amounted to SEK 90 per cent (88). Of the properties' total floor space of 1,354,000 sq.m (1,463,000), 1,138,000 sq.m (1,214) was let at 31 December 2016. This is equivalent to an area occupancy rate of 84 per cent (83).

Our lease agreements are normally subject to an annual rent adjustment, either by a percentage increase or by an increase based on the consumer price index. Lease agreements with terms of three years or more are normally subject to upward adjustment based on the consumer price index as at 31 October of the preceding year. Adjustment for the year of lease agreements included 79 per cent of the contract value, including homes. For contracted commercial leases, the indexed portion is 77 per cent.

Net leasing, defined as net annual rent excluding discounts and supplements for newly signed, terminated and renegotiated contracts for the year amounted to SEK 26 million

(48). The time delay between the net leasing and its effect on profit and loss is estimated to be 6–9 months.

PROPERTY COSTS

The property costs fell by SEK 5 million (11) and amounted to SEK 534 million (539). The main reason is reduced repair costs. Continued thorough follow-up of unpaid and due rents have resulted in low customer losses amounting to SEK 3 million (7) which corresponds to 0.2 per cent (0.5) of the total income.

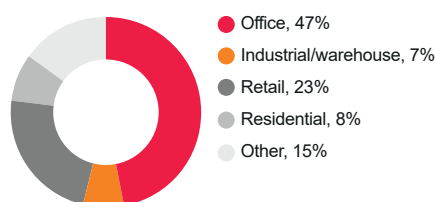
OPERATING SURPLUS AND SURPLUS RATIO

The operating surplus was SEK 806 million (776), which was an increase of 3.9 per cent (1.8). The change is mainly attributed to decreased vacancies, and lower repair costs. The surplus ratio, i.e. the operating surplus divided by rental income, increased to 61 per cent (60).

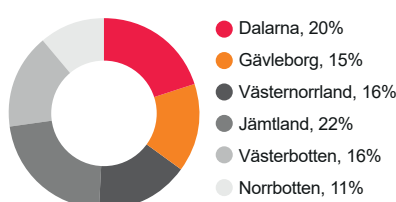
CONTRACT STRUCTURE

The total number of leases at year-end was 7,508 (8,466), of which 1,508 (2,136) related to residences and 3,342 (3,653) to parking. The number of leases for premises amounted to SEK 2,658 (2,677), with contracted rental income of SEK 1,176 million (1,162). The average lease term for the ten largest tenants was 3.7 years (4.3). The total lease term of leases for premises amounted to SEK 3.4 year (3.2). Out of the total contract value for premises, 15 per cent (14) will fall due in 2017.

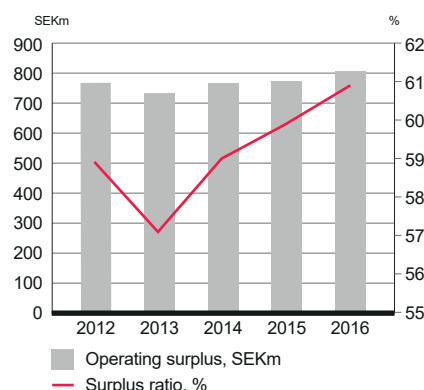
RENTAL VALUE BY TYPE OF PREMISES



RENTAL VALUE BY BUSINESS AREA



OPERATING SURPLUS AND SURPLUS RATIO



PROPERTY PORTFOLIO BY BUSINESS AREA¹

Income statement items, SEKm	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrbotten	Diös Group
Rental income	266	193	201	288	215	162	1,323
Other income	6	2	3	2	1	3	17
Repairs and maintenance	-13	-11	-11	-16	-13	-7	-71
Tariff-based costs	-38	-25	-28	-48	-31	-15	-185
Property tax	-12	-11	-11	-14	-11	-8	-67
Other property costs	-30	-21	-27	-33	-20	-17	-149
Property management	-10	-8	-12	-15	-10	-9	-64
Operating surplus	169	120	115	164	131	107	806
Realised change in value of properties	-	-	-3	-3	-4	-	-10
Unrealised change in value of properties	-49	55	23	93	71	144	337
PROFIT AFTER CHANGES IN VALUE OF PROPERTIES	119	175	135	254	198	251	1,133

Balance sheet items and key ratios	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrbotten	Diös Group
No. of properties	44	51	46	115	40	18	314
Leasable area, thousand sq.m	267	251	185	305	226	120	1,354
Investments, SEKm	68	40	62	104	98	49	420
Fair value, SEKm	2,576	1,978	2,033	3,025	2,219	1,852	13,683
Rental value, SEKm	294	220	234	323	235	172	1,478
Surplus ratio, %	63	62	57	57	61	66	61
Economic occupancy rate, %	90	88	86	89	91	94	90

¹ Columns/rows may not add up due to rounding.

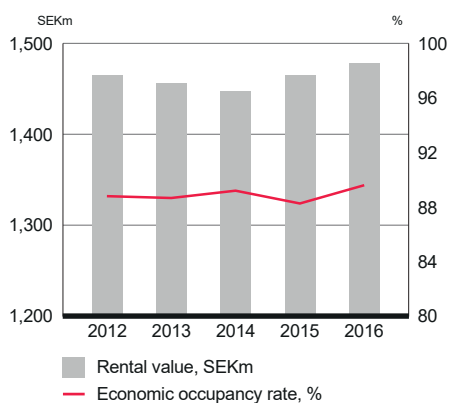
SENSITIVITY ANALYSIS PROPERTY VALUATIONS

	Change	Change in fair value, SEKm
Rental value	+/-SEK 50/sq.m	+1,000/-1,008
Operating costs	-/+SEK 25/sq.m	+485/-493
Yield	-/+0.5% percentage points	+881/-761
Cost of capital	-/+0.5% percentage points	+272 /-274
Vacancy rate	-/+1.0% percentage points	+/-165

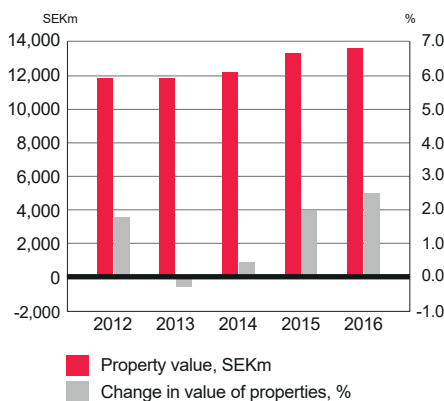
SENSITIVITY ANALYSIS RESULTS

	Change	Impact on earnings, SEKm
Contracted rental income	+/-1%	+/-13
Economic occupancy rate	+/-1%	+/-15
Property costs	-/+1%	+/-5
Interest rate on interest-bearing liabilities	-/+1%	+/-39

RENTAL VALUE AND OCCUPANCY



PROPERTY VALUE AND CHANGES IN VALUE



TRANSACTIONS AND PROPERTY DEVELOPMENT

During the year, five properties were acquired while 42 properties were disposed of. This gives a property portfolio of 314 properties as at 31 December.

Our strategic transaction and project development activities, together with an efficient management, create conditions for long-term growth. We will work towards and actively contribute to growth in our priority locations in northern Sweden. Based on careful market and property analyses, we carry out property acquisitions in prioritised cities in order to achieve synergistic effects and a good return. Properties falling outside of our strategic orientation and where the opportunities for adding additional value are limited may be subject to sale.

ACQUISITIONS

During the year we acquired five properties (3) with a total of 19,000 sq.m. (51,000), for a total underlying property value of SEK 206 million (653). Through a barter transaction that was announced in 2015, two central

properties in Östersund and one in Umeå, consisting mostly of offices and housing, were acquired. The property value amounted to SEK 149 million and possession took place in January 2016. In the second quarter of 2016, a barter transaction with NP3 was performed where we acquired a centrally located property in Östersund, Åkeriet 11. The underlying property value for the acquisition was SEK 21 million. In December, we took possession of a retail property in Åre, Mörviken 2:91. The underlying property value amounted to SEK 36 million. In June we announced the acquisition of a newly produced office building, Luleå Office Building, with associated development rights. The property value amounted to SEK 290 million and possession took place on 10 January 2017.

SALES

During the year 42 properties were sold (six and a partial sale) for a total of 128 thousand sq.m. (15), for a total underlying property value of 684 million (177). In Härnösand, 30 properties were sold for an underlying property value of SEK 343 million which were vacated in January 2016. Eight properties in Östersund, three in Umeå and one in

Sundsvall were sold through two barter transactions. The property value in the barter transactions relating to Östersund and Umeå amounted to SEK 321 million while for the property in Sundsvall this amounted to SEK 20 million.

PROPERTY DEVELOPMENT

The majority of the project investments were carried out in the form of new constructions, renovations and extensions, as well as energy-saving measures. During the year we invested a total of SEK 420 million (456) in 590 projects (583). At year-end 331 projects were in progress (307) with a remaining investment volume of SEK 378 million (294) and a total investment volume of SEK 902 million (899).

2017: PROPERTIES ACQUIRED TO AN AMOUNT OF SEK 4.5 BILLION

In the second largest deal in Diös' history, a contract was signed to acquire 32 properties in Umeå, Luleå and Sundsvall at a value of SEK 4,500 million. The properties are well maintained and located in city centres. They complement the existing property portfolio very well. Possession took place on 1 February 2017.



➤ Lars-Göran Dahl, Business Development Manager.



LARS-GÖRAN DAHL BUSINESS DEVELOPMENT MANAGER

CAN YOU DESCRIBE DIÖS' TRANSACTION AND PROJECT ACTIVITIES?

➤ Transactions and project development are part of our business model. We use active processing and local expertise to make regular assessments of our property portfolio for the town or city in question. With our strong position in our priority areas, we strive to be the natural counterparty for municipalities, tenants and other property owners when it comes to property transactions and development. Diös' strategy for project and transaction activities will result in a higher total yield for the company as a whole.

WHAT PLANS DOES DIÖS HAVE FOR DEVELOPMENT RIGHTS?

➤ We have approximately 150,000 sq.m of possible development rights after the acquisition from Castellum. We are preparing to develop Wasahuset in Gävle and have a building permit for housing in Thulehuset in Umeå. We are currently reviewing the options for taking advantage of our development rights if the return is correct, either for new builds on our own or with other players.

WHAT CHALLENGES DO YOU SEE IN THE FUTURE?

➤ Uncertainty about rules and taxes are usually what affect the willingness to invest in general. There are currently discussions regarding changed packaging deals for property deals and changed interest deductions, which creates uncertainty. The specific things I see that may inhibit the growth and impede our business are long planning processes and a lack of the right expertise within the building and property industry. Continued good access to financing is of course important to make our development projects possible.

**SALES**

Property	Number	Property type	Rentable area, sq.m	Sale price ¹ , SEKm	Handover date
Portfolio in Härnösand	30	Office, store, residential, industrial/warehouse	84,173	343	12/01/2016
Portfolio in Umeå and Östersund	11	Homes	39,818	321	21/01/2016
Skönsmon 2:13, Sundsvall	1	Industrial/warehouse	3,863	20	01/04/2016
TOTAL	42		127,854	684	

ACQUISITIONS

Property	Number	Property type	Rentable area, sq.m	Acquisition price ¹ , SEKm	Occupancy
Portfolio in Umeå and Östersund	3	Offices, homes	14,260	149	21/01/2016
Åkeriet 11, Östersund	1	Office	2,650	21	01/04/2016
Mörviken 2:91, Åre	1	Retail	2,326	36	15/12/2016
TOTAL	5		19,236	206	

¹ Underlying property value.

LARGER ONGOING PROJECTS 31 DECEMBER 2016¹

Municipality	Property	Type of premises	Project area, sq.m	Planned investment, SEKm	Remaining investment, SEKm	Estimated return on investment, %	Increase in rental value ² , SEKm	Year of completion
FALUN	G:a Bergskolan 15	Retail	2,473	17.5	5.5	9	1.6	2,017
SUNDSVALL	Hälsan 7	Office	2,362	14.0	1.7	18	2.5	2,017
FALUN	Kansliet 20	School	5,577	13.6	2.8	10	1.4	2,017
GÄVLE	Brynäs 12:1	Office	1,810	13.1	8.9	9	1.2	2,017
SUNDSVALL	Glädjen 4	Gym	1,260	13.0	9.5	4	0.5	2,017
ÖSTERSUND	Buntmakaren 3	Office	1,057	9.3	5.5	6	0.6	2,017
SUNDSVALL	Hälsan 7	Retail	912	8.9	2.1	9	0.8	2,017
SUNDSVALL	Lagmannen 9	Office	1,210	7.8	1.1	5	0.4	2,017
SUNDSVALL	Lyckan 6	Retail	691	7.7	3.4	15	1.2	2,017
ÖSTERSUND	Frösö 3:7	Office	2,042	4.3	1.0	10	0.4	2,017
Total			19,394	109.2	41.5	10	10.5	
Total other 321 projects				793.1	336.6			
TOTAL				902.3	378.1			

¹ Initial investment volume > SEK 4 million.

² Where applicable, reduced operating costs.



PROPERTY VALUATION

Overall, the property portfolio experienced a positive value growth, increasing to SEK 13,683 million (13,381). The average valuation yield amounted to 6.4 per cent (6.7).

VALUATION MODEL AND METHOD

At each closing date all properties are measured at fair value, i.e. the price at which a transfer can take place between market players who have an interest in the transaction being performed. Each property is valued individually which is why any portfolio effects are not taken into account. The valuation model includes an annual external valuation of the 100 largest properties in terms of value, of which 25 per cent are valued each quarter. The valuation will be undertaken by valuation consultant Savills. Properties that are covered by major changes such as newly signed or terminated leases are valued internally with the assistance of Savills. Projects that includes renovation or new construction projects are valued less the remaining investment.

The value of the property portfolio includes the sum of the present value of the net operating surplus, less the value of remaining investments for ongoing projects over the next five years, and the present value of the estimated residual value in year six. Historical outcomes for the period 2006–2016 and the budget for 2017 have formed the basis for the forecast operating surplus. The figures are 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. In addition, business area managers and administrators have provided specific information for each valuation based on continuous property inspections.

CHANGES IN VALUE

The value of the property portfolio amounted to SEK 13,683 million (13,381). This entailed a change in value of SEK 327 million (273), of which SEK -10 million (11) was realised and SEK 337 million (262) was unrealised. The unrealised change in value represents a change in value of 2.5 per cent (2.0). The Group's positive unrealised changes in value are explained by both lower yield requirements and improved cash flow as a result of higher rent levels, primarily as a result of project investments.

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 of +/-7.5 per cent.

SENSITIVITY ANALYSIS

The market value of the properties is primarily influenced by adjustments to the yield requirement or the cost of capital. The yield requirement is affected by the general state of the economy, comparable property transactions in

each sub-market and trend for the current property and its sub-market. The property's location, level of rent and vacancy rate are important factors when determining the yield requirement.

The cost of capital, i.e. the market's requirement for total return, is determined with reference to the real rate of interest, inflation adjustments, and general and specific risk premiums for the property. The reliability of estimates of value increases in line with the number of published property transactions.

SENSITIVITY ANALYSIS PROPERTY VALUE

	Change in property value, %		
	-7.5	0.0	7.5
Property value, SEKm	12,657	13,683	14,709
Equity/assets ratio, %	25.5	31.0	35.7
Loan-to-value ratio, %	63.4	58.6	54.5

VALUATION ASSUMPTIONS

Value date	31 Dec 2016	31 Dec 2015
Analysis period	5 years	5 years
Yield for assessing residual value ¹ , %	5.9–7.4	6.3–7.7
Cost of capital for discounting to present value, %	8.5	8.8
Long-term vacancy, %	5.1	5.4
Inflation, %	2	2

¹ From lower to upper quartiles in the portfolio.

CHANGES IN VALUE OF PROPERTIES BY BUSINESS AREA

BUSINESS AREA	Market value 31 Dec 2016, SEKm	Market value 31 Dec 2015, SEKm	Average cost of capital, %	Average yield requirement valuation, %	Change, %	Change, SEKm	Of which investments/acquisitions, SEKm	Of which sales, SEKm	Of which unrealised change in value, SEKm
Dalarna	2,576	2,558	8.9	6.8	0.7	19	68	-	-49
Gävleborg	1,978	1,882	8.7	6.6	5.0	95	40	-	55
Västernorrland	2,033	2,290	8.4	6.3	-11.2	-256	62	-341	23
Jämtland	3,025	2,946	8.4	6.3	2.6	78	241	-256	93
Västerbotten	2,219	2,046	8.5	6.4	8.5	173	166	-64	71
Norrbottn	1,852	1,659	8.1	6.0	11.6	193	49	-	144
TOTAL	13,683	13,381	8.5	6.4	13.1	302	626	-661	337



TAX AND TAX LOSS CARRY-FORWARD

Current tax amounted to SEK 11 million and deferred tax to SEK -136 million. The tax loss carry-forward amounted to SEK 177 million. Tax loss carry-forward can be used for an additional year in the event of unchanged earnings capacity.

CURRENT TAX

Current tax in the income statement is calculated based on the taxable profit less any approved tax losses from previous years. This can also include a tax reassessment from previous years as well as companies that were acquired and sold during the financial year. The taxable profit consists of the profit for the year after tax-deductible depreciation and amortisation and expenses relating to certain investments. Current tax affects cash flow as it must be paid, unlike deferred tax.

DEFERRED TAX

Deferred tax in the income statement relates to a calculated and possible future tax that can have both a positive and negative effect. The change in respective deferred tax assets and deferred tax liabilities is recognised under Deferred tax liability in the balance sheet. In the income statement, deferred tax consists of the change in Deferred tax liability in the balance sheet. The deferred tax assets refer to granted and approved tax loss carry-forward multiplied by the applicable tax rate. Tax loss carry-forward is used to reduce the taxable profit, as tax assets decrease in line with the utilisation of tax loss carry-forward.

The options for utilising tax loss carry-forward may be limited depending on opportunities to even out earnings among Group companies for tax purposes. Deferred tax liabilities are calculated based on the difference between the properties' fair value and tax bases multiplied by the applicable tax rate. Acquired temporary differences from acquisitions, in other words the difference between the properties' fair value and tax bases, are handled differently depending on whether an acquisition refers to an asset purchase or business combination.

In case of an asset purchase no deferred tax liability is recognised on the temporary differences. For a business combination, a deferred tax liability is recognised for the full temporary difference. The tax liability is realised if and when the property is sold as an individual property. If a company is sold, with the property as an asset, no tax effect is triggered.

In April 2005, a Group consisting of dormant limited companies was acquired. The aim of the acquisition was to create a basis for the formation of Diös Fastigheter AB. The only assets of the acquired companies at the time of acquisition were approximately SEK 40 million in cash and, according to the 2005 income tax returns, approximately SEK 1,026 million in unutilised tax loss carry-forward. Tax loss carry-forward on 31 December 2016 is estimated at SEK 177 million (262). With a 22 per cent tax rate, the deferred tax asset, in respect of the tax loss carry-forward, amounted to SEK 38 million (58), which was netted against deferred tax liabilities. The deferred tax liability amounted to SEK 1,047 million (933) gross, of which SEK 1,023 million (912) consisted of temporary differences and SEK 24 million (21) of other deferred tax liabilities. The calculation of the temporary

differences is made according to the actual value of the properties minus residual tax value, SEK 4,648 million (4,143) multiplied by a 22 per cent tax rate. Net deferred tax liabilities amounted to SEK 1,009 million (875) at the end of the year and are calculated based on deferred tax liabilities minus deferred tax assets.

CURRENT TAX IN 2016

Current tax in 2016 was SEK 11 million (-163). Current tax expense is primarily attributable to tax in subsidiaries which were prevented from offsetting losses against profits through Group contributions during the year. The amount has been positively affected by SEK 37 million relating to previously reserved tax expenses that were reversed. In the third quarter of 2015 the company made a provision of SEK 137 million for tax and interest attributable to a previously communicated tax case. All rulings of the Administrative Court of Appeal relating to the case have now been delivered and, as the time limit for any consequential amendments has now expired, the need to maintain provisions no longer exists. The final cost for the tax case after a reversal of SEK 37 million was SEK 100 million. For further information, see previously communicated press releases at www.dios.se.

DEFERRED TAX IN 2016

Deferred tax in the income statement amounts to SEK -136 million (-140). The tax is attributable to a decrease in the deferred tax asset, SEK -20 million (-16), an increase in the deferred liability on temporary differences for properties, SEK -111 million (-128), and an increase in other deferred tax liabilities, SEK -5 million (-4).

CREDITS AND COLLATERAL

The development of our financial situation benefitted from continued low interest rates and good access to capital during the year.

FINANCIAL POLICY AND FINANCIAL MANAGEMENT

The Board of Directors annually determines a financial policy that controls the company's financing and management of financial risks. Since 2014 there has also been a finance committee that monitors developments on the credit market and considers financial matters. The committee submits proposals to the Board of Directors on an ongoing basis but has no decision-making powers on financial matters. The company's finance department is responsible for ensuring access to liquidity and long-term financing, and for optimising the company's interest rate and credit risks. The finance function also has an advisory role on how the agreed financial targets must be met. The Group's measurable and risk-limited financial targets for 2016 were:

- An equity/assets ratio of at least 25 per cent in the short term and 30 per cent in the long term.
- An interest coverage ratio of at least 1.8 times.
- A loan-to-value ratio of no more than 65 per cent.

Our financial transactions are performed based on an assessment of the Group's existing

and future funding and liquidity requirements and desired interest rate risk. External loans are only taken out after an assessment of the Group's overall borrowing requirement is carried out. To enable net management of payment flows, a Group-wide account system is used.

CAPITAL STRUCTURE

The property market is capital-intensive and the availability of capital is a prerequisite for business development. The assets mainly consist of properties that are financed through equity, debt and other capital. The relative share of these mechanisms depends on stability in the company, property types, risk aversion on the part of both owners and lenders, as well as the owners' required rate of return. Factors such as levels of economic activity, the tax situation and the design of leases also have an impact. Debt capital accounts for the largest share of funding. As shareholders require a relatively high return, equity capital is the most expensive form of funding while other capital is inexpensive but limited.

At 31 December 2016, 31.0 per cent of total assets in the balance sheet total of SEK 13,920,000 was funded through equity, 57.8 per cent through debt and 11.2 per cent through other capital. The resulting loan-to-value ratio was 58.6 per cent, which is within the target of up to 65 per cent. The equity/assets ratio amounted to 31.0 per cent and is the long-term target of 30 per cent and well exceeds the short-term target of 25 per cent.

CREDIT AND CAPITAL MARKET

The availability of capital for property companies with a good financial position continued to be good during the year. Both the capital market and credit market showed considerable interest in lending capital, via bonds and Swedish banks. In 2016, the Swedish economy was characterised by low inflation expectations and low market interest rates.

On 15 February 2017, the Riksbank decided to leave the repo rate unchanged at -0.5 per cent. The Riksbank's own main forecast is that the repo rate is kept at that level until the second half of the year 2017, which means continued low market interest rates.

INTEREST RATE AND LOAN MATURITY STRUCTURE

According to the financial policy, the average remaining maturity of interest-bearing liabilities should be between two and four years. A well balanced average maturity, together with diversified due date structure and access to various sources of financing work to reduce the refinancing risk. As at 31 December 2016, the Group's interest-bearing liabilities totalled SEK 8,012 million (8,119) with an average annual interest rate of 1.2 per cent (1.0), including loan commitments. The average annual interest rate, including costs related to derivative instruments and loan commitments, amounted to 2.0 per cent (2.5).

During the year, parts of the loan portfolio were renegotiated and extended, which resulted in lower interest expenses. This year's interest coverage ratio of 3.6 times (3.4) exceeds the financial target of 1.8 times. The loan's average

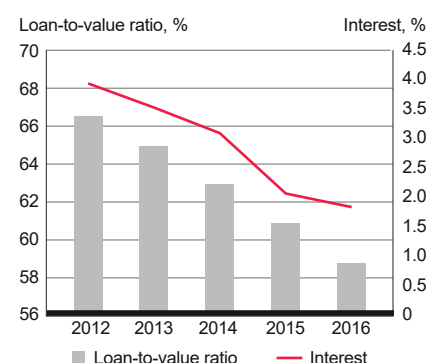
INTEREST RATES AND LOAN MATURITY STRUCTURE

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm
2,017	4,619	1.1	2,790	2,307
2,018	2,820	1.1	3,609	3,609
2,019	-	-	872	872
2,020	574	1.0	574	574
2,021	-	-	1,080	650
Drawn credit facilities	8,012	1.1	8,925	8,012
Undrawn credit facilities ²	913	0.1		
Financial instruments	2,200	0.8		
TOTAL		2.0		

¹ Average annual interest rate refers to the average interest rate based on interest rate terms and current liability at 31 December 2016.

² The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.05 percentage points.

LOAN-TO-VALUE RATIO AND INTEREST



fixed-rate term amounted to 0.7 years (0.3). Including the derivatives portfolio, the average fixed rate period amounted to 0.9 years (0.8).

The average capital commitment period amounted to 1.8 years (2.4). Of the Group's total interest-bearing liabilities, SEK 2,200 million (4,200) is hedged through derivative instruments. The average remaining term is 0.5 years (1.1). The company's financial instruments limit the impact of a rise in interest rates on the average borrowing rate. If interest rates had been increased by 1 percentage point on 31 December 2016, the company's average interest rate would have risen by 0.5 percentage points and the value of the derivatives would have increased by SEK 11 million.

DERIVATIVES

Derivatives are linked to the credit portfolio in order to reduce interest rate risk. We use only nominal interest rate swaps, exchanging a variable interest rate for a fixed interest rate. The variable rate is three-month Stibor while fixed interest rates range from 1.9 to 3.7 per cent. During the year, the derivatives holdings reduced due to a derivative that expired. At the end of the year there were two nominal

swaps of a total of SEK 2,200 million (4,200). Coupled with the company's fixed-rate loans and bonds, the effect of using derivatives is that 51.5 per cent (57.9) of all interest-bearing liabilities are covered by interest rate hedges.

As market interest rates change and the remaining maturities decrease, the value of the derivatives changes. During the year, the unrealised change in value of the derivatives was SEK 91 million (64). The total value of the derivatives amounted to SEK -43 million (-134) as at 31 December. However, upon expiration, the value of the derivatives will be zero. All changes in value of derivatives have been recognised in the income statement. Hedge accounting has not been applied.

LENDERS

The credit portfolio is divided between bank financing, 87 per cent (94), and bond financing, 13 per cent (6). The bank financing is distributed between three different lenders. The bond financing has been made within the framework of the jointly-owned company SFF's MTN programme (previously Nya SFF). SFF is owned in equal parts by Diös Fastigheter AB, Catena AB, Fabège AB,

Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB. The MTN programme is a guaranteed bond programme with a total outstanding loan volume of about SEK 6,260 million where Diös' volume amounts to SEK 1,015 million.

COLLATERAL AND COVENANTS

At 31 December 2016 mortgage deeds on the property portfolio amounted to SEK 9,080 million (9,188). 100 per cent (100) of the total credit volume has collateral in the form of mortgage deeds on properties. The company has also posted collateral in the form of shares in property-owning subsidiaries as well as a parent company guarantee in Diös Fastigheter AB. The agreements with lenders contain limits for various financial key ratios, so-called covenants, which are designed to limit the counterparty risk for the company's lenders. Financial key figures with covenants are the equity/assets ratio, loan-to-value ratio and interest coverage ratio. 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 higher than 1.8 times.

SENSITIVITY ANALYSIS AT 31 DECEMBER 2016

If market rates rise by 1 per cent

	Fixed-rate term, years	Maturity, years	Average annual interest rate, %	Market value, SEKm	Change in annual average interest rate, %	Change in annual average interest cost, SEKm	Change in market value, SEKm
Loan portfolio, excl. derivatives	0.7	1.8	1.2 ¹	8,012	0.8	+61	
Derivative portfolio	0.5		0.8	-43	-1.0	-22	+11
Loan portfolio, incl. derivatives	0.9	1.8	2.0		0.5	+39	+11

¹ The cost for undrawn credit facilities has been included

FINANCIAL POLICY

The financial policy is established by the Board of Directors. It regulates our financial operations and limits the company's financial risks. The commitments that can be found in the financial policy guarantee, among other things, that the covenants stipulated by the financiers are met. Financing activities must ensure that the company has an optimum and cost-efficient financing.

Commitments	Target	Outcome 2016
Loan-to-value ratio	Capped at 65%	58.6%
Interest coverage ratio	At least 1.8 times	3.6 times
Currency risk	Not allowed	No exposure
Liquidity risk	Liquidity reserve to meet payment obligations	SEK 1,348 million in committed undrawn credit facilities
Equity/assets ratio	At least 25%	31.0%

RISKS AND RISK MANAGEMENT

Our ability to manage risks and opportunities is critical for our success and our reputation. Involving employees and other stakeholders in the dialogue on how we can minimise exposure to potential risks without missing any opportunity is essential.

PROPERTY PORTFOLIO

The greatest operational risk is the income and costs associated with our property portfolio.

VALUE CHANGE IN PROPERTY PORTFOLIO

RISK	MANAGEMENT
The value of the property portfolio is affected by both internal and external factors. The internal factors are connected to our ability to refine the portfolio, increase the attraction and return of the properties and to value the properties. The external factors are linked to the state of the overall economy, which determines supply and demand and the required return on the rental market.	To reduce the risks of high fluctuations in value, our property portfolio consists of a well diversified portfolio of properties, especially in central locations in northern Sweden's growth areas. A well-balanced lease structure reduces vacancy rates and loss of rental income. The property valuation is made in accordance with set and revised methods.

PROPERTY PORTFOLIO COMPOSITION

RISK	MANAGEMENT
Factors that affect the portfolio composition are the geographical distribution, type of premises and the technical status of the properties. In locations with a limited future outlook and limited basis for long-term tenant relations, the property holdings constitute a so-called exit risk. Trends and changes in the demand for goods and services affect the demand for type of premises. The opportunities for filling vacant spaces will be affected by an outdated or sub-standard portfolio or one that is difficult to develop.	The property portfolio is currently being concentrated in cities that meet the company's growth criteria. This is being done in order to increase the return and to create synergistic effects. Careful location-specific analyses are performed in order to ensure that the growth criteria are in place, and in order to obtain factual decision-making documentation on which to base transactions. We spread the risks in each location through a diversified property portfolio in terms of type of premises.

ACQUISITION OF COMPANIES AND PROPERTIES

RISK	MANAGEMENT
The objective of our acquisitions is to add value in excess of the purchase price. The planned acquisition strategy cannot always be guaranteed, given that external factors such as raising capital, stock market sentiment and political decisions may make the strategy more difficult to execute. The risk of acquisition is to assess whether the added value and synergies will fail, and whether the technical status is misjudged.	By following our established acquisition strategy, we reduce the risk of incorrect decisions and surprises. In connection with each acquisition, extensive financial inspections and property inspections are performed in order to analyse and discover hidden risks and opportunities. We develop competence in our employees and bring in external competence if necessary.

INVESTMENTS

RISK	MANAGEMENT
The majority of our investments are in the form of new builds, conversions and extensions, and through energy-saving measures. The purpose is to ensure a higher occupancy rate, and thus improved cash flow. Investments that do not result in increased cash flow, that do not meet the desired requirements, or that increase the cost of production, represent risks. Similarly, delays in the preparation of the premises negatively affect the estimate.	Performing quality assurance on the contractors engaged provides predictability and security. All procurements are carried out in the form of a competitive procedure after careful internal calculation and decision-making processes. Our internal project managers manage and follow up on the investment. Long-term tenant relationships and written contracts prior to commencement of production reduce the risk of non-recoverable costs. Local presence and good knowledge of our locations and investment objects reduces the risk of making the wrong investment decision.

RENTAL INCOME

RISK	MANAGEMENT
Contracted rental income is highly dependent on the ability of tenants to pay. Deficient internal processes and commitments may result in dissatisfied tenants and increased vacancies. The economic growth of the economy in general and that of the town or city, production of new premises and homes, and other competition all have an impact. However, it is primarily demand that governs the rent levels.	In order to reduce the risk of suspension of payments, in certain cases the tenant's obligation is guaranteed by a parent company or through a bank guarantee. Employees with solid expertise in regard to the respective location create opportunities for building long-term tenant relationships. A relatively large and diversified property portfolio, with a large number of tenants, reduces the risk of significantly lower rental income if a particular industry or town or city should face economic setbacks. The risk of extensive renegotiations is handled by ensuring an even distribution of lease maturities. The majority of all leases include index compensation based on term. An active and close customer dialogue makes it possible to identify and deal with any dissatisfaction.



PROPERTY COSTS

RISK	MANAGEMENT
Tariff-based costs that are not regulated in the lease and unexpected repair and maintenance costs represent risks. This also applies to weather-related costs that affect profit or loss between seasons and years.	The risk of increased costs is managed by conducting ongoing reviews of the ability to pass on costs and/or perform lease indexation. Increasing the occupancy rate spreads our fixed costs across multiple tenants. An active management of electricity costs 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.

SUSTAINABLE ENTERPRISE

Our ability to meet the expectations and requirements of sustainable enterprise constitutes a potential risk.

SUSTAINABILITY

RISK	MANAGEMENT
Creating a sustainable enterprise requires a long-term, profitable business model and strategy. Incorrect decisions can result in lower earnings, difficulties in attracting competence, tangible and intangible damage and negative tenant relations. Incorrect decisions can also lead to damaged trust, reputation and brand.	The business model and the business plan are dealt with on an ongoing basis by the Board of Directors and management. Similarly, the sustainability strategy includes options for responsible enterprise, sustainable management, sustainable urban development and employer branding. The right competence in the right place reduces the risk of incorrect decisions. In the absence of internal competence, external resources are appointed.

ENVIRONMENT

RISK	MANAGEMENT
Property management and exploitation affect and leave an impression on the environment. 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 conduct investigations and bear the cost of remedial measures.	We work actively to reduce our environmental impact and carbon footprint. Energy-saving measures enjoy high priority and are conducted continuously. Extensive analyses are performed to uncover any environmental risks before an acquisition is carried out. For new construction projects and extensions, we comply with Swedish construction standards in our choice of building materials. Currently we are not aware of any significant environmental claims that could be made on the company.

ETHICS AND PROFESSIONALISM

RISK	MANAGEMENT
All deals and agreements shall be concluded without ethical uncertainties such as threats, bribes or other unreasonable or unhealthy requirements. Even if clear guidelines and policies have been set up and accepted by all employees, there is a risk that decisions are taken contrary to these. Our ability to ensure that our suppliers work in accordance with established policies constitutes a potential risk.	Through the use of clear conditions and following up on how our internal regulations and policies are complied with, we manage the risk of inappropriate conduct towards both employees and suppliers.

FINANCING

Access to financing and stable conditions represent a significant risk for the business.

RISK	MANAGEMENT
LIQUIDITY AND REFINANCING RISK: Complicated or costly financing of the company's capital requirements represent a significant risk.	Our financial policy governs and limits financial risks. Good contacts with banks and capital markets, and forward planning for liquidity and refinancing needs establishes 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 via SFF and liquidity reserve in the form of undrawn credit facilities.
INTEREST RATE RISK: A change in the interest rate is a risk, as it may negatively affect the value of the company and/or cash flow.	Our clear targets and guidelines help us manage our interest rate risk. By maintaining a diversified maturity structure and securing fixed-rate terms, we reduce the risk that individual changes in interest rates will have a significant effect. It is possible to manage interest rate risk via derivatives and fixed-rate loans.
CAPITAL STRUCTURE: The relationship between equity and liabilities affects the risk structure as a higher share of borrowed capital is more risky.	By establishing both long-term and short-term targets for the equity/assets ratio, we adapt our operations via a balanced allocation between flexibility and risk profile. Our financial policy sets targets for the equity/assets ratio.
CREDIT RISK: A counterparty to an agreement that is unable to fulfil its obligations represents a major risk.	In order to spread the credit risks, the financial policy limits with which counterparties, and for what volume, an agreement may be entered into. An up-to-date individual assessment of the counterparty is performed for each contract entered into. We work with most banks and the capital market to reduce dependence on individual players.

LAWS AND REGULATIONS

Changes in laws and rules that govern our industry, may directly or indirectly affect strategy, operation and results.

»» TAXES, REGULATIONS AND CONTRIBUTIONS

RISK	MANAGEMENT
Changes that affect corporation, property and value added tax, housing benefit and interest deduction may result in additional costs. Similarly, changes in the ownership structure may restrict the ability to take advantage of the tax loss carry-forward.	In order to comply with relevant legislation and regulations, we consult with external tax experts and legal advisers to round out our internal expertise. The leases contain provisions governing unforeseen costs as a result of decisions taken by Swedish Parliament, a municipality or government agency.

»» LEGAL RISKS

RISK	MANAGEMENT
Operations are subject to changes in legislation and regulations in many areas. Errors and deficiencies in documentation and agreements always represent a risk.	We rely on external expertise in the respective area in cases where our internal competence is not deemed sufficient. Clear procedures and processes are established in order to prevent errors and deficiencies. Follow-up, policy planning and action plans are established in the event that an undesirable risk exposure is detected.

INTERNAL

Any deficiencies in our ability to man and align our internal processes to the current conditions represent a potential risk.

»» EMPLOYEES AND KEY INDIVIDUALS

RISK	MANAGEMENT
Any deficiencies in our ability to attract, develop and retain the right competence in order to operate the business effectively represent a risk.	Our corporate culture is based on clear guidelines and core values. Equality is a given and we aim for diversity. Annual employee satisfaction index (ESI) surveys are carried out to identify and manage areas of improvement and development. Diös Academy is in place to effectively be able to offer skills development to our employees. A profit-sharing foundation has been established for the employees in order to increase loyalty and give them a stake in the company's success. Benefits are also provided to promote physical activity and good health.

»» ADMINISTRATIVE RISKS

RISK	MANAGEMENT
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.	Procedures and guidelines are established in order to increase predictability and reduce the risk of errors. The four eyes principle is established for checking and approval of important documents. Having the appropriate expertise in the right place and in the proper configuration lays the groundwork for making the best decisions. Recurring reviews of responsibilities as well as the structure and organisation are performed.

»» RISKS IN IT SYSTEMS

RISK	MANAGEMENT
Properly functioning IT systems are needed in order to conduct our day-to-day operations and to meet regulatory and legislative requirements in the form of reporting. There is a risk of information leakage, outages and other interference risks if critical IT systems are improperly handled.	Our IT policy governs and limits the risks within our IT systems. The company only uses standardised IT systems, and purchases services and software from large, stable suppliers with a good reputation. Potential risks are managed by purchasing robust IT systems and through continuous and proactive evaluation of the IT environment and its security, and by employing effective processes to prevent and manage potential threats.

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 to the company's shareholders in the form of dividends.

PROPOSED ALLOCATION OF PROFIT

Retained earnings	SEK 381,665,710
Profit for the year	SEK 310,601,636
Total	SEK 692,267,346

The following profits in the parent company are at the disposal of the Annual General Meeting:

Distributed to ordinary shareholders	SEK 269,024,876
Carried forward	SEK 423,242,470
Total	SEK 692,267,346

The Board of Directors proposes that the profits be allocated as follows:

At 31 December 2016 the number of registered shares of Diös Fastigheter was 74,729,134. However, in early 2017 the company carried out a rights issue to part-fund the acquisition of 32 properties from Castellum, resulting in an increase in the number of shares by 59,783,304 to 134,512,438 as at 3 February 2017. This has a dilutive effect for dividend per share for 2017, as the distributable earnings are based on earnings for 2016. The impact on earnings of the acquisition will be felt in 2017. All shares, both old and new, have the same right to dividends in 2017. The calculation above is based on the new total number of shares. The number of shares may be changed if the number of shares is changed before the dividend record date.

PROPOSED DIVIDEND

The Board of Directors proposes that the 2017 Annual General Meeting authorise the payment of a dividend of SEK 2.00 per share. The proposal would mean that 53 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 the EU adopted IFRS standards

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 the EU adopted IFRS standards and in accordance with the laws of Sweden by the application of the Swedish Financial Reporting Board's recommendation RFR 2.

By reference to the aforesaid calculation methods and other disclosures, the Board of Directors considers that the proposed dividend payment is justifiable in view of the provisions set forth in Chapter 17, Section 3, second and third paragraphs 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 Group's financial position, the dividend is justifiable in view of the parent company and consolidated equity requirements arising from the nature, scope and risks of the operations and the consolidation needs, liquidity and position of the parent company and 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 represents 53 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 dividend is not justified.

Östersund, 14 March 2017

The Board of Directors of Diös Fastigheter AB (publ)

Company registration number 556501-1771



> Stranden 35:8, Mora.

The image shows the entrance of Söderbaumska skola, a building with a highly ornate, Art Deco-inspired stone facade. The entrance features a large, arched doorway with a dark wooden door and a decorative iron grille. Above the door is a large, arched window with a similar grille. The stone work is highly detailed with geometric and organic patterns. Two spherical light fixtures are mounted on the stone pillars flanking the entrance. The overall color palette is warm, with the stone in shades of beige and brown, and the sky in a soft, hazy blue.

FINANCIAL STATEMENTS



INCOME STATEMENT

THE GROUP

INCOME STATEMENT, SEKm	Note	2016	2015
Rental income	3	1,323	1,295
Other property management income	3	17	20
Property costs	4	-534	-539
Operating surplus		806	776
Central administration	5, 6	-63	-58
Financial income	8	2	2
Financial costs	9	-206	-212
Property management income		539	508
Change in value of properties	7	327	273
Change in value of derivative instruments	9, 21	91	64
Profit before tax		957	845
CURRENT TAX	10	11	-163
DEFERRED TAX	10	-136	-140
PROFIT FOR THE YEAR		832	542
Profit attributable to shareholders of the parent company		825	530
Profit attributable to non-controlling interests		7	12
Total		832	542

STATEMENT OF COMPREHENSIVE INCOME, SEKm	2016	2015
Profit for the year	832	542
COMPREHENSIVE INCOME FOR THE YEAR	832	542
Comprehensive income attributable to shareholders of the parent company	825	530
Comprehensive income attributable to non-controlling interests	7	12
Total	832	542

DATA PER SHARE	2016	2015
Earnings per share after tax ¹ , SEK	8.66	5.56
Average number of shares, thousands	95,290	74,729
Number of shares at end of period, thousands	74,729	74,729
Average number of treasury shares	-	-
Number of treasury shares at end of period	-	-
Dividend per share, SEK	2.00 ²	2.85

¹ Taking into account the rights issue, see page 102.

² The Board of Directors' proposals.

BALANCE SHEET

THE GROUP

ASSETS, SEKm	Note	2016	2015
Non-current assets			
Property, plant and equipment and intangible assets			
Investment properties	11	13,683	13,381
Intangible non-current assets	12	2	3
Other property, plant and equipment	13	3	4
Total property, plant and equipment and intangible non-current assets		13,688	13,388
Non-current financial assets			
Interests in associates	15	1	1
Other non-current securities	16	10	10
Promissory notes		26	2
Total non-current financial assets		36	13
Total non-current assets		13,724	13,401
Current assets			
Current receivables			
Trade receivables	18	11	29
Other receivables		155	54
Prepayments and accrued income		30	21
Total current receivables		196	104
Cash and bank balances		-	-
Total current assets		196	104
TOTAL ASSETS		13,920	13,505

EQUITY AND LIABILITIES, SEKm	Note	2016	2015
Equity	19		
Share capital		149	149
Capital contributed		1,820	1,820
Retained earnings		2,301	1,689
Total attributable to shareholders of the parent company		4,270	3,658
Non-controlling interests	19	43	36
Total equity		4,313	3,694
Non-current liabilities			
Deferred tax liability	17	1,009	875
Other provisions	20	9	9
Liabilities to credit institutions	21	7,978	8,097
Total non-current liabilities		8,996	8,981
Current liabilities			
Current portion of non-current liabilities	21	35	22
Overdraft facilities	21	15	227
Trade payables		56	61
Derivative instruments	21	43	134
Other liabilities		116	56
Accruals and deferred income	22	346	330
Total current liabilities		611	830
TOTAL EQUITY AND LIABILITIES		13,920	13,505



STATEMENT OF CHANGES IN EQUITY AND CASH FLOW ANALYSIS THE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the parent company						
SEKm	Number of outstanding shares, thousands	Share capital	Capital contributed	Retained earnings	Proportion of equity held by non-controlling interests	Total equity
EQUITY 31 DECEMBER 2014	74,729	149	1,820	1,372	24	3,365
Profit for the year after tax				530	12	542
Comprehensive income for the year after tax				530	12	542
Cash dividend				-213	-	-213
EQUITY 31 DECEMBER 2015	74,729	149	1,820	1,689	36	3,694
Profit for the year after tax				825	7	832
Comprehensive income for the year after tax				825	7	832
Cash dividend				-213	-	-213
EQUITY 31 DECEMBER 2016	74,729	149	1,820	2,301	43	4,313

CONSOLIDATED CASH FLOW STATEMENT

SEKm	Note	2016	2015
Operating activities			
Property management income	8.9	539	508
Adjustments for non-cash flow items, etc. ¹		10	7
Tax paid		-26	-126
Operating cash flows before change in working capital		523	389
Changes in working capital			
Decrease (+)/increase (-) in receivables		-92	-61
Decrease (-)/increase (+) in liabilities		51	19
Total change in working capital		-41	-42
Operating cash flow		482	347
Investing activities			
Investment in financial assets		-26	-6
Proceeds from sale of property, plant and equipment		641	177
Purchases of property, plant and equipment		-588	-1,059
Cash flow from investing activities		27	-888
Financing activities			
Dividend		-213	-213
Change in borrowings		-84	448
Change in overdraft facility		-212	227
Cash flow from financing activities	23	-509	462
CASH FLOW FOR THE YEAR		0	-79
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR²		0	79
CASH AND CASH EQUIVALENTS AT END OF YEAR²		0	0
¹ Non-cash flow items:			
Depreciation of property, plant and equipment and amortisation of intangible non-current assets		2	3
Impairment of non-current financial assets		3	-
Accrued interest and similar items		5	4
CARRYING AMOUNT AT END OF YEAR		10	7

² Cash and cash equivalents comprise cash on hand and demand deposits.

INCOME STATEMENT

PARENT COMPANY

INCOME STATEMENT, SEKm	Note	2016	2015
Net revenue	3	137	127
Gross profit		137	127
Central administration	5.6	-178	-180
Operating profit		-41	-53
Financial income	8	536	232
Financial costs	9	-184	-190
CURRENT TAX	10	-	-
PROFIT FOR THE YEAR AFTER TAX		311	-11

STATEMENT OF COMPREHENSIVE INCOME	2016	2015
Profit after tax	311	-11
COMPREHENSIVE INCOME FOR THE YEAR	311	-11

DATA PER SHARE	2016	2015
Average number of shares, thousands	95,290	74,729
Number of shares at end of period, thousands	74,729	74,729
Average number of treasury shares	-	-
Number of treasury shares at end of period	-	-
Dividend per share, SEK	2.00 ¹	2.85

¹The Board of Directors' proposals.



BALANCE SHEET

PARENT COMPANY

ASSETS, SEKm	Note	2016	2015
Non-current assets			
Property, plant and equipment and intangible non-current assets			
Intangible non-current assets	12	3	3
Other property, plant and equipment	13	1	2
Total property, plant and equipment and intangible non-current assets		4	5
Non-current financial assets			
Interests in Group companies	14	270	171
Receivables from Group companies		7,447	7,674
Total non-current financial assets		7,717	7,845
Total non-current assets		7,721	7,850
Current assets			
Current receivables			
Receivables from Group companies		1,272	767
Other receivables		9	2
Prepayments and accrued income		15	8
Total current receivables		1,296	777
Cash and bank balances		-	-
Total current assets		1,296	777
TOTAL ASSETS		9,017	8,627

EQUITY AND LIABILITIES, SEKm	Note	2016	2015
Equity			
Restricted equity			
Share capital	19	149	149
Statutory reserve		285	285
Total restricted equity		434	434
Unrestricted equity			
Share premium reserve		1,492	1,492
Retained earnings		-1,110	-886
Profit for the year		311	-11
Total unrestricted equity		693	595
Total equity		1,127	1,029
Non-current liabilities			
Liabilities to Group companies		3,633	3,331
Liabilities to credit institutions	21	2,145	2,701
Total non-current liabilities		5,778	6,032
Current liabilities			
Current portion of non-current liabilities		-	7
Liabilities to Group companies		2,059	1,439
Overdraft facilities		17	85
Trade payables		2	2
Other liabilities		9	9
Accruals and deferred income	22	25	24
Total current liabilities		2,112	1,566
TOTAL EQUITY AND LIABILITIES		9,017	8,627

CHANGE IN EQUITY AND PARENT COMPANY 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
EQUITY 31 DECEMBER 2014	74,729	149	285	1,492	-673	1,253
Profit for the year after tax					-11	-11
Comprehensive income for the year after tax					-11	-11
Cash dividend					-213	-213
EQUITY 31 DECEMBER 2015	74,729	149	285	1,492	-897	1,029
Profit for the year after tax					311	311
Comprehensive income for the year after tax					311	311
Cash dividend					-213	-213
EQUITY 31 DECEMBER 2016	74,729	149	285	1,492	-799	1,127

PARENT COMPANY CASH FLOW STATEMENT

SEKm	Note	2016	2015
Operating activities			
Operating profit		-41	-53
Reversal of amortisation of in intangible and depreciation of property, plant and equipment		1	1
Interest received		236	232
Interest paid		-184	-189
Operating cash flows before change in working capital		12	-9
Changes in working capital			
Decrease (+)/increase (-) in receivables		-519	-581
Decrease (-)/increase (+) in liabilities		621	1,082
Total change in working capital		102	501
Operating cash flow		114	492
Investing activities			
Change in long-term receivables		212	-284
Acquisition of non-current financial assets		-49	-
Cash flow from investing activities		163	-284
Financing activities			
Dividend		-213	-213
Change in borrowings		4	-225
Change in overdraft facility		-68	85
Cash flow from financing activities	23	-277	-353
CASH FLOW FOR THE YEAR		0	-145
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR ¹		0	145
CASH AND CASH EQUIVALENTS AT END OF YEAR ¹		0	0

¹ Cash and cash equivalents comprise cash and bank balances.

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 on 29 March 2017. The consolidated and parent company income statements and balance sheets will be presented for approval at the Annual General Meeting on 26 April 2017. 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 address of the Head Office is: PO Box 188, SE-831 22 Östersund and the visiting address is Fritzhemsgatan 1A in Östersund.

OPERATIONS

The operations side of the business is conducted in the context of the Group's six geographically designed business areas: Dalarna, Gävleborg, Västernorrland, Jämtland, Västerbotten and Norrbotten. Each business area comprises an administrative 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". The accounts have been prepared under the historical cost convention, except for investment properties and derivative instruments, which are carried at fair value. The parent company's annual report has been prepared in conformity with Swedish law and the Swedish Financial Reporting Board's recommendation RFR 2, "Accounting for Legal Entities".

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 applies the same recognition and measurement principles as the consolidated financial statements with the following exceptions. The parent company does not apply IAS 39 Financial Instruments: Recognition and Measurement. 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. Property, plant and equipment is 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-related costs for subsidiaries, which are recognised as an expense in the consolidated financial statements, are included as part of the cost of interests in subsidiaries. Group contribution is recognised as financial income by the recipient and as financial expense by 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 unrestricted equity.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN 2016 the Group

As of the financial year 2016 the Group has applied a number of new standards and interpretations. These new or changed standards and interpretations had no significant impact on the Group's 2016 financial reports.

Parent company

The changes in RFR 2 which apply as of the financial year 2016 have not had any impact on the parent company's financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In order to be able to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and generally accepted accounting practice, Group 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 valuation requires an estimation of the future cash flow and also the selection of appropriate discount rates (required rate of return). Details of the estimates and assumptions in respect of the current year are given in Note 11.

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 six segments. Group operations are organised by business area according to a geographic breakdown. Internal reporting systems are designed in order to facilitate follow-up of the returns generated by the respective business area. 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. From 1 January 2012, segments will be reported by county instead of by town. This means that Borlänge, Falun and Mora will be in Dalarna, Gävle in Gävleborg, Östersund in Jämtland, Sundsvall in Västernorrland, Umeå, Skellefteå and Lycksele in Västerbotten and Luleå in Norrbotten. The segment Retail business area will be added from 2017.

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 influence over a company, is exposed to, or has the right to, a variable return on its holding in the company as well as the opportunity to exercise its influence over the company to affect its return. For a controlling interest to exist, the parent company must own, directly or indirectly, at least half of the voting power of the company. In addition to the parent company, the Group comprises the subsidiaries and associated sub-groups specified in Note 14. The annual accounts are based on reports and statements that have been prepared for all Group companies as at 31 December 2016. 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 inter-company transactions with regard to assets, liabilities, income and expense are eliminated entirely on consolidation. Corporate acquisitions are recognised using the acquisition method. Under the acquisition method, assets acquired and liabilities assumed are measured at their fair values at their acquisition date, which is the date on which the acquirer obtains control of the acquired entity. The difference between the cost of the acquisition, the amount of any non-controlling interest and the fair value of any previous equity interest and the fair value of the identifiable assets acquired and liabilities assumed and any contingent liabilities is recorded as goodwill. Negative difference is recognised directly in the income statement. For each acquisition, the non-controlling interests are either carried at fair value or according to the proportion of the net assets acquired. 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 within equity, separately from the equity of the owners of the parent company. Non-controlling interests are presented in the consolidated income statement and comprehensive income statement and are recognised separately 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 value. This means that changes in value will be affected by the tax discount on subsequent valuation.

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 Fastigheter has assessed its joint arrangements and determined that its interest in Svenskt Fastighetsfinansiering AB constitutes a joint operation. In respect of its interest in the joint operation, 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.

CONT. NOTE 1 >>> ACCOUNTING POLICIES

OPERATING INCOME

Revenue is recognised in the income statement when the significant risks and rewards of goods and services have been passed to the buyer. Income is not recognised if there are significant uncertainties regarding payment, associated costs or risks, and if the seller retains involvement in the day-to-day management that is normally associated with the ownership.

Income is recognised at the fair value of the consideration received or receivable. Under IAS 17, the Group's leases are classified as operating 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. Income from property transactions is recognised on the date of takeover unless the risks and rewards of ownership have already been transferred. If control of the asset has already been transferred, the property transaction is recognised in income at this earlier date. 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. Interest income is calculated on the basis of the number of days outstanding, current asset balance and the interest rate prevailing at the time. Income is reported for the period in which it is earned.

CENTRAL ADMINISTRATION

Central administration includes costs for general administration and group-wide activities. Parent company costs for Group 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.

FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are initially recognised at fair value and subsequently measured at amortised cost or fair value depending on their initial classification. For financial assets and liabilities recognised at amortised cost, transaction costs are included at fair value. The company should recognise a financial asset or financial liability on its balance sheet when it becomes a party to the contractual provisions of the instrument. 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 when the company loses control of the contractual rights. The company should derecognise a financial liability from its balance sheet when the obligation specified in the contract is discharged, cancelled or otherwise expires. The same applies to part of a financial liability. 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. Derivative instruments are recognised on the trade date. Spot purchases and sales of financial assets are recognised on the settlement date. 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. This is because cancellation does not have an impact on Group earnings. The issuer decides whether to cancel the swap or not. The fair values of borrowings are determined using discounted future cash flows, with quoted market rates for each term. Shares and participations are classified as "Financial assets available-for-sale". These are measured at fair value with changes in value recognised in equity. These shares have been measured at cost as the Group was not able to reliably determine their market value.

Receivables are carried at amortised cost less impairment. Trade receivables are recognised in the balance sheet when the invoice is sent. They are measured at the lower of cost and net realisable value at their nominal amount and are not discounted as they are considered to have a short duration. Doubtful receivables are determined individually. Cash and cash equivalents comprise cash on hand and deposits held with banks. These are categorised as "Loans and receivables", and recognition is subsequently measured at amortised cost. Because bank deposits are payable on demand, amortised cost corresponds to nominal value.

Trade payables and other liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay. This is the case even if an invoice has not yet been received. Trade payables are recognised in the balance sheet when an invoice has been received and are valued at nominal value without discounting as they are considered to have a short duration. Loans are carried at amortised cost less allowances for any debt reductions.

Interest, dividends, gains and losses relating to financial instruments are recognised as income or expenses in the income statement. If the company distributes dividends to

shareholders, these are recognised directly in equity, taking into account any income tax consequences. Derivatives are recognised and measured in the balance sheet at fair value. Derivatives that have a positive market value are recognised as other current receivables. Derivatives that have a negative market value are recognised as other current liabilities.

Equity instruments that are issued by the company are recognised at the consideration received less transaction costs.

ACQUISITIONS AND SALES

On acquisition and sale of properties, the transaction is recognised on the date of takeover unless the risks and rewards of ownership have 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.

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. No deductions are made for the selling transaction costs. The cost of acquisition comprises the purchase price and costs directly attributable to the acquisition. Other costs that add value are capitalised for properties undergoing major new construction, extension or redevelopment work. This means that repair and maintenance costs are recognised as expenses in the period in which they are incurred. Estimates are conducted continuously throughout the year to ascertain how far ongoing investment projects have progressed. Value-adding expenditure is carried forward, other expenditure is charged to the current year's profit and loss. Changes in value are recognised in the income statement. Transactions concerning the acquisition of properties or companies are normally reported on the takeover date since that is the date on which the risks and rewards associated with ownership are usually passed on. For sales see Operating income.

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 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 depreciated 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%



CONT. NOTE 1 >>> ACCOUNTING POLICIES

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. Legal or constructive liability is thus limited to the amount that the company is contractually required to contribute to the scheme. The amount of retirement benefits provided to an employee will depend on the contributions that the Group pays to the scheme, or to an insurance company, and the capital returns from these contributions. 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 be recognised for them as defined benefit schemes, they are recognised for as defined contribution schemes. Obligations in respect of contributions to defined contribution schemes are recognised as an expense in the income statement as incurred.

TERMINATION BENEFITS

Termination benefits are recognised as a liability and an expense. They are only recognised as an expense when the Group is demonstrably obliged to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The benefits in connection with voluntary redundancy are calculated on the basis of the number of employees expected to accept the offer.

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 a senior position in the company or its parent company, close members of the family of any individual defined as a related party, a company that is controlled, jointly controlled or significantly influenced by key individuals in a senior position in the company or close family. 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 effects are also recognised directly in equity. Current tax is the amount of tax the company is liable to pay in respect of the taxable profit/loss 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.

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 2017 financial year. These have not been applied when preparing the 2016 consolidated financial statements.

Group management is currently analysing the effects of these new and amended standards and interpretations. Its preliminary assessment is that these will not have any material impact on the consolidated financial statements, other than the following, which are expected to become applicable for the Group and may have an impact on the consolidated financial statements.

IFRS 9, Financial Instruments will replace IAS 39, Financial Instruments: Recognition and Measurement. The standard contains rules for accounting and valuation, impairment and derecognition as well as general rules for hedge accounting. The standard is mandatory for periods beginning on 1 January 2018 or later. Group management has not yet conducted a thorough analysis of the implications of adopting IFRS 9 and is therefore as yet unable to quantify the effects. A further examination is performed under 2017.

IFRS 15 involves a model for revenue recognition for almost all income generated through agreements with customers, with the exception of leases, financial instruments and insurance agreements. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when the customer gains control of the goods or services. IFRS 15 is applicable to financial years beginning 1 January 2018 or later. The Group management has not yet finished analysis for the Group's impact of IFRS 15 and can therefore not yet quantify the effects.

IFRS 16 Leases will replace IAS 17 Leases. IFRS 16 introduces a right of use model, and for the lessee this means that virtually all leases should be recognised in the balance sheet. The introduction of IFRS 16 means few real differences for the lessor compared to IAS 17. The standard contains more extensive disclosure requirements than the present standard. IFRS 16 is applicable to financial years starting

1 January 2019. The standard has not yet been adopted by the EU. Group management has not yet conducted a thorough analysis of the implications of adopting IFRS 16 and is therefore as yet unable to quantify the effects.

Changes in IAS 7 Statement of cash flows. The changes means that additional disclosure requirements are being introduced to understand changes in liabilities whose cash flow is reported in financing activities. The changes apply from 1 January 2017 or later. The changes refer added disclosure requirements and applied already as at 31 December 2016, see Note 23.

Parent company

Changes in the RFR 2 Accounting for legal persons who will take effect from 1 January 2017 or later and which are described below can have an effect on the parent company's financial statements. Other changes to RFR 2, which is not yet in effect, are not expected to have any significant impact when applied for the first time. IFRS 9, the new standard for financial instruments, deals with the classification, valuation and accounting of financial assets and liabilities. RFR 2 contains exceptions from applying IFRS 9 as a legal entity, and introduces provisions for presentation of financial instruments in RFR 2 which must be employed by the companies who choose to apply the exception. The change must be applied for financial years beginning 1 January 2018 or later. Management has not yet conducted a thorough analysis of the implications of adopting this and is therefore as yet unable to quantify the effects. In addition, the change in IAS 7 (see Group above) also affects the Parent Company. The changes refer added disclosure requirements and applied already as at 31 December 2016, see Note 23.

NOTE 2 >>> SEGMENT REPORTING 2016

By business area, SEKm	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrboten	Diös Group
Rental income	266	193	201	288	215	162	1,323
Other income	6	2	3	2	1	3	17
Repair and maintenance	-13	-11	-11	-16	-13	-7	-71
Tariff-based costs	-38	-25	-28	-48	-31	-15	-185
Property tax	-12	-11	-11	-14	-11	-8	-67
Other property costs	-30	-21	-27	-33	-20	-17	-149
Property management	-10	-8	-12	-15	-10	-9	-64
Operating surplus	169	120	115	164	131	107	806
Undistributed items							
Central administration	-	-	-	-	-	-	-63
Net financial items	-	-	-	-	-	-	-204
Property management income	-	-	-	-	-	-	539
CHANGES IN VALUE							
Property, realised	-	-	-3	-3	-4	-	-10
Property, unrealised	-49	55	23	93	71	144	337
Interest rate derivatives	-	-	-	-	-	-	91
Profit before tax	-	-	-	-	-	-	957
CURRENT TAX	-	-	-	-	-	-	11
DEFERRED TAX	-	-	-	-	-	-	-136
Non-controlling interests	-	-	-	-	-	-	-7
PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	-	-	-	-	-	-	825
Rentable area, sq.m	266,682	250,733	185,405	304,511	226,119	120,075	1,353,525
Rental value, SEKm	294	220	234	323	235	172	1,478
Economic occupancy rate, %	90	88	86	89	91	94	90
Surplus ratio, %	63	62	57	57	61	66	61
Changes in property portfolio							
Property portfolio, 1 January 2016	2,558	1,882	2,289	2,946	2,046	1,659	13,381
ACQUISITIONS	-	-	-	138	68	-	206
Investments in new builds, conversions and extensions	68	40	62	104	98	49	420
SALES	-	-	-341	-256	-64	-	-661
Unrealised changes in value	-49	55	23	93	71	144	337
Property portfolio, 31 December 2016	2,576	1,978	2,033	3,025	2,219	1,852	13,683



CONT. NOTE 2 >>> SEGMENT REPORTING 2015

By business area, SEKm	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrbottn	Diös Group
Rental income	261	190	246	293	152	152	1,295
Other income	4	4	6	2	1	4	20
Repair and maintenance	-15	-10	-16	-18	-10	-7	-76
Tariff-based costs	-37	-25	-38	-50	-22	-15	-187
Property tax	-12	-10	-13	-14	-7	-8	-64
Other property costs	-29	-21	-32	-33	-17	-17	-149
Property management	-11	-8	-14	-14	-7	-10	-63
Operating surplus	161	120	139	166	90	100	776
Undistributed items							
Central administration	-	-	-	-	-	-	-58
Net financial items	-	-	-	-	-	-	-210
Property management income	-	-	-	-	-	-	508
CHANGES IN VALUE							
Property, realised	-	2	4	5	-1	-	11
Property, unrealised	-37	98	-16	90	42	85	262
Interest rate derivatives	-	-	-	-	-	-	64
Profit before tax	-	-	-	-	-	-	845
CURRENT TAX	-	-	-	-	-	-	-163
DEFERRED TAX	-	-	-	-	-	-	-140
Non-controlling interests	-	-	-	-	-	-	-12
PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	-	-	-	-	-	-	530
Rentable area, sq.m	266,682	250,733	273,563	325,046	226,438	120,075	1,462,537
Rental value, SEKm	292	216	289	334	169	167	1,466
Economic occupancy rate, %	90	88	85	88	90	91	88
Surplus ratio, %	62	63	56	57	59	65	60
Changes in property portfolio							
Property portfolio, 1 January 2015	2,497	1,760	2,237	2,876	1,334	1,496	12,200
ACQUISITIONS	-	-	-	-	622	-	622
Investments in new builds, conversions and extensions	98	39	77	107	56	78	456
SALES	-	-15	-9	-127	-8	-	-159
Unrealised changes in value	-37	98	-16	90	42	85	262
Property portfolio, 31 December 2015	2,558	1,882	2,289	2,946	2,046	1,659	13,381

NOTE 3 ►► REVENUE

The total rental income for the Group was SEK 1,323 million (1,295), or SEK 978/sq.m (885). Other revenue for the Group was SEK 17 million (20). SEK 9 million (9) of this relates to costs that have been charged to tenants for work carried out in leased premises.

SEK m	2016	2015
PARENT COMPANY		
Inter-Group revenue	137	127
Other income	-	-
TOTAL	137	127

Inter-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. Contracted rental income refers to annual value.

Lease maturities at 31 December 2016

	Maturity year	Signed contracts	Rented area, sq.m	Contracted rental income, SEK m	Share of value, %
Leases for premises	2,017	787	173,720	195	15
	2,018	697	227,709	257	19
	2,019	594	227,855	248	19
	2,020	384	182,448	228	17
	2021+	196	219,566	248	19
Total leases for premises		2,658	1,031,298	1,176	89
Residential leases		1,508	106,732	113	8
Other leases		3,342	-	41	3
TOTAL		7,508	1,138,030	1,330	100

NOTE 4 ►► PROPERTY COSTS

SEK m	2016	2015
THE GROUP		
Operating costs	-332	-336
Repair and maintenance costs	-71	-76
Property tax	-67	-64
Property management	-64	-63
TOTAL	-534	-539

Property costs were SEK 534 million (539) or SEK 394/sq.m (379). The costs comprise direct property costs for operation, maintenance, property taxes, etc. and indirect property costs in the form of leasing and property management. A reduction in costs is due primarily to reduced repairs and maintenance costs and reduced costs due to more efficient administration.

Operating costs include electricity, heating, water, property maintenance, cleaning, insurance and property-specific marketing costs. Some of the operating costs are charged to the tenants as additional rent. Operating costs were SEK 332 million (336) or SEK 245/sq.m (236). SEK 9 million (9) of the operating costs is for the work carried out in leased premises which is charged to tenants. This corresponds to SEK 7/sq.m (6).

Repair and maintenance costs comprise periodic and ongoing measures necessary to maintain the standards of the properties and their technical systems. Costs in 2016 amounted to SEK 71 million (76) or SEK 52/sq.m (53).

Property tax is a state tax based on the taxable value of a property. A large proportion of the property tax is charged to the tenants and lessees. The tax rate in 2016 was 1 per cent (1) of the taxable value for office/retail space and 0.5 per cent (0.5) for warehouse/industrial space. Property tax for residential properties is calculated at the lower of SEK 1,243/apartment or 0.3 per cent of taxable value. Property tax expenses were SEK 67 million (64) or SEK 49/sq.m (45).

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 2016 were SEK 64 million (63) or SEK 47/sq.m (44). SEK 21 million (25) of this sum relates to employee benefits.

NOTE 5 ►► EMPLOYEES, STAFF COSTS AND DIRECTORS' FEES

Average number of employees	2016	2015
	of whom men	of whom men
Parent company	169 60%	165 62%
GROUP TOTAL	169 60%	165 62%

At the end of 2016, the Board in the parent company of five members two of which women. Number of senior executives in the parent company amounted to five people (4) of which one (1) was female.

Salaries, other remuneration and social security contributions

SEK '000	2016	2015
	Salaries and benefits	Salaries and benefits
	Social security contributions	Social security contributions
Parent company	77,733 24,779	75,994 23,897
(of which pension costs) ¹	8,777 2,081	8,216 1,957
GROUP TOTAL	77,733 24,779	75,994 23,897
(of which pension costs) ²	8,777 2,081	8,216 1,957

¹ SEK 841,000 (775,000) of the parent company's pension costs refer to the CEO.

² SEK 841,000 (775,000) of the Group's pension costs refer 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 2016, this provision came to SEK 1,901,000.

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

SEK '000	2016	2015
	Board and CEO	Board and CEO
	Other employees	Other employees
Parent company	4,056 73,677	3,776 72,218
(of which bonuses, etc.)	- -	- -
GROUP TOTAL	4,056 73,677	3,776 72,218
(of which bonuses, etc.)	- -	- -

Remuneration and other benefits during 2016

SEK '000	Base salary/Directors' fees	Other benefits	Pension expense	Other remuneration	Total
Chairman of the Board	185	-	-	-	185
Other Board members	540	-	-	-	540
Chief Executive Officer	2,165	325	841	-	3,331
Other senior executives	4,704	375	1,158	-	6,238
TOTAL	7,595	700	1,999	-	10,294

Remuneration and other benefits during 2015

SEK '000	Base salary/Directors' fees	Other benefits	Pension expense	Other remuneration	Total
Chairman of the Board	185	-	-	-	185
Other Board members	540	-	-	-	540
Chief Executive Officer	1,991	285	775	-	3,051
Other senior executives	4,104	341	1,275	-	5,720
TOTAL	6,820	626	2,050	-	9,496

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

Remuneration paid to the Board of Directors is decided at the Annual General Meeting. At the 2016 Annual General Meeting it was decided that the Board fees would total SEK 725,000. SEK 185,000 has been paid to the Chairman of the Board. The other Board members have received SEK 135,000 each. No other remuneration or benefits have been paid to the Board of Directors.

Group management refers to the Managing Director and other members of the management team. Other senior executives consisted of three people up to 31 August 2016, and then of four 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 2016, variable remuneration to Group management amounted to SEK 0 (144). There is no share-based payment. Variable remuneration is capped at one month's salary. For 2016 the company's Managing Director has received variable remuneration of SEK 0. The CEO is entitled to a company car 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 four 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 executive management, IT, annual reports, auditors' fees, legal advice and so on. Central administration costs were SEK 63 million (58) or SEK 47/sq.m (40). 2015 includes reversals of previous provisions for staff-related costs that were made in connection with the acquisition of Norrvädd. Of these costs, SEK 36 million (31) relates to employee benefits and SEK 2 million (3) relates to the depreciation/amortisation of intangible non-current assets and property, plant and equipment. Other items of SEK 25 (24) million applies to costs for IT and consulting fees.

Auditors' fees and expenses

SEK '000	FOR THE GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Deloitte				
Audit services	1,490	1,658	1,490	1,658
Audit activities other than the audit assignment	600	19	600	19
Fiscal advice	134	398	134	398
Other services	135	170	135	170
TOTAL	2,359	2,245	2,359	2,245

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 engagement 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 >>> CHANGES IN VALUE ON PROPERTIES

SEKm	2016	2015
THE GROUP		
Realised changes in value	-10	11
Unrealised changes in value	337	262
TOTAL	327	273

42 property sales (6 and 1 partial sale) were completed in 2016. The sales price, including transaction costs, for these was SEK 10 million (11) lower than the last valuation, resulting in a realised change in value. During the year, five properties (3) were acquired. A valuation of all properties was carried out at year-end in line with annual business plans and based on a five-year cash flow model with a valuation of future earnings capacity and required rate of return for each individual property. See Note 11. The valuation model means the 100 largest properties in terms of value are valued externally over the course of the year, with around 25 per cent being valued in each quarter. For the remaining 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. Properties in which material changes have taken place are valued internally with the help of the external recruitment firm. Properties where no material changes have taken place are valued internally without external assistance. These valuations have resulted in unrealised changes in value of SEK 337 million (262) on the properties' market values.

NOTE 8 >>> FINANCIAL INCOME

SEKm	2016	2015
FOR THE GROUP		
Interest income, other	2	2
TOTAL	2	2
PARENT COMPANY		
Interest income, Group companies	236	232
Dividends from Group companies	300	-
Group contributions	-	-
TOTAL	536	232

All interest income for financial instruments that are carried at amortised acquisition value. Interest received for the Group amounts to SEK 1 million (2).

NOTE 9 >>> FINANCIAL COSTS

SEKm	2016	2015
FOR THE GROUP		
Interest expenses	-192	-202
Other financial expense	-14	-10
TOTAL	-206	-212
PARENT COMPANY		
Interest expenses, Group companies	-89	-77
Interest expenses	-87	-106
Other financial expense	-8	-7
TOTAL	-184	-190

All interest expenses for financial instruments measured at amortised cost. Interest paid for the Group is SEK -184 million (-199).

INTEREST EXPENSE FOR 2016 INCLUDING WEIGHTED AVERAGE INTEREST RATE

In 2016, average interest-bearing liabilities amounted to SEK 8,066 million (7,895). The actual interest expense, including expenses related to undrawn credit facilities and the performance of financial instruments, amounted to SEK 192 million (203), which represents an average annual interest rate of 2.4 per cent (2.6). During the year, unrealised changes in value on held derivative instruments totalled SEK 91 million (64), which have been fully recognised in the income statement.

GROUP, SEKm	Amount	Annual expense	Weighted average interest rate
Interest-bearing liability	8,066	85	1.1
Undrawn credit facilities ¹	691	3	0.0
Cost of financial instruments	3,200	104	1.3
TOTAL		192	2.4

¹ The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.04 percentage points.

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 and deferred tax for 2016 have been calculated based on a nominal tax rate of 22 per cent.

The rate of income tax for Swedish limited companies is 22 per cent. Tax is reported in the income statement as current tax and deferred tax. Current tax expense is attributable to tax in

subsidiaries which were prevented from offsetting losses against profits through Group contributions during the year. The Group has accumulated tax losses to carry forward to set against future taxable profits and offset against deferred tax liabilities. See Note 17. 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, tax-free sales of properties and existing tax loss carry-forward.

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. As shown in the table below, the taxable profit for 2016 is low, which is due to Diös Fastigheter 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. Paid tax arises when a number of subsidiaries do not have the option of taxable group contributions.

	2016	2016	2015	2015
GROUP, SEKm	Current tax basis	Deferred tax basis	Current tax basis	Deferred tax basis
Property management income	539		508	
Conversion projects	-80	80	-90	90
Tax-deductible depreciation	-179	179	-177	177
Other tax adjustments	-89	69	48	50
Taxable property management income	191	328	289	317
Sale of properties	11	-130	19	-14
Change in value of properties	0	337	0	262
Taxable profit before tax loss carry-forward	202	535	308	565
Opening balance, tax loss carry-forward	-262	262	-335	335
Closing balance, tax loss carry-forward	177	-177	262	-262
Taxable profit	117	620	235	638
Changed tax relating to tax case	-168	0	421	0
Taxable profit including tax case	-51	620	656	638
Tax for the year as per income statement	11	-136	-163	-140

Current tax includes a positive post for reversal of a previous reservation of tax for a previous communicated tax case of SEK 37 million.

Loss carry-forward comprises 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-forward is calculated to be SEK 177 million (262).

	FOR THE GROUP		PARENT COMPANY	
SEKm	2016	2015	2016	2015
CURRENT TAX	11	-163	-	-
DEFERRED TAX	-136	-140	-	-
Total tax	-125	-303	-	-
Pre-tax profit for the year	957	845	311	-11
Tax at the applicable rate of 22%	-211	-186	68	-2
Tax effect of adjustments:				
Taxation relating to tax case	37	-137		
- adjustment tax loss, temporary differences and other items	49	20	-68	-2
TAX ON PROFIT FOR THE YEAR	-125	-303	-	-

NOTE 11 >>> INVESTMENT PROPERTIES

SEKm	2016	2015
FOR THE GROUP		
Opening carrying amount	13,381	12,200
ACQUISITIONS	206	622
Investment in existing properties	420	456
SALES	-661	-159
Change in value	337	262
CLOSING CARRYING AMOUNT	13,683	13,381

The closing carrying amount is consistent with the value according to the property valuation as at 31 December 2016.

Investments totalling SEK 420 million (456) have been made in new construction, extensions and conversions. During the year, five buildings have been acquired (3) while 42 properties have been sold (6 and a partial disposal).

For information on pledged properties, see Note 25.

Major investments in progress

PROPERTY	Investment, SEKm	Uninvested, SEKm	Completed
G:a Bergskolan 15	17.5	5.5	2,017
Hälsan 7	14.0	1.7	2,017
Kansliet 20	13.6	2.8	2,017
Brynäs 12:1	13.1	8.9	2,017
Glädjen 4	13.0	9.5	2,017
Buntmakaren 3	9.3	5.5	2,017
Hälsan 7	8.9	2.1	2,017
Lagmannen 9	7.8	1.1	2,017
Lyckan 6	7.7	3.4	2,017
Frösö 3:7	4.3	1.0	2,017

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 net operating profit, less the value of remaining investments for ongoing projects over the next five years, and the present value of the estimated residual value in year 6. The residual value in year 6 is the amount of the present value of net operating profit 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 valuation 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. In addition to these factors, the rental value, occupancy rates and property costs constitute important elements when calculating property value. 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-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 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 fees and property management.

According to Savills the demand for real estate investment been very strong in 2016. The total volume of transactions amounted to SEK 200 million (152) months and the number of transactions decreased by around nine per cent compared with 2015, which was a record year in number of the transactions carried out. However, it should not be construed as a cooling of the market, as this is the second highest amount and is approximately 25 per cent higher than the average of the last ten years. Savills assessment is that real estate investment still looks very attractive with the low interest rates and the large differences between long-term interest rates and required rate of return for properties.

The fact that Sweden has an efficient property transaction market is important in many respects, not only for the actual property owners but also for the buyers and sellers so that they feel confident about what they are buying and selling. All property transactions offer valuable information that leads to improvements and provides important guidelines when determining the required rates of return that form the basis of the valuations carried out.



CONT. NOTE 11 ►► INVESTMENT PROPERTIES

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/city in which it is located, its location within the town/city 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 holdings has been lowered by 0.27 percentage points (-0.26). 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 holding

An estimation of the market value of all properties has been performed. The date of valuation is 31 December 2016. The valuation model means the 100 largest properties in terms of value 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 13,683 million (13,381) and resulted in unrealised changes in value of SEK 337 million (262) on the market values of the properties, an increase of 2.5 per cent (2.0). The table below presents the breakdown of fair value by property category and market area.

Property value, SEKm 31 Dec 2016	Office	Retail	Residential	Industrial/warehouse	Other	Total
Dalarna	1,607	487	228	80	174	2,576
Gävleborg	763	610	110	373	121	1,978
Västernorrland	962	703	192	81	95	2,033
Jämtland	954	961	475	104	532	3,025
Västerbotten	1,387	419	203	121	90	2,219
Norrbottn	1,116	585	109	42	-	1,852
TOTAL	6,789	3,765	1,316	800	1,013	13,683

Property value, SEKm 31 Dec 2015	Office	Retail	Residential	Industrial/warehouse	Other	Total
Dalarna	1,543	544	215	82	173	2,558
Gävleborg	693	590	123	360	117	1,883
Västernorrland	1,107	749	256	113	66	2,290
Jämtland	753	891	719	113	469	2,946
Västerbotten	1,188	395	255	120	89	2,046
Norrbottn	974	542	100	42	-	1,659
TOTAL	6,258	3,711	1,668	830	914	13,381

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 +/- 5% to 10% and should be seen as a measure of the uncertainty in the assumptions and calculations. Savills has estimated the current uncertainty range at ± 7.5 per cent. This results in a value range of SEK 12,657–14,709 million.

Sensitivity analysis property valuations	Change	2016	2015
		Change in fair value, SEKm	Change in fair value, SEKm
Rental value	\pm SEK 50/sq.m	+1,000/-1,008	+984/-985
Operating costs	\pm SEK 25/sq.m	+485/-493	+493/-492
Yield	± 0.5 percentage points	+881/-761	+787/-678
Cost of capital	± 0.5 percentage points	+272/-274	+265/-259
Vacancy rate	± 1.0 percentage points	+/-165	-156

Valuation assumptions	2016					2015				
	Office	Retail	Residential	Industrial/warehouse	Other	Office	Retail	Residential	Industrial/warehouse	Other
Analysis period	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Yield for assessing residual value ¹ , %	7.3–6.2	7.2–6.1	5.5–4.8	8.2–7.3	7.1–6.6	7.5–6.5	7.3–6.3	5.7–5.1	8.3–7.5	7.3–6.7
Cost of capital for discounting to present value, %	8.52	8.56	7.41	9.93	9.04	8.83	8.60	7.51	10.03	9.17
Long-term vacancy, %	5.25	3.48	1.70	11.99	6.28	5.85	3.40	1.70	11.15	5.97
Inflation, %	2	2	2	2	2	2	2	2	2	2

¹ From lower to upper quartiles in the portfolio.

NOTE 12 >>> INTANGIBLE NON-CURRENT ASSETS

SEKm	FOR THE GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Opening cost	4	4	4	4
Closing cost	4	4	4	4
Opening depreciation	-1	-	-1	-
Depreciation for the year	-1	-1	-1	-1
Closing accumulated depreciation	-2	-1	-2	-1
CLOSING RESIDUAL VALUE	2	3	2	3

NOTE 13 >>> OTHER PROPERTY, PLANT AND EQUIPMENT

SEKm	FOR THE GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Opening cost	43	43	7	7
Acquisition for the year	0	0	0	0
Closing cost	43	43	7	7
Opening depreciation	-39	-36	-5	-5
Depreciation for the year	-1	-3	0	0
Closing accumulated depreciation	-40	-39	-5	-5
CLOSING RESIDUAL VALUE	3	4	2	2

NOTE 14 >>> INTERESTS IN GROUP COMPANIES

SEKm	2016	2015
PARENT COMPANY		
Accumulated cost	171	171
Impairment	-	-
Purchases	99	0
CARRYING AMOUNT AT END OF PERIOD	270	171

A specification of the parent company's directly owned subsidiaries is given below. 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 policies in Note 1.

SUBSIDIARIES				
Name	CRN	Reg. office	Share of equity in %	Carrying amount, SEKm
Diös Fastigheter I AB	556544-4998	Östersund	100	16
Diös Fastigheter II AB	556610-9111	Östersund	100	13
Diös Fastigheter V AB	556571-9969	Östersund	100	0
Diös Fastigheter VI AB	556561-0861	Östersund	100	3
Diös Fastigheter VII AB	556589-8433	Östersund	100	11
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
Diös Åre AB	559000-9279	Östersund	100	0
Diös Projektering AB	559015-7649	Östersund	100	0
Diös Old Bergsskolan AB	559041-8355	Östersund	100	0
Diös Struktur 1 AB	559067-1912	Östersund	100	0
TOTAL CARRYING AMOUNT				270

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 votes of the company. During the financial year the profit attributable to non-controlling interest amounts to SEK 7 million (12). The accumulated non-controlling interest in Åre Centrum AB as at 31 December 2016 was SEK 43 million (36). Condensed financial information for Åre Centrum AB (the Group) is presented below.

SEKm	2016	2015
Condensed income statement		
Net sales	36	39
Operating profit	8	46
Profit for the period	1	39
Comprehensive income for the period	1	39
Condensed balance sheet		
Non-current assets	412	345
Current assets	31	14
TOTAL ASSETS	443	359
Non-current liabilities	297	222
Current liabilities	26	18
TOTAL LIABILITIES	323	240
Equity attributable to parent company shareholders	77	83
Non-controlling interest	43	36

NOTE 15 >>> INTERESTS IN ASSOCIATES AND JOINT OPERATIONS

SEKm	FOR THE GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Opening cost	1	1	-	-
ACQUISITIONS	-	-	-	-
SALES	-	-	-	-
Closing cost	1	1	-	-
Carrying amount	1	1	-	-
Name/Company reg. no	Reg. office	Capital share in %	Carrying amount	
Fastighetsaktiebolaget Norkom, 556483-5337 ¹	Härjedalen	50.0	0.5	
Cabin West Holding AB, 559004-6313 ²	ÖSTERSUND	50.0	0.5	
TOTAL			1	

¹ Diös Fastigheter's interest in Fastighetsaktiebolaget Norkom is owned indirectly through Diös Norrland AB.

² Diös Fastigheter's interest in Kabin Väst Holding AB is owned indirectly through Diös Åre AB.

Joint operations

The Group has significant joint operations with financial operations in Swedish 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 Svensk FastighetsFinansiering AB is owned indirectly through Diös Obligation AB. Operations comprise deposit-taking activities in the form of the raising of loans in the capital market through issuing bonds (Medium-Term Notes, MTN), as well as lending activities in the form of the provision of cash loans.

In the second quarter of 2016 floating rate bonds to the amount of SEK 441 million were issued through Svensk FastighetsFinansiering AB (SFF). The bonds have a variable interest rate with quoted margin of 0.9 per cent and mature in May 2018. On 18 November we increased our financing through SFF through an issue of SEK 574 million. In connection with the issue Diös also bought back SEK 500 million of bonds maturing on 9 March 2017. At 31 December 2016 the bonds had an effective rate of 0.8 per cent.



CONT. NOTE 15 >>> INTERESTS IN ASSOCIATES AND JOINT OPERATIONS

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

SEKm	2016	2015
the Group		
Income statement		
Rental income	2	2
Operating surplus	2	2
Profit for the year	1	1
balance sheet		
Non-current assets	9	10
Current assets	4	3
TOTAL ASSETS	13	13
Equity	6	5
Non-current liabilities	6	6
Other liabilities	1	2
TOTAL EQUITY AND LIABILITIES	13	13

NOTE 16 >>> OTHER SECURITIES HELD AS NON-CURRENT ASSETS

SEKm	FOR THE GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Opening cost	10	6	-	-
ACQUISITIONS	-	5	-	-
SALES	0	-1	-	-
Closing cost	10	10	-	-
Carrying amount	10	10	-	-

Name/Company reg. no	Reg. office	Equity in %	Carrying amount
Destination Östersund AB, 556798-5592	Östersund	4.4	0
Idun Samfällighetsförening, 716415-4358	Skellefteå	25.0	6
Investa Företagskapital AB, 556651-6471	Sundsvall	4.6	3
Offerdalsvind ekonomisk förening, 769606-0719	Krokomb	16.2	1
Äre Destination AB, 556171-5961	Äre	2.4	0
TOTAL			10

NOTE 17 >>> DEFERRED TAX ASSET/ TAX LIABILITY

SEKm	2016	2015
FOR THE GROUP		
Deferred tax asset relating to tax loss carry-forward	38	58
Deferred tax liability relating to temporary differences in properties	-1,023	-912
Deferred tax liability relating to other items	-24	-21
TOTAL DEFERRED TAX ASSETS/LIABILITIES	-1,009	-875

The reported deferred tax liability was SEK -1,009 million (-875) at 31 December 2016. The value of a 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 177 million (262). At a tax rate of 22 per cent, deferred tax assets relating to tax loss carry-forward amounted to SEK 38 million (58), which it is considered can be used against future taxable profits and resulting temporary differences.

Diös' reported temporary differences, i.e. the real value of properties less tax residual values, amounted to SEK 4,648 million (4,143). At a tax rate of 22 per cent, the deferred tax liability on temporary differences was SEK 1,023 million (912). In the financial statements, deferred tax assets have been offset against deferred tax liabilities. Other deferred taxes are recognised at SEK 24 million (21). Other deferred taxes are calculated on untaxed reserves.

NOTE 18 >>> TRADE RECEIVABLES

SEKm	2016	2015
FOR THE GROUP		
Age structure of trade receivables		
Trade receivables not past due and trade receivables up to 30 days past due	6	29
Trade receivables between 31–60 days past due	6	1
Trade receivables more than 61 days past due	7	7
Doubtful trade receivables	-8	-8
TOTAL	11	29
Doubtful trade receivables		
Doubtful debts at the beginning of the year	8	13
Reserves for the year	4	6
Reversal of reserves	-1	-4
Actual credit losses	-3	-7
CLOSING BALANCE	8	8

NOTE 19 >>> EQUITY

At 31 December 2016 Diös Fastigheter AB (publ) had a share capital of SEK 149,457,668. The total number of shares at year-end was 74,729,134 with a face value of SEK 2.00 per share. All shares give equal rights to assets and profits. 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).

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 beginning of year	-	10,000	-	100,000	10.00
30 May 2005	Split 100:1	990,000	1,000,000	-	100,000	0.10
31 May 2005	New issue	1,489,903	2,489,903	148,990	248,990	0.10
1 Sept 2005	New issue	1,503,760	3,993,663	150,376	399,366	0.10
15 Nov 2005	Bonus issue	-	3,993,663	-	39,936,630	10.00
15 Nov 2005	Split 5:1	15,974,652	19,968,315	-	39,936,630	2.00
18 May 2006	New issue	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	New issue	3,285,466	37,353,160	6,570,332	74,705,720	2.00
17 Dec 2010	New issue	11,407	37,364,567	22,814	74,728,534	2.00
5 Dec 2011	New issue	22,854,136	60,218,703	45,708,272	120,436,806	2.00
14 Dec 2011	New issue	14,510,431	74,729,134	29,020,862	149,457,668	2.00
31/12/2016	AT YEAR-END		74,729,134		149,457,668	2.00

Diös Fastigheter did not hold any of its own shares at the end of 2016. 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 Board of Directors of Diös Fastigheter proposes that a dividend of SEK 2.00 (2.85) per share be paid out for the 2016 financial year, representing a total payout of SEK 269 million (213). A rights issue was carried out in the early stages of 2017, where the number of shares was increased by 59,783,304 to a total of 134,512,438 at 3 February 2017. The proposed dividend per share is therefore based on the new number of shares at the end of the rights issue. All shares, both new and old, carry the same right to a dividend in 2017. The proposal means that 53 per cent (54 per cent) of earnings, excluding unrealised gains or losses 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 following profits in the parent company are at the disposal of the Annual General Meeting:

Profit brought forward	SEK 381,665,710
Profit for the year	SEK 310,601,636
Total	SEK 692,267,346

The Board of Directors proposes that the profits be allocated as follows:

Distributed to ordinary shareholders	SEK 269,024,876
To be carried forward	SEK 423,242,470
Total	SEK 692,267,346

CALCULATION OF THE NUMBER OF SHARES TAKING INTO ACCOUNT THE RIGHTS ISSUE

As a result of the rights issue, a new number of shares is calculated for use as a basis for calculating earnings per share and EPRA EPS which have been designated as "taking into account the rights issue". The calculation also takes account of the bonus issue element and the conversion factor amounts to 1.28. For example, the calculation for the number of outstanding shares on 31 December 2016 is: 74,729,134 * 1.28 = 95,289,530. The same conversion factor has been used for all historical data.

NOTE 20 >>> OTHER PROVISIONS

Provisions relate to deferred stamp duty in connection with inter-company sales of properties.

SEKm	2016	2015
FOR THE GROUP		
At beginning of year	9	9
Provision for pensions	-	-
Change in tax	-	-
CARRYING AMOUNT AT END OF PERIOD	9	9

NOTE 21 >>> LIABILITIES TO CREDIT INSTITUTIONS

Interest rates and loan maturity at 31 December 2016

Maturity, year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average interest rate, %	Credit agreements, SEKm	Drawn, SEKm
2,017	4,619	1.1	2,790	2,307
2,018	2,820	1.1	3,609	3,609
2,019	-	-	872	872
2,020	574	1.0	574	574
2,021	-	-	1,080	650
TOTAL	8,012	1.1	8,925	8,012

	FOR THE GROUP		PARENT COMPANY	
Interest-bearing liabilities, SEKm	2016	2015	2016	2015
Maturity date from the balance sheet date:				
< 1 year	2,307	1,380	628	-
1–2 years	2,170	2,648	1,502	-
2–3 years	2,312	1,605	-	2,566
3–4 years	574	1,478	-	-
> 4 year	650	1,007	15	142
TOTAL	8,012	8,119	2,145	2,708

CONT. NOTE 21

	FOR THE GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Overdraft facility, SEKm				
Credit limit granted	450	450	450	250
Undrawn	435	223	435	165
Drawn	15	227	15	85

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/assets 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 can 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/assets, loan-to-value and interest coverage ratios. The minimum equity ratio is 25 per cent, the loan-to-value ratio must not exceed 65 per cent, while the interest coverage ratio needs to be higher than 1.8 times. At year-end, the equity ratio was 31.0 per cent, the loan-to-value ratio amounted to 58.6 per cent and the interest coverage ratio was 3.6 times, meaning that all the limits were achieved.

FUNDING AND FINANCIAL RISK MANAGEMENT POLICIES

As a net borrower, we are exposed to financial risks, primarily interest rate risk, refinancing risk and credit risk. At 31 December 2016 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 24.

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 8,012 million (8,119) with an average annual interest rate of 1.2 per cent (1.0), including loan commitments. The loan's average fixed-rate term amounted to 0.7 years (0.3). The average interest rate commitment period was 0.9 years (0.8) when the impact of the derivative portfolio is included. The average maturity was 1.8 years (2.4). Of the Group's total interest-bearing liabilities, SEK 2,200 million (4,200) is hedged through derivative instruments. The average remaining term is 0.5 years (1.1). A derivatives portfolio of SEK 2,200 million and loans of SEK 1,928 million at a fixed interest rate, mean that 51.5 per cent (57.9) of the Group's total outstanding loans are covered by interest rate hedges. The average annual interest rate, including costs related to derivative instruments, amounted to 2.0 per cent (2.5), 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 one percentage point on 31 December 2016, interest expenses, excluding effects of derivative instruments, would have increased by SEK 61 million annually. The effect of the derivative instruments would mean a reduction in interest expenses by 22 million on an annual basis. This would cause the interest expenses to increase by SEK 39 million on an annual basis, including the effect of derivative instruments. If interest rates had been increased by one percentage point on 31 December 2016, the average interest rate would have risen by 0.5 percentage points and the value of derivative instruments would have increased by SEK 11 million. During the period, unrealised gains arising on derivative instruments held totalled SEK 91 million (64), which is 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 non-utilised credit facilities of SEK 1,348 million, of which 913 million refers to the non-utilised credit commitments, and non-utilised bank overdraft facility of 435 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 carrying amount of cash on hand and demand deposits represents the credit risk in financial counterparties. At year-end, there were no concentrations of credit risk with respect to trade and other receivables. Impaired trade receivables amounted to SEK 8 million (8). The 10 largest clients accounted for 17 per cent (16) of revenue.

Financial instruments measured at fair value

SEKm	31/12/2016	Level 2
FOR THE GROUP		
Derivative instruments	-43	-43
TOTAL	-43	-43

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.

	31/12/2016			31 Dec 2015		
SEKm	Asset	Liability	Net	Asset	Liability	Net
Interest rate derivatives	-	-43	-43	-	-134	-134
Gross value derivatives	-	-43	-43	-	-134	-134
Covered by netting	-	-	-	-	-	-
NET VALUE DERIVATIVES	-	-43	-43	-	-134	-134

CONT. NOTE 21 >>>

The various categories of financial instruments included in the consolidated balance sheet are presented below

	Loans and receivables		Financial liabilities measured at fair value through profit or loss		Derivatives used in hedge accounting		Financial liabilities measured at amortised cost		Non-financial instruments	
SEKm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
ASSETS										
Rent receivables	11	29	-	-	-	-	-	-	-	-
Other receivables	54	42	-	-	-	-	-	-	-	-
Cash and bank balances	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	101	12
LIABILITIES										
Interest rate derivatives	-	-	43	134	-	-	-	-	-	-
Non-current liabilities	-	-	-	-	-	-	7,978	8,112	-	-
Trade payables	-	-	-	-	-	-	56	61	-	-
Other liabilities	-	-	-	-	-	-	52	235	-	-
Other	-	-	-	-	-	-	-	-	114	55
TOTAL	65	71	43	134	-	-	8,086	8,408	215	67

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

	2016				2015			
SEKm	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
FOR THE GROUP								
Promissory notes	-	-	-	26	-	-	-	1
Trade receivables	-	11	-	-	-	29	-	-
Other receivables	-	92	93	-	-	70	5	-
Cash and cash equivalents	-	-	-	-	-	-	-	-
TOTAL	-	103	93	26	-	99	5	1

Maturity analysis of financial assets

	2016				2015			
SEKm	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
PARENT COMPANY								
Trade receivables	-	-	-	-	-	-	-	-
Receivables from Group companies	-	-	541	-	-	-	248	-
Other receivables	-	748	7	-	-	528	1	-
Cash and cash equivalents	-	-	-	-	-	-	-	-
TOTAL	-	748	548	-	-	528	249	-

Maturity analysis of financial liabilities

	2016				2015			
SEKm	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
FOR THE GROUP								
Trade payables	-	56	-	-	-	61	-	-
Repayment of debt	-	1,641	701	4,587	-	1,386	17	4,320
Interest expenses	-	24	71	283	-	21	63	252
Derivative instruments	2	7	20	17	-	29	72	80
TOTAL	2	1,727	791	4,887	-	1,497	152	4,652

Maturity analysis of financial liabilities

	2016				2015			
SEKm	0-1 month	1-3 months	3-12 months	1-3 years	0-1 month	1-3 months	3-12 months	1-3 years
PARENT COMPANY								
Trade payables	-	2	-	-	-	2	-	-
Repayment of debt	-	0	628	1,502	-	2	5	2,566
Interest expenses	-	5	14	56	-	6	19	75
Derivative instruments	-	7	20	17	-	20	44	42
TOTAL	-	13	661	1,575	-	30	68	2,683



NOTE 22 >>> ACCRUALS AND DEFERRED INCOME

	FOR THE GROUP		PARENT COMPANY	
SEKm	2016	2015	2016	2015
Prepaid rents	240	220	-	-
Accrued interest expenses	50	37	5	4
Other items	56	73	20	20
TOTAL	346	330	25	24

NOTE 23 >>> CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES

SEKm	Carrying amount	Changes not affecting cash flow		Carrying amount	Changes not affecting cash flow		Carrying amount
	2014	Cash flow	Unrealised changes in value	2015	Cash flow	Unrealised changes in value	Reclassifications
FOR THE GROUP							
Non-current liabilities to credit institutions	7,664	433	-	8,097	-97	-	-22
Current portion of non-current liabilities	7	15	-	22	13	-	-
Overdraft facilities	-	227	-	227	-212	-	-
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	7,671	675	-	8,346	-296	-	-22

SEKm	Carrying amount		Carrying amount		Changes not affecting cash flow	Carrying amount
	2014	Cash flow	2015	Cash flow	Reclassifications	2016
PARENT COMPANY						
Non-current liabilities to Group companies	2,947	384	3,331	567	-265	3,633
Non-current liabilities to credit institutions	3,311	-610	2,701	-556	-	2,145
Current portion of non-current liabilities	7	-	7	-7	-	0
Overdraft facilities	-	85	85	-68	-	17
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	6,265	-141	6,124	-64	-265	5,795

NOTE 24 >>> 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 to maintain an equity ratio of at least 25 per cent over the short-term and at least 30 per cent over the long-term, with an interest coverage ratio of at least 1.8 times. At 31 December 2016, the assets had a total value of SEK 13,920 million (13,505). These were financed partly through equity of SEK 4,313 million (3,694) and liabilities of SEK 9,811 million (9,811), of which SEK 8,013 million (8,119) 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 are subsequently carried out to achieve the desired fixed-rate term for the Group's overall loan portfolio.

Policy	Target	Outcome
Loan-to-value ratio	Capped at 65%	58.6%
Interest coverage ratio	At least 1.8 times	3.6 times
Currency risk	Not allowed	No exposure
Liquidity risk	Liquidity reserve to meet payment obligations	SEK 1,348 million in committed undrawn credit facilities
Equity/assets ratio	At least 25%	31.0%

NOTE 25 >>> PLEDGED ASSETS

	FOR THE GROUP		PARENT COMPANY	
SEKm	2016	2015	2016	2015
Shares in subsidiaries	3,193	2,751	84	84
Floating charges	239	239	-	-
Property mortgages	9,080	9,188	-	-
Non-current receivables in Group companies	-	-	2,397	2,814
TOTAL	12,512	12,178	2,481	2,898

NOTE 26 >>> CONTINGENT LIABILITIES

	FOR THE GROUP		PARENT COMPANY	
SEKm	2016	2015	2016	2015
Guarantees to Group companies	-	-	5,923	5,432
Other contingencies	1	1	1	1
TOTAL	1	1	5,924	5,433

When borrowing is arranged directly against property ownership companies the parent company provides the guarantee.

NOTE 27 >>> 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 2016. Transactions with the company's largest owner, AB Persson Invest, represented 0.8 per cent (0.7) 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 28 >>> EVENTS AFTER THE END OF THE YEAR

TRANSACTIONS

On 21 November 2016, the company concluded an agreement with Castellum for the acquisition of 32 properties located in Sundsvall, Umeå and Luleå with a total value of SEK 4.5 billion. Completion took place on 1 February 2017. The acquisition took the form of business acquisitions and the consideration for shares and interests in the acquired businesses was SEK 2,286 million, the difference between the value of the property portfolio and the consideration paid being due to the redemption of loans attributable to the acquired companies.

The acquisition was financed through a fully underwritten rights issue of approximately SEK 1,853 million and new bank loans of around SEK 2,700 million. The decision to carry out a rights issue was taken at the extraordinary general meeting on 21 December 2016, which also authorised the Board to determine the terms of the rights issue. On 27 December the Board announced the terms of the issue, under which existing shareholders had the right to subscribe for four new shares for every five shares held, resulting in an increase of 59,783,304 shares to 134,512,435 shares. The rights issue has been fully subscribed. The new shares were registered on 3 February 2017. For more information about the acquisition, please refer to page 14.

Possession of the property at Kajan 18 in central Luleå, Sweden was taken on 10 January 2017. The acquisition comprises the new Luleå Office Building along with associated development rights for around 3,500 sq.m. The underlying property value is around SEK 290 million.

OTHER EVENTS

On 2 February 2017 Diös announced a let to the administrative units of the County Council of Gävleborg in the Kungsback property in Gävle. The 5,300 sq.m office has a total rental value of SEK 27 million over the term of the lease. Moving in takes place on 1 April 2017 and the rental period is four years.



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 report gives 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 Group companies.

Östersund, 14 March 2017

Bob Persson
Chairman

Maud Olofsson
Board member

Ragnhild Backman
Board member

Svante Paulsson
Board member

Anders Bengtsson
Board member

Knut Rost
Chief Executive Officer

Tomas Mellberg
Board member
Employee representative

Our Auditors' Report was submitted on 15 March 2017

Deloitte AB

Lars Helgesson
Authorised public accountant

The consolidated and parent company income statements and balance sheets will be presented for approval at the Annual General Meeting on 26 April 2017.

AUDITORS' 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 – 31 December 2016. The company's annual financial statements and consolidated financial statements are included on pages 42–79 of this document.

In our opinion, the annual 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 parent company on 31 December 2016, 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 2016, 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.

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. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AREAS OF PARTICULAR IMPORTANCE

Areas of particular importance 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 properties

Diös Fastigheter AB recognises its investment property at fair value and the property portfolio was valued at SEK 13,683 million as at 31 December 2016. The properties have been valued internally and as quality control and for comparative purposes the 100 properties with the greatest value broken down as 25 per cent per quarter have been valued externally. 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:

- Review of Diös internal valuation procedures and evaluation of the assumptions and their application in the internal valuation model.
- Review of input data and calculations in the internal valuation model at property level for a selection of properties in order to assess completeness and valuation.
- We have considered the external valuations and assessed whether the differences against the internal values are within the normal range of uncertainty.
- A review to confirm that appropriate accounting policies are being applied and the necessary disclosures are being made in the relevant notes to the financial statements.

For further information, please see the section on property valuation on page 48, section about risks and risk management on pages 52–54, the Group's accounting policies and critical assessment area on pages 63–65 and note 11 in the annual report.

Income tax reports

Diös Fastigheter AB's calculation of current and deferred taxes is complex and contains a high degree of estimates. Consideration must be taken of the occurrence of tax losses, depreciation for tax, tax deductible conversions, sale of properties and changes in the value of property and derivatives. Incorrect estimates and assumptions can have a significant impact on the Group's earnings and financial position.

Our audit included the following audit procedures but were not limited to these:

- Review and assessment of Diös's procedures for calculating current and deferred tax.
- Review of the calculations of current and deferred taxes against documentation for legal companies in the Group, and evaluation of the calculations against applicable tax legislation.
- Review and assessment of the property transactions carried out in the tax calculations.
- A review to confirm that appropriate accounting policies are being applied and the necessary disclosures are being made in the relevant notes to the financial statements.

For further information, see the section on taxes on page 49, refer to the risks and risk management on page 52–54, the Group's accounting policies on pages 63–65 and Note 10 and Note 17 in the annual report.

Financing and credit qualifications

Diös's business model means there is a high requirement for access to funding as the operation is capital intensive. As at 31 December 2016, liabilities to credit institutions amounted to SEK 8,012 million and the loan-to-value ratio was 58.6 per cent. When taking out loans, Diös Fastigheter AB has a number commitments in the form of credit qualifications. Violations of these covenants may result in higher interest rate margins or financing being stopped. Over the next financial year, Diös Fastigheter AB will need to refinance 29 per cent of its interest-bearing liabilities in its total loan portfolio.

Our audit included the following audit procedures but were not limited to these:



- Review and assessment of the procedure for financing and follow-up of key ratios and terms and conditions for loans, as well as a review of compliance with the Group's terms and conditions for loans and with its financial policy.
- For all external loans, the carrying amounts have been reconciled with external statements of assets and liabilities obtained directly from the bank.
- All new loans raised during the financial year have been reconciled with loan agreements.
- A review to confirm that appropriate accounting policies are being applied and the necessary disclosures are being made in the relevant notes to the financial statements.

For further information, please see the section on Financing on pages 50–51, the section on Risks and risk management on pages 52–54, the Group's accounting policies on pages 63–65 and Note 21 in the annual report.

Other information included in the annual report

This document also contains other information than that in the financial statements and consolidated financial statements and which can be found on pages 3–41 and 90–110. The Board of Directors and the CEO are responsible for this other information.

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 identify whether the information is materially inconsistent with the financial statements and consolidated financial statements or the knowledge we have obtained in the audit or otherwise appears to be materially misstated.

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 auditors' 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.
- we obtain an understanding of the part of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- we 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.
- we conclude 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 related 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 cease 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).
- we 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.



AUDITORS' REPORT CONT

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 auditors' report unless law or regulation preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY 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 by the Board of Directors and the Chief Executive Officer for the financial year 1 January to 31 December 2016, 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 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.

Östersund, 15 March 2017
Deloitte AB

Lars Helgesson
Authorised public accountant

A photograph of two men standing side-by-side, smiling. The man on the left is older, with glasses, wearing a dark suit and a white shirt with a colorful patterned tie. The man on the right is younger, with a beard, wearing a dark blazer over a blue and white checkered shirt. They are in a dimly lit room with warm, out-of-focus lights in the background. The text 'CORPORATE GOVERNANCE REPORT' is overlaid in large white letters.

CORPORATE GOVERNANCE REPORT

> Knut Rust, CEO, and David Nygren, Umeå letting agent.

CORPORATE GOVERNANCE REPORT

Diös Fastigheter AB (publ) (Diös) 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 2016.

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 Swedish Corporate Governance Code on these points:

- The Audit Committee consists of the entire Board which will establish an audit committee. 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, the Board's opinion is that Diös has in all respects followed the Code in 2016 and has no deviations to report.

EXTERNAL REGULATIONS

- The Swedish Companies Act
- NASDAQ OMX Stockholm's regulations for the issuance of shares
- The Swedish Corporate Governance Code
- Applicable accounting legislation

INTERNAL REGULATIONS

- The company's Articles of Association
- Instructions and rules of procedure for the Board and CEO
- Internal guidelines and handbooks

ANNUAL GENERAL MEETING

Diös' highest decision-making body is the Annual General Meeting, which, along with any extraordinary general meetings, gives 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.

ARTICLES OF ASSOCIATION

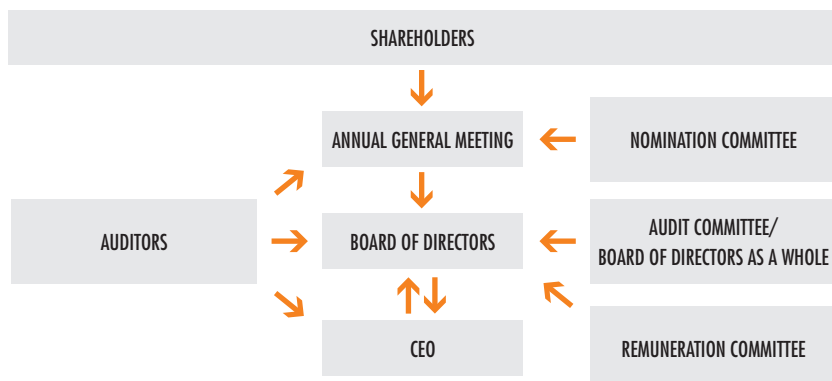
In accordance with the Articles of Association, Diös is a public limited company with its registered office in Östersund. The company's business involves owning and managing properties, either directly or indirectly through subsidiaries, and engaging in related business activities. The Board of Directors 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. On 21 December 2016, the Extraordinary General Meeting resolved that new Articles of Association would be adopted due to the change in the company's minimum and maximum share capital from SEK 74 million and SEK 296 million to SEK 149 million and SEK 596 million respectively. The limits on the numbers of shares have also been changed from a minimum of 37,000,000 and a maximum of 148,000,000 to a minimum of 74,000,000 and a maximum of 296,000,000 shares.

The full text of the Articles of Association is available at www.dios.se.

SHARE CAPITAL AND SHAREHOLDERS

At year-end Diös had 11,233 shareholders holding a total of 74,729,134 shares. Each share has a face value of SEK 2. The proportion of foreign shareholders was 19.4 per cent. The largest individual shareholders as at 31 December 2016 were AB Persson Invest with 15.4 per cent of the votes and capital, Backahill Inter AB with 10.5 per cent, Bengtssons Tidnings AB with 10.1 per cent and Pensionskassan SHB Försäkringsförening with 6.0 per cent. The company's ten largest shareholders together owned 57.1 per cent of the votes 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.

In January 2017, Diös carried out a rights issue to fund part of a SEK 4,500 million acquisition from Castellum. Supported by the Extraordinary General Meeting on 21 December, the rights issue has increased Diös' share capital by SEK 119,566,608, from SEK 149,457,668 to a total of SEK 269,024,276. The total number of shares increased by 59,783,304, from 74,729,134 to 134,512,438. The new shares began to be traded on the Nasdaq OMX Stockholm Exchange on 3 February 2017.



2016 ANNUAL GENERAL MEETING

The 2016 Annual General Meeting was held on 26 April in Östersund. At the AGM 134 shareholders participated, in person or by proxy. The number of shares represented was 43,120,881, which is approximately 58 per cent of the total number of shares. The AGM adopted the consolidated balance sheet and income statement for 2015 and discharged the Board of Directors and CEO from liability in respect of their management of the company in 2015. The AGM resolved:

- To re-elect Bob Persson, Anders Bengtsson, Maud Olofsson, Ragnhild Backman and Svante Paulsson.
- To appoint Bob Persson as Chairman of the Board.
- To approve a dividend payment of SEK 2.85 per share to the shareholders in accordance with the proposal of the Board with 28 April 2016 as record date.
- 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 2017 Annual General Meeting.
- 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 composition and duties of the Nomination Committee are defined by the AGM based on the report submitted by the Nomination Committee. The applicable instructions 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 of the shares and votes of the company as at 31 December 2016. 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 2017 Annual General Meeting, 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 Board of Directors satisfies 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 there are and should be represented within the Board of Directors,
- the composition of the Board in respect of experience, gender and background,
- fees for Board members,
- which model for the composition of a new Nomination Committee for the 2018 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 the Chairman of the Board's report of the evaluation of the work of the Board over the past year and of the members' knowledge and experience. The CEO's presentations on the company's operations and strategic focus also constitute an important basis. In accordance with the Nominating Committee's instructions, the members of the Committee, and the shareholders they represent, are announced no later than six months before the AGM. The representatives on the Nomination Committee are based on known shareholdings as at 15 September 2016.

Composition of the Nomination Committee

In accordance with the principles adopted at the 2016 AGM, Diös' Nomination Committee consists of representatives of the company's four largest shareholders: Bob Persson (AB Persson Invest); Bo Forsén, chairman of the Nomination Committee (Backahill Inter AB); Jonas Bengtsson (Bengtssons Tidnings AB) and Håkan Sandberg (Pensionskassan SHB Försäkringsförening). Shareholders who wish to submit proposals to the Nomination Committee may do so by e-mail to valberedningen@dios.se or by letter to: Diös Fastigheter AB, Nomination Committee, PO Box 188, SE-831 22 Östersund, Sweden.

BOARD OF DIRECTORS

Responsibilities of the Board of Directors and CEO

The Board of Directors consists of five 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

BOARD OF DIRECTORS

	Age	Elected	Dependent/independent	Attendance, out of total no. of meetings			Fees, SEK '000
				Board meetings	Remuneration Committee	Audit Committee	
Bob Persson, Chairman	66	2007	Dependent in relation to owners	22/22	1/1	3/3	185
Anders Bengtsson, member	53	2011	Dependent in relation to owners	22/22	1/1	3/3	135
Maud Olofsson, member	61	2011	Independent	20/22	-	3/3	135
Ragnhild Backman, member	53	2011	Independent	22/22	-	3/3	135
Svante Paulsson, member	45	2014	Dependent in relation to owners	22/22	-	3/3	135
Tomas Mellberg, employee representative	58	2012	Dependent in relation to com-	20/22	-	-	-

The number of Board meetings in 2016 refers to 16 regular meetings, one inaugural meeting and five conference calls.

organisation and management. 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 Group 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 26 April 2016. In 2016, 22 minuted Board meetings were held. Examples of scheduled items on the agenda that the Board discussed during the year are: company-wide policies, overall strategies, rules of procedure for the Board of Directors, capital structure and financing needs, sustainability work, business model and organisational issues. Forward-looking issues relating to market assessments, the focus of the company's commercial activities and organisational issues were also addressed.

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.

Remuneration Committee

The Remuneration Committee consists of two Board representatives, namely Bob Persson and Anders Bengtsson. Its duties include preparing a proposal for remuneration of the CEO subject to the guidelines adopted by the 2016 AGM. The Remuneration Committee held one meeting in 2016, at which guidelines for remuneration of senior executives were reviewed.

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 Svante Paulsson, as well as CEO Knut Rost and CFO Rolf Larsson.

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 2016 AGM, Deloitte AB was appointed with Lars Helgesson as chief auditor for a one-year period until the 2017 AGM. Remuneration for auditors is specified in Note 6.

GROUP MANAGEMENT

Responsibilities of senior group management and the CEO

Since 1 September 2016, executive management consists of CEO Knut Rust, CFO Rolf Larsson, Director of Business Support Kristina Grahn-Persson, Business Development Manager Lars-Göran Dahl and Property Director Henrik Lundmark. The team's work is led by the CEO in accordance with the applicable instructions. The executive management team's duties 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 executive management

team holds meetings at least once a month at which strategic and operational issues are discussed. Additionally, the executive management produces a business plan each year. This is followed up through monthly reports where the review focuses on the earnings trends, improvement, new investments and growth.

Principles of remuneration

The 2016 Annual General Meeting approved the following principles for remuneration to senior executives:

- Remuneration and benefits to the CEO are decided by the Board of Directors.
- Remuneration to other senior executives is decided by the CEO in consultation with the Board of Directors.
- As of 2012 an incentive plan has been in place, under which the CEO and senior executives have the potential to earn variable remuneration. There is no share-based payment.
- The variable remuneration for the CEO and senior executives is capped at one month's salary.
- During their term of employment the CEO and other members of the executive management team are entitled to a company car and receive insurance and retirement benefits in accordance with the applicable ITP plan. 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 twelve months. The period of notice given by the CEO to the company is four months.
- The contracts of other members of the executive management team may be terminated by either party with three to six months' notice.
- Diös has a profit-sharing foundation for all its employees. The provision to the profit-sharing foundation is based on a combination of Diös' profit, required rate of return and dividend paid to the shareholders, and is capped at SEK 30,000 per year per employee. For 2016, this provision came to SEK 1,901,000.

Remuneration for 2016

The CEO received fixed remuneration of SEK 2,165,000, other benefits worth SEK 325,000 and pension plan contributions of SEK 841,000. Other members of the executive management team received total fixed remuneration of SEK 4,704,000, SEK 375,000 in other benefits and pension plan contributions of SEK 1,158,000. The group known as other members of executive management consisted of three people up until 1 September 2016 and four people after that date. For more information, see Note 5.

THE BOARD ON INTERNAL CONTROL

The Board of Directors is responsible for ensur-



ing that the company 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 comprises the components: control environment, risk assessment, control activities, information and communication, and follow-up.

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 instructions 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 in 2014. 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 2016 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. The executive management team 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 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 forth 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 focus on sustainability. 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 the company operates. The work also involves ensuring a good working environment for employees. The sustainability work is carried out in partnership with customers and other stakeholders, a feature which is a prerequisite for success. Guidelines for how sustainability work to create value should take place appear, among other places, in the company's environmental policy and code of conduct. Feedback on the work is given regularly to Diös' Board of Directors.

Follow-up

Internal control is followed up 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 executive 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. The financial operations and accounting and leasing administration are managed from Diös' head office. The company's balance sheets and income statements are reviewed quarterly by accounts staff as well as by the executive management team and the 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.

AUDITORS' STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Shareholders in Diös Fastigheter AB (publ), corporate ID no. 556501-1771.

Assignment and allocation of responsibility

The Board of Directors is responsible for the Corporate Governance Report for the financial year 1 January 2016 to 31 December 2016 on pages 83–89 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Focus and scope of the review

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 in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient grounds for our opinions.

Opinion

A corporate governance report has been prepared. Disclosures in accordance with chapter 6, section 6(2), nos. 2–6 of the Swedish Annual Accounts Act and chapter 7, section 31(2) of the same Act are consistent with the financial statements and consolidated financial statements and comply with the Swedish Annual Accounts Act.

Östersund, 15 March 2017

Deloitte AB

Lars Helgesson, *Authorised Public Accountant*

BOARD OF DIRECTORS



➤ Tomas Mellberg, Ragnhild Backman, Bob Smith, Svante Paulsson, Maud Olofsson and Anders Bengtsson.

➤ Bob Persson

Chairman of the Board since 2011, Board member since 2007, born 1950.
Current function: Chairman of the Board and partner in AB Persson Invest.
Previous experience: positions within the group AP Persson Invest including Group CEO.
Other directorships: Chairman of the Board of Persson Invest Skog AB, Board member of ÖLAB Fastighets Aktiebolag, Östersunds Lastbilsservice Aktiebolag and Bergvik Skog AB.
Education: Economics degree, Umeå University.
Shareholding in Diös Fastigheter: 100,000 directly owned shares. Indirect ownership of 20,699,443 shares via the company AB Persson Invest.

➤ Anders Bengtsson

Board member since 2012, born 1963.
Current function. Board member and partner of Bengtssons Tidnings AB.
Previous experience: 20 years as CEO of SMEs and several years as a management consultant for a number of clients including Semcon.
Other directorships: Board member of Scandinavian Biogas Fuels International and a number of property development projects.
Education: MBA from Monterey Institute of International Studies, USA.
Shareholding in Diös Fastigheter: Indirect ownership of approx. 13,574,748 shares via Bengtssons Tidnings AB.

➤ Svante Paulsson

Board member since 2014, born 1972.
Current function. Responsible for strategy and projects, also Deputy Chairman of Backahill AB.
Other directorships: Board member of Fabege AB, Hansan Aktiebolag and AB Cernelle.
Education: High School in the USA
Shareholding in Diös Fastigheter: 185,625 shares via company. Indirect ownership of approx. 14,095,354 shares via Backahill Inter AB.

➤ Ragnhild Backman

Board member since 2012, born 1963.
Current function. CEO of Byggnads AB O. Tjärnberg, Backmans Fastighets- och Företagsutveckling AB.
Previous experience: Property Management Director, Piren.
Other directorships: Deputy Chairman of Fastighetsägarna MittNord and Board member of Malux AB and Fastighetsägarna Sverige.
Education: M.Sc. Engineering, KTH Royal Institute of Technology.
Shareholding in Diös Fastigheter: 22,140 directly owned shares.

➤ Maud Olofsson

Board member since 2012, born 1955.
Current function. Own company, RomoNorr.
Previous experience: Leader of the Swedish Centre Party, Deputy Prime Minister, Minister for Enterprise and Energy.
Other directorships: Chairman of Visita, Board member of Arise, Envac and AF.
Education: High school.
Shareholding in Diös Fastigheter: 10,800 shares via company.

➤ Tomas Mellberg

Board member (employee representative) since 2012, born 1959.
Current function. Project Controller, Diös Fastigheter AB.
Previous experience: Internal Auditor and Accounts Manager, Skanska. Accounts Officer at Hallström & Nisses Fastigheter and Norrvidden Fastigheter.
Other directorships: None.
Education: Economics degree, Umeå University.
Shareholding in Diös Fastigheter: 1,800 directly owned shares.



EXECUTIVE MANAGEMENT



➤ Henrik Lundmark, Lars-Göran Dahl, Knut Rust, Kristina Grahn-Persson and Rolf Larsson.

➤ **Knut Rust**

CEO since 2014, born 1959.

Previous experience: various positions within ICA Fastigheter in Västerås and at Castellum.

Other posts: Samling Näringsliv Jämtlands län Ekonomiska förening, Biathlon Invest Events i Sverige AB, Peak Region AB and Destination Östersund AB.

Education: Master of Science in Engineering with a degree from the Royal Institute of Technology.

Shareholding in Diös Fastigheter: 12,540 directly owned shares.

➤ **Rolf Larsson**

CFO since 2005, born 1964.

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

Education: M.Sc. in Economics and Business and Executive MBA.

Shareholding in Diös Fastigheter: 6,774 directly owned shares.

➤ **Kristina Grahn-Persson**

Director of Business Support since 2016, formerly HR Director since 2013 and employed since 2011, born 1973.

Previous experience: Recruitment Consultant at Manpower and Team Assistant at McKinsey & Company.

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

Shareholding in Diös Fastigheter: 1,008 directly owned shares.

➤ **Lars-Göran Dahl**

Business Development Manager since 2016, formerly Property Director since 2014, born 1961.

Previous experience: Responsible for Riksbyggen's commercial activities in Sweden.

Education: M.Sc. in Economics and Business.

Shareholding in Diös Fastigheter: 2,805.

➤ **Henrik Lundmark**

Property Director since 2016, formerly Business Area Manager, Jämtland since 2015, born 1973.

Previous experience: Various positions within Akelius Fastigheter, most recently Regional Manager Norrland.

Education: University education in sociology, psychology and communications science.

Shareholding in Diös Fastigheter: None.

A woman with reddish-brown hair tied back, wearing a black t-shirt with a small 'Duts' logo and black cargo pants with tools in the pockets. She is standing in a doorway with her right hand on her hip. The background shows a glass door with the word 'Falu' visible. The text 'PROPERTY REGISTER' is overlaid in large white letters.

PROPERTY REGISTER

DALARNA

BORLÄNGE

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
BORLÄNGE	Frigga 7	Målaregatan 1	1983/1983	2,196	122	1,276	-	-	3,594	4.1	69.6	19.3
BORLÄNGE	Hammaren 6	Hammargatan 4-6	1973/1983	1,002	400	4,475	-	-	5,877	4.5	88.5	21.0
BORLÄNGE	Intagan 1	Röda Vägen 1	1978/1980	32,681	49	-	-	795	33,525	42.0	100.0	150.2
BORLÄNGE	Mimer 1	Stationsgatan 2-4	1967/1988	2,773	370	2,646	-	1,302	7,091	8.3	86.0	37.2
BORLÄNGE	Mälaren 3	Skomakargatan 18	1986/1986	883	-	-	-	350	1,233	1.5	97.4	10.7
BORLÄNGE	Rolf 2	Borganäsvägen 43	1952/1973	5,628	58	560	-	482	6,728	5.9	87.3	-
BORLÄNGE	Rolf 5	Borganäsvägen 37, 39, 41, Målaregatan 5	1895/1973	2,119	-	341	207	335	3,002	2.3	78.7	9.8
BORLÄNGE	Saga 25	Borganäsvägen 30	1960/1960	1,631	823	3,589	401	-	6,444	5.2	76.5	22.9
BORLÄNGE	Sigrid 10	Borganäsvägen 26	1974/1974	3,466	275	2,431	-	-	6,172	7.1	95.3	29.6
BORLÄNGE	Sigrid 11	Stationsgatan 12	1971/1971	978	12	1,482	-	-	2,472	2.5	61.2	10.7
BORLÄNGE	Tyr 10, Valhall 1 (2 properties)	Wallingatan 37	1972/1974	6,534	32	72	-	-	6,638	6.2	100.0	25.6
BORLÄNGE	Verdandi 9	Borganäsvägen 42-44	1929/1949	861	2,727	834	-	4,701	9,123	9.3	80.9	12.9
BORLÄNGE	Verdandi 10	Borganäsvägen 46-48	1971/1971	1,415	361	1,192	195	-	3,163	3.3	62.6	35.2
TOTAL BORLÄNGE: 14 PROPERTIES				62,167	5,229	18,898	803	7,965	95,062	102.3	90.4	385.1

MALUNG

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
Malung	Fisken 5	Grönlandsvägen 23	1967/1967	93	-	2,298	-	390	2,781	3.0	97.8	6.4
Malung	Mobyarna 113:4	Västra Industrigatan	1966/1977	15	24,413	-	-	-	24,428	8.3	74.7	21.0
TOTAL MALUNG: 2 PROPERTIES				108	24,413	2,298	-	390	27,209	11.3	80.8	27.4

FALUN

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
FALUN	Björken 8	Bergmästaregatan 2	1981/1981	2,277	41	-	86	-	2,404	3.0	72.1	13.6
FALUN	Dalpilen 10	Myntgatan 20	1989/1989	2,273	-	224	-	662	3,159	3.5	97.3	16.2
FALUN	Falan 20	Stora torget	1966/1975	15,905	518	5,854	-	1,084	23,361	34.0	96.7	184.0
FALUN	Falan 22	Ö:a Hamngatan 16, 18	1938/2009	-	-	619	471	600	1,690	2.0	78.8	23.2
FALUN	G:a Bergsskolan 15	Holmgatan 14,26	1979/1979	1,670	-	8,420	-	-	10,090	9.7	81.4	49.2
FALUN	Gullvivan 18	N Järnvägsgatan 2-4, Seminariiegatan 3	1929/-	-	-	-	-	6,000	6,000	8.4	100.0	-
FALUN	Hattmakaren 16	Nybrogatan 21, Slaggatan 19, Ö:a Hamngatan	1980/1980	2,263	60	709	-	259	3,291	4.2	83.9	19.2
FALUN	Holmen 7	Holmgatan 11	1978/1978	495	-	743	64	-	1,302	2.4	95.6	14.6
FALUN	Holmen 8	Holmgatan 9	1970/1973	1,757	17	15,891	-	1,062	18,727	30.1	85.6	169.4
FALUN	Kansliet 20	Nybrogatan 20	1950/1950	15,314	342	-	124	4,979	20,759	24.6	88.8	107.8
FALUN	Köpmannen 3	Holmgatan 13	1929/1997	180	-	530	670	400	1,780	3.3	99.9	19.9
FALUN	Köpmannen 4	Falugatan 5	1984/1984	325	33	1,395	1,687	-	3,440	4.5	99.9	30.1
FALUN	Lasarettet 16	Svårdsjögatan 28	1987/1987	233	-	-	86	1,655	1,974	1.9	100.0	1.8
FALUN	Nedre Gruvriset 33:156	Krontallsvägen 1, 3, 16	2003/2003	-	5,325	-	-	-	5,325	5.7	93.0	18.5
FALUN	Nya Bergsskolan 4	Engelbrektsgatan 25, Sturegatan 60, Stigaregatan 8 & 10	1929/1950	1,183	984	-	-	-	2,167	1.6	49.7	8.2
FALUN	Teatern 6	Engelbrektsgatan 25; Stigaregatan 7A-B; Sturegatan 58	1929/1988	1,925	-	63	-	-	1,988	2.1	77.5	9.2
TOTAL FALUN: 16 PROPERTIES				45,800	7,320	34,448	3,188	16,701	107,457	141.0	90.2	685.0

MORA

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
MORA	Stranden 11:4	Fridhemsgatan 9	1981/1981	2,816	89	-	-	-	2,905	3.7	98.6	14.3
MORA	Stranden 16:1	Kyrkogatan 31	1958/1958	349	327	713	2,389	156	3,934	3.6	98.4	15.4
MORA	Stranden 16:2	Kyrkogatan 27	1975/1975	1,026	105	447	-	223	1,801	2.3	92.1	9.0
MORA	Stranden 17:4	Moragatan 13	1960/1963	308	531	333	3,497	276	4,945	5.0	99.1	21.7
MORA	Stranden 17:6	Strandgatan 24	1964/1964	-	30	246	1,538	-	1,814	1.7	94.9	6.8
MORA	Stranden 18:2	Kyrkogatan 25	1970/1972	1,106	410	3,167	-	475	5,158	5.1	84.0	21.0
MORA	Stranden 19:5	Kyrkogatan 18 A	1966/1966	-	82	3,288	-	280	3,650	4.5	100.0	16.5
MORA	Stranden 19:6	Kyrkogatan 20	1977/1977	2,082	50	573	-	-	2,705	3.1	83.2	15.5
MORA	Stranden 20:2	Millåkersgatan 6	1968/1974	3,895	369	-	-	298	4,562	5.0	98.2	17.9
MORA	Stranden 20:4	Hantverkaregatan 14	1989/1989	2,365	-	-	-	507	2,872	3.1	73.9	15.8
MORA	Stranden 35:7, 35:8 (2 properties)	Kyrkogatan 10	1920/2001	287	20	904	1,397	-	2,608	2.6	96.3	11.0
TOTAL MORA: 12 PROPERTIES				14,234	2,013	9,671	8,821	2,215	36,954	39.6	93.1	164.9

TOTAL DALARNA

	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
	Office	Industrial/ warehouse	Retail	Residential	Other	Total			
44 PROPERTIES	122,309	38,975	65,315	12,812	27,271	266,682	294.2	90.3	1,262.4

GÄVLEBORG

GÄVLE

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
GÄVLE	Alderholmen 18:1	Hamntorget 6, 2:a Magasinsgatan 1	1929/1970	1,829	1,180	-	-	-	3,009	2.1	82.4	13.4
GÄVLE	Alderholmen 19:2	Hamntorget 4, Första Magasinsgatan 1, Andra Magasinsgatan 2, 4A	1977/1977	793	-	-	-	-	793	1.6	100.0	-
GÄVLE	Alderholmen 19:3	1:a Magasinsgatan 3, 2:a Magasinsgatan 4	1929/1991	809	-	-	-	-	809	1.0	86.0	5.0
GÄVLE	Alderholmen 23:1	Elfbrinksgatan 2; Första Magasinsgatan 8; Norra Skeppsbron 7	1929/1950	1,766	-	-	-	-	1,766	1.9	82.9	10.4
GÄVLE	Alderholmen 24:3	Norra Skeppsbron 5 A	1929/1929	1,155	-	-	-	-	1,155	1.1	88.0	6.4
GÄVLE	Alderholmen 24:5	Norra Skeppsbron 5 B	1929/1950	1,181	-	-	-	-	1,181	1.2	79.6	6.9
GÄVLE	Brynäs 12:1	S:a Fältskärgatan 10	1970/-	3,425	1,995	1,026	-	-	6,446	5.1	62.9	20.6
GÄVLE	Brynäs 34:9	Atlasgatan 12	1968/1968	-	3,498	-	-	-	3,498	1.1	83.8	7.9
GÄVLE	Hemlingby 56:10	Kryddstigen 1-3	1980/1980	1,255	-	3,415	-	-	4,670	3.5	92.9	17.2
GÄVLE	Hemsta 12:16	Skolgången 18-20	1984/1989	2,384	-	625	-	-	3,009	2.8	25.1	14.1
GÄVLE	Hemsta 12:17	Skolgången 10	1988/1988	-	3,425	-	-	-	3,425	2.6	90.5	15.5
GÄVLE	Järvsta 63:3	Utgårdsvägen 9A-H, 9J-O	1991/1991	848	2,232	-	-	-	3,080	1.8	98.8	9.0
GÄVLE	Kungsback 2:13	Nobelvägen 1	2001/2001	5,327	-	-	-	-	5,327	5.3	0.3	44.9
GÄVLE	Norr 11:4	Kaplangsgatan 12, 14; Norra Stapeltorgsgatan 11-13; Nygatan 9-11, 9A-I, 9K-N, 11A-I, 11K-M (Gävle)	1964/1986	1,132	489	3,467	4,940	180	10,208	11.2	81.0	88.8
GÄVLE	Norr 14:5	Norra Kansligatan 7-9; Norra Slottsgatan 8, 10; Nygatan 21, 23 (Gävle); Ruddammgatan 24, 26	1971/1971	1,109	289	6,784	-	193	8,375	19.4	90.2	149.0
GÄVLE	Norr 16:5	Norra Köpmangatan 13; Norra Rådmansgatan 12, 12C; Nygatan 29-31 (Gävle)	1973/1973	6,385	479	258	-	-	7,122	9.4	97.6	62.0
GÄVLE	Norr 19:4	Hattmakargatan 10; Nygatan 41	1966/1966	2,000	0	866	-	-	2,866	4.2	99.1	21.5
GÄVLE	Norr 23:5	Nygatan 22, N Rådmansgatan 8A-C, Drottninggatan 21	1959/1959	2,358	5	2,211	1,415	136	6,125	7.6	98.3	50.3



Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
GÄVLE	Norr 26:3	Hattmakargatan 6, Drottninggatan 33	1990/1990	2,578	0	220	209	-	3,007	4.1	92.8	23.5
GÄVLE	Norr 29:5	Drottninggatan 6, N Skeppargatan 5, N Stapeltorgsgatan 6	1985/1985	2,911	25	332	-	2,289	5,557	7.5	86.2	49.0
GÄVLE	Norr 30:5	N:a Slottsgatan 3 A-B	1946/1946	-	-	303	1,464	1,245	3,012	3.0	100.0	23.2
GÄVLE	Norr 31:9	Kyrkogatan 17, Drottninggatan 16-18	1973/1973	6,491	1,572	11,500	-	2,972	22,535	30.5	92.1	172.0
GÄVLE	Norr 34:3	Kyrkogatan 25, N Kopparslagsgatan 3	1995/1995	89	-	-	-	5,991	6,080	1.1	100.0	5.2
GÄVLE	Norr 40:3	Kyrkogatan 16, 18; Norra Kungsgatan 1; Norra Strandgatan 15-17	1971/1981	5,172	-	1,920	-	-	7,092	8.8	100.0	55.8
GÄVLE	Norr 6:7	Norra Köpmangatan 21; Norra Rådmansgatan 20; Staketgatan 32, 34	1971/1971	2,473	-	959	-	68	3,500	3.6	85.6	20.4
GÄVLE	Näringen 11:3	Strömsbrovägen 18	1955/1977	1,981	2,057	-	-	-	4,038	2.3	97.7	8.1
GÄVLE	Näringen 12:2	Strömsbrovägen 12	1990/1990	-	592	-	-	-	592	0.5	100.0	2.3
GÄVLE	Näringen 13:11	Förrädsgatan 7	1968/1968	780	1,150	-	-	-	1,930	1.1	40.2	3.8
GÄVLE	Näringen 16:6	Kanalvägen 6	1981/1992	819	5,859	-	-	400	7,078	3.9	100.0	19.8
GÄVLE	Näringen 22:3	Beckasinvägen 15	Land	-	-	-	-	-	-	0.2	89.2	1.4
GÄVLE	Näringen 5:15	Lötångsgatan 6-12	1966/1976	-	25,400	-	-	-	25,400	3.5	97.5	38.5
GÄVLE	Näringen 6:4	Lötångsgatan 13	1968/1978	904	624	-	-	-	1,528	1.0	76.8	4.8
GÄVLE	Näringen 8:5	Strömsbrovägen 19	1965/1995	-	5,945	-	-	-	5,945	2.4	100.0	14.4
GÄVLE	Sätra 107:7	Bromsargatan 3, Marielundsvägen 2	1991/1991	3,134	75	-	-	-	3,209	3.6	97.8	23.5
GÄVLE	Söder 38:5	Södra Kansligatan 27; Södra Kungsgatan 32, 32A-H, 32J-P	1957/1978	-	130	1,401	-	-	1,531	2.3	96.3	16.6
GÄVLE	Södertull 33:1	S Kungsgatan 59, Helögatan 2,	1910/1970	2,466	791	3,113	-	4,678	11,048	11.3	92.4	23.5
GÄVLE	Sörby Urfjäll 27:2	Rälsgratan 2-4	1972/1973	354	4,688	-	-	-	5,042	2.9	73.7	11.7
GÄVLE	Sörby Urfjäll 28:3	Utmarksvägen 35	1979/1983	-	2,223	-	-	-	2,223	1.6	100.0	5.6
GÄVLE	Sörby Urfjäll 36:4	Utmarksvägen 15	1975/1991	1,295	5,087	142	-	-	6,524	4.3	100.0	21.2
GÄVLE	Sörby Urfjäll 37:3	Utmarksvägen 10	1979/1979	688	9,928	2,530	-	123	13,269	9.9	94.5	33.9
GÄVLE	Väster 4:17	V:a Vägen 52	1973/1980	159	2,336	-	-	-	2,495	1.6	94.7	6.6
GÄVLE	Öster 10:1	Ö Hantverkargatan 62	1988/1988	1,193	-	-	-	-	1,193	1.4	82.4	6.3
TOTAL GÄVLE: 42 PROPERTIES				67,243	82,074	41,072	8,028	18,275	216,692	195.5	87.9	1,134.1

LJUSDAL, SANDVIKEN, SÖDERHAMN

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
Ljusdal	Norrkämsta 16:3	Norrkämstaleden 6	1977/1982	1,924	13,515	500	50	8	15,997	7.1	86.8	22.6
Ljusdal	Norrkämsta 17:2	Norrkämstaleden 7	1992/1992	2,300	-	-	-	-	2,300	2.1	87.6	7.2
Ljusdal	Tälle 23:8	Bokhandlärgränd 12; Norra Järnvägsgatan 39; Stationsgatan 1-5	1965/1979	658	20	3,337	-	-	4,015	1.2	100.0	5.0
Ljusdal	Östernäs 14:4	Löjtnantsgatan 9	1963/1986	1,695	-	-	-	-	1,695	3.6	94.8	12.9
Sandviken	Klappsta 8:1	-	Land	-	-	-	-	-	-	-	-	-
Söderhamn	Furan 1	Köpmangatan 13	1970/1991	-	-	2,481	-	-	2,481	3.5	74.2	12.4
Söderhamn	Furan 10	Kungsgatan 10	1984/1984	-	-	257	709	316	1,282	1.1	65.4	4.8
Söderhamn	Furan 9	Köpmangatan 15	1964/1972	334	-	3,566	1,059	162	5,121	4.2	89.8	17.8
Söderhamn	Svalan 6	Västra Tullgatan 12	1998/1998	1,150	-	-	-	-	1,150	1.2	100.0	4.4
TOTAL LJUSDAL, SANDVIKEN, SÖDERHAMN: 9 PROPERTIES				8,061	13,535	10,141	1,818	486	34,041	24.1	87.1	87.0

				sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
TOTAL GÄVLEBORG				Office	Industrial/ ware- house	Retail	Residen- tial	Other	Total			
51 PROPERTIES				75,304	95,609	51,213	9,846	18,761	250,733	219.6	87.8	1,221.0

SUNDSVALL

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occupancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
SUNDSVALL	Aeolus 5	Köpmangatan 8B-C, 10; Tullgatan 18	1937/1982	2,722	110	332	-	-	3,163	3.8	62.0	22.0
SUNDSVALL	Aeolus 9	Trädgårdsgatan 7-9	1992/1992	2,768	-	-	-	-	2,768	4.1	99.0	23.8
SUNDSVALL	Alliero 20	Universitetsallén 14, Universitetsallén 20	1929/1929	314	1,288	787	-	-	2,389	1.3	84.3	7.8
SUNDSVALL	Apollo 3, 7, 8 (3 properties)	Trädgårdsgatan 1-3	1956/1956	77	1,201	1,005	933	193	3,409	2.6	81.8	19.5
SUNDSVALL	Arbetet 3	Centralgatan 11; Esplanaden 8-10; Rådhusgatan 25; Trädgårdsgatan 24	1969/1969	3,087	151	794	-	520	4,552	5.5	98.8	29.8
SUNDSVALL	Balder 3	Normalmogatan 8-10	1957/1957	-	526	-	3,676	-	4,202	7.7	93.9	36.5
SUNDSVALL	Bisittaren 1	Thulegatan 25; Södra Järnvägsgatan 29	1929/1981	1,300	185	263	-	-	1,748	1.8	77.8	10.1
SUNDSVALL	Björneborg 11	Björneborgsgatan 37	1968/1968	6,709	-	-	-	-	6,709	2.0	0.0	11.2
SUNDSVALL	Borgmästaren 10	Köpmangatan 19, N.a Järnvägsgatan 24	1956/1956	4,244	368	-	-	873	5,485	7.5	98.0	37.2
SUNDSVALL	Cupido 5	Köpmangatan 16	1947/1957	100	-	700	1,052	-	1,852	1.9	98.9	12.5
SUNDSVALL	Fryshuset 2	Nya Hamngatan 12	2004/2004	5,853	-	-	-	-	5,853	10.6	99.9	64.6
SUNDSVALL	Glädjen 4, 9 (2 properties)	Storgatan 30-34; Thulegatan 3; Torggatan 2-4; Sjögatan 23	1929/1960	4,644	792	10,979	537	-	16,951	27.7	88.1	172.4
SUNDSVALL	Hälsan 6	Storgatan 26; Centralgatan 6	1891/1930	1,039	77	989	1,281	-	3,385	5.5	83.8	34.6
SUNDSVALL	Hälsan 7	Storgatan 28; Centralgatan 4; Torggatan 1-3; Sjögatan 15-17, 16-18	1929/1965	3,329	559	7,785	-	8	11,680	21.4	83.4	117.0
SUNDSVALL	Högom 3:170	Bergsgatan 130	1993/1993	4,623	244	-	-	-	4,867	4.7	83.5	19.3
SUNDSVALL	Högom 3:186	Tegelvägen 20-22	1990/1990	1,500	1,888	-	-	-	3,388	2.5	73.8	9.5
SUNDSVALL	Högom 3:189	Tegelvägen 17	1990/1990	367	2,213	-	-	-	2,580	1.8	83.1	6.1
SUNDSVALL	Lagmannen 9	Fredsgatan 3-5; Södra Järnvägsgatan 23	1976/1976	4,501	22	-	-	-	4,523	6.1	90.9	26.6
SUNDSVALL	Lagret 4	Heffnersvägen 34	1942/1960	8,322	438	384	-	-	9,144	8.6	67.2	48.6
SUNDSVALL	Ljusta 3:10	Gesällvägen 20; Läringsvägen 9, 13B	1978/1989	38	2,741	-	-	-	2,779	1.2	80.5	14.0
SUNDSVALL	Lyckan 6	Storgatan 36-40; Ågatan 1-5, 2-4; Thulegatan 2; Varvsgränd 1	1929/2007	107	162	8,973	152	2	9,396	17.8	90.8	122.4
SUNDSVALL	Mälås 3:20	Birstavägen 21	1990/1990	-	3,116	-	-	-	3,116	1.9	96.0	5.7
SUNDSVALL	Nolby 7:139	Sandslävägen 3	1970/1970	150	5,561	-	-	-	5,711	2.1	76.1	4.3
SUNDSVALL	Norrbacka 12	Baldersvägen 15; Kungsvägen 17A-D, 19A-C, 21, 23A-B, 25	1968/1968	2,172	24	-	90	6,164	8,450	10.9	93.5	1.8
SUNDSVALL	Normalm 1:24	Universitetsallén 32	1987/1987	11,771	199	462	-	1,467	13,898	19.1	88.9	92.0
SUNDSVALL	Penningen 12	Storgatan 29; Varvsgränd 3	1929/1970	1,522	-	-	-	-	1,522	2.2	59.7	14.0
SUNDSVALL	Penningen 9	Storgatan 23-27; Thulegatan 4	1929/1960	1,469	124	2,371	96	1,759	5,819	9.5	98.3	13.0
SUNDSVALL	Rätten 1	Centralgatan 9; Esplanaden 6; Kyrkogatan 17; Rådhusgatan 20	1929/1993	1,185	-	-	935	-	2,120	2.8	99.5	20.9
SUNDSVALL	Sköns Prästbord 01:59	Arbetsledarvägen 14	1991/1991	0	1,774	-	-	-	1,774	1.1	100.0	4.0
SUNDSVALL	Sköns Prästbord 1:69	Norra Förmansvägen 22	1989/1989	0	-	2,632	-	-	2,632	1.7	36.5	13.0
SUNDSVALL	Skönsberg 1:7, 1:8 (2 properties)	Industrigatan 1; Ortviksvägen 2-4	1969/1969	3,333	73	1,252	-	-	4,658	3.4	8.6	22.7
SUNDSVALL	Skönsberg 1:73	Lagergatan 12-14	1988/1988	5,762	-	-	-	-	5,762	5.6	73.0	30.8
SUNDSVALL	Skönsmon 2:4	Kolvägen 15	1989/1989	2,215	300	850	-	-	3,365	3.7	90.9	15.4
SUNDSVALL	Skönsmon 2:5	Kolvägen 19-21	1930/1980	2,719	-	-	-	-	2,719	3.2	93.5	14.8
SUNDSVALL	Skönsmon 2:97	Kolvägen 17	1959/1999	2,560	11	-	-	-	2,571	4.6	99.9	21.6
SUNDSVALL	Stenstaden 1:14	Nya Hamngatan 21	2006/2006	1,488	-	-	-	73	1,561	2.2	100.0	1.2
SUNDSVALL	Venus 3	Storgatan 11; Kyrkogatan 12; Nybrogatan 9-11	1929/1950	2,380	13	1,624	1,202	-	5,219	6.5	91.0	39.5
SUNDSVALL	Vesta 4	Esplanaden 13 / Trädgårdsgatan 22	1892/1930	354	-	200	574	274	1,402	1.8	89.8	11.2
SUNDSVALL	Västland 26:3	Finstavägen 36	1968/-	-	600	546	-	1,140	2,286	1.5	77.6	-
TOTAL SUNDSVALL: 43 PROPERTIES				94,721	24,757	42,926	10,528	12,473	185,404	230.0	86.1	1,171.2



HÄRNÖSAND

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
Härnösand	Skepparen 6 and 7 (2 properties)	-	Land	-	-	-	-	-	-	-	-	-
TOTAL HÄRNÖSAND: 2 PROPERTIES				-	-	-	-	-	-	-	-	-

SOLLEFTEÅ

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
Sollefteå	Staden 2:29	-	Land	-	-	-	-	-	-	-	-	-
TOTAL SOLLEFTEÅ: 1 PROPERTY				-	-	-	-	-	-	-	-	-

TOTAL VÄSTERNORRLAND

	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
	Office	Industrial/ warehouse	Retail	Residential	Other	Total			
46 PROPERTIES	94,721	24,757	42,926	10,528	12,473	185,404	230.0	86.1	1,171.2

JÄMTLAND

ÅRE

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
ÅRE	Arvesund 2:185 and others (23 properties)	-	Land	-	-	-	-	-	-	-	-	3.7
ÅRE	Mörviken 1:107	Kabinbanevägen 22 (Hotell Åre Torg)	1985/2007	-	-	-	-	1,400	1,400	1.3	100.0	13.4
ÅRE	Mörviken 2:102	Sankt Olavs väg 33, 37	2006/2007	-	149	4,368	-	3,435	7,952	13.2	94.2	112.8
ÅRE	Mörviken 2:91	Årevägen 49-53	2006/2006	-	-	2,326	-	-	2,326	0.2	100.0	35.0
ÅRE	Totten 1:68	Kurortsvägen 20	1929/1929	3,173	830	-	-	6,870	10,873	10.3	86.4	82.4
ÅRE	Åre Prästbord 1:37	Årevägen 55	1990/1997	2,240	-	1,419	-	479	4,138	5.1	94.9	40.8
ÅRE	Åre Prästbord 1:76	Årevägen 78	2007/2007	-	22	2,006	648	399	3,075	7.9	96.1	67.2
TOTAL ÅRE: 29 PROPERTIES				5,413	1,001	10,119	648	12,583	29,764	38.0	92.8	355.3

ÖSTERSUND

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
ÖSTERSUND	Arken 8	Rådhusgatan 56; Tullgatan 18	1993/1993	2,803	260	-	-	-	3,063	3.9	95.4	16.6
ÖSTERSUND	Bandsågen 11	Hagvägen 17	1978/1978	1,106	299	-	-	-	1,405	1.3	82.1	4.9
ÖSTERSUND	Barberaren 7	Biblioteksgatan 11; Prästgatan 28-30	1917/2015	251	-	2,157	2,282	200	4,890	8.8	99.4	71.6
ÖSTERSUND	Befälhavaren 2	Frösövägen 3A-C	1983/1983	1,888	-	-	-	-	1,888	2.1	99.9	8.5
ÖSTERSUND	Bergvik 10	Bergsgatan 44	1948/1987	-	-	-	746	-	746	0.8	99.2	6.4
ÖSTERSUND	Boktryckaren 1	Köpmangatan 39; Biblioteksgatan 6A-C, 8; Storgatan 32-34, 34A-B	1929/1929	1,231	159	1,488	489	-	3,367	3.5	72.2	21.1
ÖSTERSUND	Boktryckaren 5	Köpmangatan 43; Postgränd 5	1929/1930	-	-	320	90	-	410	0.5	100.0	3.6
ÖSTERSUND	Boktryckaren 6	Köpmangatan 41, 41B	1930/1991	341	-	-	212	-	553	0.7	72.2	4.5
ÖSTERSUND	Bonden 3	Fritzhemsgatan 14	1988/1988	90	-	-	855	-	945	1.0	98.3	7.4
ÖSTERSUND	Brandenburg 5	Brunnsgränd 6; Storgatan 61A-C	1960/1969	-	15	38	1,225	887	2,165	2.2	97.3	14.2
ÖSTERSUND	Buntmakaren 2	Törnstens Gränd 11; Stortorget 8	1929/1950	842	124	575	153	-	1,694	2.1	95.7	15.1
ÖSTERSUND	Buntmakaren 3	Prästgatan 22-24; Stortorget 10; Törnstens Gränd 13	1963/1963	1,178	170	1,107	-	81	2,536	2.9	88.4	21.0

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
ÖSTERSUND	Busken 1	Splintvägen 5	1991/1991	2,012	-	-	-	-	2,012	2.0	99.8	6.9
ÖSTERSUND	Fabrikören 3	Byvägen 74	1945/1986	-	-	-	458	-	458	0.5	98.5	3.7
ÖSTERSUND	Frösö 3:7	Öneslingan, Önevägen	1929/2004	12,884	1,670	140	1,418	23,879	39,991	41.3	90.4	47.8
ÖSTERSUND	Frösö 6:22, 6:30 (2 properties)	Fjällgatan 10A-B	1945/1984	-	10	-	926	-	936	0.9	96.1	7.5
ÖSTERSUND	Förskinn 6	S:a Gröngatan 39	1971/1971	208	-	-	1,431	-	1,639	1.8	96.3	12.1
ÖSTERSUND	Gubbåkern 8	Frösövägen 19	1937/1937	-	-	94	561	5	660	0.7	100.0	4.5
ÖSTERSUND	Guckuskon 1	Lövstavägen 6	1992/1992	1,643	-	-	-	-	1,643	1.6	40.3	-
ÖSTERSUND	Gårdvaren 1	Eriksbergsvägen 19A-H, 21A-D	1963/1992	-	59	-	2,791	-	2,850	3.2	98.6	23.3
ÖSTERSUND	Gästgivaren 3, 6 (2 properties)	Hamngatan 11; Prästgatan 40	1945/1945	449	-	1,162	465	182	2,258	2.8	87.4	20.7
ÖSTERSUND	Handlanden 4	Hornsgatan 16 A-B	1954/1954	-	30	-	1,225	-	1,255	1.3	99.2	9.1
ÖSTERSUND	Hejaren 5	Odenskogsvägen 35-37	1960/1978	617	9,733	725	-	-	11,075	6.7	79.4	27.2
ÖSTERSUND	Häradshövdingen 1	Prästgatan 29; Törnstens Gränd 14	1965/1965	173	49	697	465	432	1,816	2.3	98.6	16.6
ÖSTERSUND	Häradshövdingen 6	Prästgatan 31, 31A, 31C-D	1910/1948	476	70	691	416	624	2,277	2.8	93.8	18.7
ÖSTERSUND	Kommunalmannen 4	Bergsgatan 5; Fjällgatan 4A-C; Fritzhemsgatan 1A-F	1966/1971	3,461	1,710	-	-	-	5,171	6.5	94.4	27.5
ÖSTERSUND	Kopparslagaren 3	Prästgatan 21; Samuel Permans Gata 7-9	1929/1978	3,513	0	595	990	5	5,103	4.8	100.0	31.2
ÖSTERSUND	Kräftan 6	Rådhusgatan 82	1969/1989	1,203	-	-	-	1,615	2,818	4.4	93.2	21.6
ÖSTERSUND	Körfältet 11	Körfältsvägen 4	1973/1973	-	-	-	-	2,187	2,187	2.1	100.0	9.9
ÖSTERSUND	Logen 6	Kyrkgatan 47, 49, Thoméegränd 18 A-C	1938/1975	1,622	-	985	1,450	1,959	6,016	6.2	89.3	37.7
ÖSTERSUND	Lutfisken 2	Odensviksvägen 19; Brunflovägen 66	1987/1987	110	-	-	1,447	-	1,557	1.6	99.3	13.3
ÖSTERSUND	Lutfisken 4, 5 (2 properties)	Odensviksvägen 15A-B, Odensviksvägen 17	1989/1989	24	-	-	2,003	-	2,027	2.0	100.0	16.9
ÖSTERSUND	Lutfisken 9	Tjalmargatan 14-16, 18A-B	1988/1988	-	47	-	2,684	-	2,731	3.0	97.9	22.7
ÖSTERSUND	Läkaren 12, 13, 14 (3 properties)	Storgatan 27; Zätagränd 2-4, Biblioteksgatan 10; Storgatan 29; Zätagränd 1-11, 6-8; Post- gränd 11; Prästgatan 32-36, Storgatan 31; Zätagränd 10-14	1970/1970	4,860	252	6,084	1,306	822	13,324	17.2	95.7	120.2
ÖSTERSUND	Magistern 1	Kyrkgatan 43, 43B	1984/1984	2,080	-	335	-	-	2,415	3.4	77.9	20.6
ÖSTERSUND	Magistern 2	Postgränd 20; Rådhusgatan 46	1990/1990	1,954	-	-	-	-	1,954	2.6	85.5	15.6
ÖSTERSUND	Magistern 5	Hamngatan 17-19; Kyrkgatan 45	1953/1964	1,843	65	1,408	86	-	3,402	3.9	81.4	23.7
ÖSTERSUND	Majoren 5	Örjansvägen 10; Östbergsvägen 11	1955/1955	-	-	-	488	-	488	0.5	93.7	3.4
ÖSTERSUND	Majoren 6	Örjansvägen 12	1991/1991	-	-	-	708	-	708	0.8	97.4	-
ÖSTERSUND	Majoren 9	Fritzhemsgatan 49; Östbergsvägen 13A-B	1956/1956	38	-	-	1,409	10	1,457	1.3	99.3	9.6
ÖSTERSUND	Motboken 1	Rådhusgatan 37	1984/1984	2,109	742	-	-	12	2,863	3.3	91.6	-
ÖSTERSUND	Motboken 3	Södra Gröngatan 38A-B	1939/1939	30	9	-	1,070	-	1,109	1.3	98.5	8.4
ÖSTERSUND	Motorsågen 2	Kolarevägen 2	1965/1988	-	918	-	-	-	918	0.7	84.4	2.4
ÖSTERSUND	Musslan 13	Bangårdsgatan 27	1956/1956	-	1,017	-	-	-	1,017	0.5	69.3	3.6
ÖSTERSUND	Musslan 16	Bangårdsgatan 21, 23-25; Fabriksgatan 3; Furutorpsgränd 2; Rådhusgatan 90, 94	1938/1977	1,252	1,558	3,929	145	-	6,884	4.3	91.9	25.7
ÖSTERSUND	Myrten 5	Allégatan 13; Bryggargränd 6; Ringvägen 31; Tingsgatan 12	1969/1979	2,835	-	-	-	-	2,835	3.8	100.0	17.5
ÖSTERSUND	Månadsmötet 8	Kyrkgatan 64; Prästgatan 45	1966/1966	1,983	408	4,805	-	27	7,223	15.1	87.0	92.2
ÖSTERSUND	Nejonögat 3	Rådhusgatan 104	1945/1973	4,991	630	-	-	-	5,621	6.8	99.1	37.5
ÖSTERSUND	Odlaren 5	Ruuthsvägen 3	1991/1991	-	-	-	938	-	938	1.1	98.6	8.4
ÖSTERSUND	Pantbanken 1	Hamngatan 10, 10B; Storgatan 39	1929/1929	1,429	100	661	337	-	2,527	3.2	96.7	19.0
ÖSTERSUND	Pantbanken 5	Prästgatan 46, 46B; Thoméegränd 11	1985/1985	698	-	640	597	-	1,935	3.0	97.1	20.6
ÖSTERSUND	Postiljonen 6	Kyrkgatan 60-62	1913/1967	6,261	1,541	175	-	18	7,995	9.4	84.5	50.4
ÖSTERSUND	Postiljonen 9	Hamngatan 13; Prästgatan 39-43	1966/1991	1,559	20	3,632	910	74	6,195	8.6	74.0	55.6
ÖSTERSUND	Riksbanken 7	Storgatan 46	1974/1979	4,153	-	-	-	-	4,153	4.9	99.9	28.6
ÖSTERSUND	Rudan 2	Tjalmargatan 4-8	1959/1972	1,726	977	855	-	-	3,558	2.2	59.5	13.3
ÖSTERSUND	Rudan 4	Bangårdsgatan 55-57; Odensviksvägen 5, 7; Tjalmargatan 2	1966/1966	2,483	100	1,375	-	-	3,958	3.4	80.9	1.6



Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
ÖSTERSUND	Sarven 21	Bangårdsgatan 41-43	1964/1964	-	450	3,709	-	-	4,159	2.4	56.6	16.2
ÖSTERSUND	Siken 10	Nedre Frejagatan 5	1989/1989	-	8	-	342	-	350	0.4	96.4	3.2
ÖSTERSUND	Sjökaptenen 8	Bergsgatan 30A-B	1946/1946	-	-	-	710	-	710	0.7	99.3	5.0
ÖSTERSUND	Skogsskiftet 5	Tullgatan 26; Regementsgatan 44-48	1986/1986	-	-	-	2,531	-	2,531	2.8	99.7	20.6
ÖSTERSUND	Snäckan 25	Rådhusgatan 100	1985/1985	1,519	1,949	-	-	-	3,468	2.9	69.9	18.8
ÖSTERSUND	Sprinten 4	Ställverksvägen 1	1975/1975	456	12,736	-	-	-	13,192	5.4	54.2	19.2
ÖSTERSUND	Spökis 1	Lugnaväsvägen 3	1950/1999	-	1,045	-	-	-	1,045	1.2	90.2	3.3
ÖSTERSUND	Staben 14	Prästgatan 54, 54A-D; Storgatan 51A-B	1992/1992	180	-	262	3,181	30	3,653	4.2	98.5	13.2
ÖSTERSUND	Staben 2	Prästgatan 48A, 48B, 48C; Thoméegränd 12	1985/1985	1,002	-	-	202	15	1,219	1.6	19.1	9.7
ÖSTERSUND	Stallet 12	Lingonvägen 7B	1951/1951	1,700	-	-	-	-	1,700	2.4	98.1	0.3
ÖSTERSUND	Svarvaren 1	Bergsgatan 31A-B	1948/1991	50	-	60	599	-	709	0.8	98.1	5.6
ÖSTERSUND	Svarvaren 2	Bergsgatan 29A-B	1948/1948	-	50	50	578	-	678	0.6	98.6	4.3
ÖSTERSUND	Svarvaren 4	Bergsgatan 25, 25A-B; Kaptensgatan 6A-E	1946/1988	48	-	141	976	-	1,165	1.2	99.0	9.0
ÖSTERSUND	Tivolit 2	Hornsgatan 8, 8A-B	1943/1986	93	24	-	1,110	-	1,227	1.2	99.1	9.1
ÖSTERSUND	Traktorn 6	Odenskogsvägen 13-17	1975/1990	2,351	-	-	-	-	2,351	2.9	79.8	9.6
ÖSTERSUND	Traktören 10	Prästgatan 25	1929/1960	1,520	23	-	667	10	2,220	2.8	97.0	19.2
ÖSTERSUND	Traktören 5	Prästgatan 27; Törnstens Gränd 15	1930/1930	426	-	994	260	-	1,680	2.2	97.5	13.5
ÖSTERSUND	Traktören 9	Kyrkgatan 42; Samuel Permans Gata 10	1937/1937	-	10	470	625	-	1,105	1.2	100.0	7.8
ÖSTERSUND	Tullvakten 2	Hamngatan 5; Köpmangatan 45 A-C, 47 A-C; Postgränd 6 A-B; Storgatan 38	1991/1991	1,300	10	-	2,717	1,325	5,352	6.2	99.7	45.4
ÖSTERSUND	Vadmalsväven 5	Regementsgatan 13-15	1988/1992	-	-	-	2,101	-	2,101	2.4	99.3	18.7
ÖSTERSUND	Valkyrian 1	Fritzhemsgatan 58-62; Östmundstigen 5-11	1963/1963	-	-	-	1,982	-	1,982	1.9	97.5	14.1
ÖSTERSUND	Åkeriet 11	Prästgatan 51	1974/1976	1,424	-	879	-	347	2,650	2.3	77.7	19.2
TOTAL ÖSTERSUND: 83 PROPERTIES				92,476	39,046	41,238	51,356	34,746	258,863	279.3	89.6	1,436

BRÄCKE AND SVEG, HÄRJEDALEN

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
Bräcke	Bräcke 4:4	Svedjegatan 20	2000/2000	-	12,000	-	-	-	12,000	2.4	0.0	4.5
Sveg	Kilen 1	Fjällvägen 7; Genvägen (1)	1960/1980	1,238	-	-	-	-	1,238	1.4	100.0	4.0
Sveg	Moroten 9	Grängsgatan 17	1979/1979	1,192	1,242	213	-	-	2,647	1.9	62.5	5.0
TOTAL BRÄCKE AND SVEG, HÄRJEDALEN: 3 PROPERTIES				2,430	13,242	213	-	-	15,885	5.7	45.9	13.6

TOTAL JÄMTLAND

				sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
115 PROPERTIES				100,319	53,289	51,570	52,004	47,329	304,512	323.0	89.2	1,804.9

VÄSTERBOTTEN

SKELLEFTEÅ

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
SKELLEFTEÅ	Hjorten 5	Nygatan 42	1958/-	6,761	762	1,893	-	239	9,655	13.4	98.9	67.0
SKELLEFTEÅ	Höken 2	Stationsgatan 5, Storgatan 38-40	1944/1960	2,546	335	-	871	-	3,752	4.7	99.4	24.6
SKELLEFTEÅ	Idun 6	Nygatan 47	1933/1960	993	342	4,196	-	1,103	6,634	2.7	99.2	13.7
SKELLEFTEÅ	Idun 12	Kanalgatan 40, Trädgårdsgatan 13-15	1961/1985	30	13	1,485	240	-	1,768	7.6	99.0	44.2
SKELLEFTEÅ	Kastor 6	Stationsgatan 21	1966/1973	1,650	-	-	-	-	1,650	1.6	100.0	8.3
SKELLEFTEÅ	Lekatten 9	Nygatan 46-48, Storgatan 43 A-B, Trädgårdsgatan 8	1960/1960	2,423	171	7,117	2,893	710	13,314	15.7	96.9	92.4
SKELLEFTEÅ	Loke 7	Hörnellsgränd 13, Nygatan 51, Torget 2	1975/1986	3,041	272	1,232	364	3,835	8,744	9.9	97.0	61.9

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
SKELLEFTEÅ	Motorn 18	Plåtvägen 3	1990/1990	2,624	952	926	-	-	4,502	3.2	92.1	10.1
SKELLEFTEÅ	Orion 8	Kanalgatan 41 A–B; Kanalgatan 43; Trädgårdsgatan 17	1966/1985	883	397	873	979	394	3,526	3.7	97.2	20.5
SKELLEFTEÅ	Polaris 8	Kanalgatan 45 A–B, Kanalgatan 49; Torggatan 2	1945/1960	1,830	401	629	-	-	2,860	3.6	99.3	16.8
SKELLEFTEÅ	Servicen 1	Servicegatan 1	1991/1993	3,442	2,622	-	-	-	6,064	4.3	86.0	19.8
SKELLEFTEÅ	Sirius 25	Bäckgatan 1	1993/1993	12,930	124	-	-	11,575	24,629	31.9	96.8	109.4
SKELLEFTEÅ	Sleipner 5	Kyrkgränd 5	1975/1987	12,229	3,051	322	-	1,059	16,661	21.5	99.3	92.4
TOTAL SKELLEFTEÅ: 13 PROPERTIES				51,382	9,442	18,673	5,347	18,915	103,760	124.0	97.4	581.3

UMEÅ

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
UMEÅ	Arken 1	Västra Norrlandsgatan 11	1,993	5,205	370	-	-	-	5,575	6.8	94.5	43.6
UMEÅ	Björnjägaren 1	Björnvägen 9	1976/1981	-	-	4,008	-	0	4,008	4.4	88.0	29.0
UMEÅ	Cisternen 3,4 (2 properties)	Läringsgatan 33, Läringsgatan 31	1980/1981	1,509	739	-	-	-	2,248	1.8	91.4	10.6
UMEÅ	Formen 2	Formvägen 3	1978/1978	-	-	1,941	-	-	1,941	2.5	79.5	15.2
UMEÅ	Grubbe 9:55	Mätarvägen 11B	1991/1991	240	960	-	-	-	1,200	0.9	100.0	3.8
UMEÅ	Kedjan 4	Gräddvägen 7	1991/1991	1,783	98	-	-	-	1,881	2.7	99.2	16.8
UMEÅ	Kolven 4	Spårvägen 8	1967/1975	1,007	1,861	2,697	-	-	5,565	4.2	62.0	12.5
UMEÅ	Kopplingen 6	Pendelgatan 2; Rondellgatan 3	1986/1986	3,815	399	-	-	-	4,214	4.6	86.6	23.0
UMEÅ	Krukan 16	Mjölkvägen 28-56	1991/1991	-	-	-	4,133	-	4,133	4.4	98.0	33.9
UMEÅ	Krukan 18	Filgränd 11-21, 25-29	1991/1991	-	-	-	2,330	-	2,330	2.4	97.8	19.1
UMEÅ	Kärran 9	Löpevägen 15-17	1991/1991	-	955	-	-	-	955	0.5	61.2	4.3
UMEÅ	Pumpen 3	Spårvägen 20	1967/1967	4,060	5,835	497	-	-	10,392	4.1	54.9	13.6
UMEÅ	Rind 5	Nygatan 23-25; Vasagatan 17-19	1964/1972	6,239	-	-	342	-	6,581	11.5	76.4	72.7
UMEÅ	Röback 30:94; 30:113 (2 properties)	Täktvägen 4, Täktvägen 6	1989/1991	-	5,110	-	-	-	5,110	3.1	97.3	16.5
UMEÅ	Saga 3	Götgatan 1–3; Magasinsgatan 4; Nygatan 16; Skolgatan 47	1965/1980	2,466	101	1,119	-	630	4,316	6.7	76.6	35.6
UMEÅ	Skarpskytten 3	Bankgatan 10, 10A–B; Kungsgatan 45; Skolgatan 44; Västra Esplanaden 7A–B, 9A–B	1957/1990	1,508	286	1,142	2,884	556	6,376	7.0	90.6	58.2
UMEÅ	Stigbygeln 2	Signalvägen 12	1973/-	-	4,321	-	-	-	4,321	3.3	98.8	-
UMEÅ	Stipendiet 2	Ekonomstråket 1-3, 7, 11; Examensvägen 3	1970/1980	1,717	-	5,871	1,673	-	9,261	9.9	87.2	56.0
UMEÅ	Syllen 14	Industrivägen 28	1967/1976	760	1,377	273	-	-	2,410	1.9	94.2	7.6
UMEÅ	Tändstiftet 2	Norra Obbolavägen 118	1987/1987	2,260	-	-	-	-	2,260	1.5	100.0	9.1
UMEÅ	Vale 17	Kungsgatan 69–73, 69B–C, 71B, 73B; Vasagatan 10, 10B–C; Västra Kyrkogatan 9	1969/1975	5,689	576	5,327	913	1,808	14,313	19.9	85.9	171.3
TOTAL UMEÅ: 23 PROPERTIES				38,258	22,988	22,875	12,275	2,994	99,390	104.2	85.4	652.3

VILHELMINA

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
Vilhelmina	Matsdal 1:144	Matsdal 611	Land	-	-	-	-	-	-	-	-	-
Vilhelmina	Plasten 1	Sälggatan 1	1972/1972	374	12,732	-	-	-	13,106	1.7	100.0	6.3
Vilhelmina	Granberg 1:59,1:76 (2 properties)	Terminalgatan 2A, 2B; Terminalgatan 2C-D, 4-6	1982/1988	2,737	7,127	-	-	-	9,864	5.0	63.5	11.8
TOTAL VILHELMINA: 4 PROPERTIES				3,111	19,859	-	-	-	22,970	6.7	72.7	18.1

				sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ ware- house	Retail	Residen- tial	Other	Total			
TOTAL VÄSTERBOTTEN												
40 PROPERTIES				92,751	52,289	41,549	17,622	21,909	226,119	234.9	91.3	1,251.7



NORRBOTTEN

LULEÅ

Municipality	Property name	Address	Year of construction/ value year	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
				Office	Industrial/ warehouse	Retail	Residential	Other	Total			
LULEÅ	Abborren 11	Storgatan 36, 36A; Köpmangatan 45; Skomakargatan 19	1962/1986	-	543	9,161	-	12	9,715	31.5	95.7	196.0
LULEÅ	Bergnäset 2:671	Västra Skolgatan 10, Upplagsvägen 28 A-B	1962/1986	7,335	3,798	-	-	2,090	13,223	8.1	83.3	23.2
LULEÅ	Braxen 1	Köpmangatan (32), 34; Smedjegatan 12-16; Stationsgatan 45	1987/1987	7,468	174	324	-	144	8,110	12.0	99.6	73.6
LULEÅ	Braxen 2	Köpmangatan 36 A-; Stationsgatan 47 A-B	1985/1985	303	-	448	-	-	751	4.1	91.0	25.4
LULEÅ	Djuret 3	Blomgatan 17	1946/-	628	6,626	107	-	266	7,627	5.3	84.7	-
LULEÅ	Gösen 7	Sandviksgatan 81	1987/1987	2,003	158	-	-	290	2,451	2.5	84.3	16.3
LULEÅ	Humlan 6	Sandviksgatan 12; Varvsgatan 9A-D, 11, 11A	1970/1980	7,685	530	-	-	1,544	9,759	11.0	89.1	43.6
LULEÅ	Mörten 1	Köpmangatan 38, 40A-C	1985/1986	4,673	314	270	-	12	5,269	7.7	99.7	40.6
LULEÅ	Pelikanen 6	Smedjegatan 1	1942/1990	3,930	90	-	-	-	4,020	5.6	96.2	33.8
LULEÅ	Porsön 1:423	Aurorum	1989/2002	19,528	68	-	-	185	19,781	28.2	90.7	143.3
LULEÅ	Rudan 7	Skomakargatan 18B; Storgatan 40A-G	1936/1961	-	-	850	1,288	-	2,138	3.6	100.0	29.5
LULEÅ	Rättan 18	Storgatan 53, Kungsgatan 23	1953/1953	3,350	-	10	-	90	3,450	7.1	98.7	-
LULEÅ	Siken 7	Sandviksgatan 55; Smedjegatan 8-10, 10A; Stationsgatan 50 (52)	1989/1989	4,079	10	859	-	-	4,948	9.3	96.5	57.0
LULEÅ	Simpan 1	Köpmangatan 42, 44A-B, 46; Kungsgatan 11-13, 13 A-B	1951/1960	3,721	-	385	675	5	4,786	6.8	99.7	42.0
LULEÅ	Strutsen 6	Nygatan 18; Storgatan 27, 27 A-C	1958/1958	1,023	-	436	1,598	20	3,077	4.2	98.4	33.8
LULEÅ	Stören 17	Bangårdsgatan 12, 12A; Småbåtsgatan 3-7	1989/1990	4,630	2,781	5,230	-	10	12,651	11.1	97.1	69.4
LULEÅ	Tjädern 17	Nygatan 13-15; Skeppsbrogatan; 24; Storgatan 25, 25A	1964/1988	-	-	4,360	-	54	4,414	8.3	87.3	46.4
LULEÅ	Vattenormen 8	Midgårdsvägen 19	1964/1964	3,905	-	-	-	-	3,905	5.5	100.0	24.4
TOTAL LULEÅ: 18 PROPERTIES				74,262	15,091	22,439	3,561	4,722	120,075	171.9	94.0	898.3

TOTAL NORRBOTTEN

18 PROPERTIES	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
	Office	Industrial/ warehouse	Retail	Residen- tial	Other	Total			
18 PROPERTIES	74,262	15,091	22,439	3,561	4,722	120,075	171.9	106.4	898.3

TOTAL DIÖS

314 PROPERTIES	sq.m						Rental value, SEKm	Ec. occu- pancy rate, %	Taxable value, SEKm
	Office	Industrial/ warehouse	Retail	Residential	Other	Total			
314 PROPERTIES	559,666	280,011	275,011	106,372	132,464	1,353,526	1,473.5	89.7	7,609.6



FINANCIAL KPIS

FINANCIAL KPIS

The company presents certain financial measures in the annual report that have not been defined in accordance with IFRS. The company considers that these measures provide valuable additional information for investors and the company's management, as they enable the evaluation of relevant trends/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 109.

Figures refer to SEK million unless otherwise indicated.

PROPERTY MANAGEMENT INCOME

The company governs its operations based partly on the objective of generating capital growth by increasing the surplus ratio and thereby the operating cash flow, i.e. increased income from property management. The target for the year is a surplus ratio in excess of 60 per cent. The income from property management is also the basis for what is distributed annually to the shareholders – around 50 per cent of the profit for the year after tax, excluding unrealised changes in value and deferred tax. Diös presents the alternative performance indicators property management income, EPRA earnings and surplus ratio, 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.

	2016 12 months Jan-Dec	2015 12 months Jan-Dec
Property management income		
Profit before tax	957	845
Reversal		
Change in value of property	-327	-273
Change in value of derivatives	-91	-64
Property management income	539	508
EPRA earnings		
Property management income	539	508
Reversal current tax, property management income	-42	-64
Non-controlling interests' share of earnings	-7	-12
EPRA earnings (long-term earnings capacity)	490	432
EPRA EPS (long-term earnings capacity per share), without taking into account the rights issue, SEK	6.56	5.77
EPRA EPS (long-term earnings capacity per share), taking into account the rights issue, SEK	5.14	4.53
SURPLUS RATIO		
Operating surplus according to income statement	806	776
Rental income according to income statement	1,323	1,295
Surplus ratio, %	61	60

NET ASSET VALUE

Net asset value is the total capital which the company manages on behalf of its owners. Based on this capital, Diös aims to generate returns and growth while maintaining a low risk. Net asset value can also be calculated on a long-term and short-term basis. Long-term NAV is based on the balance sheet after adjusting for items which involve no near-term outgoing payments, which in Diös' case refers, for example, to the fair value of financial instruments (derivatives) and deferred tax on temporary differences. The current net asset value consists of equity according to the balance sheet after adjusting for the market value of the deferred tax liability. EPRA NAV and EPRA NNAV are designed to show the size of equity in the company in the event of a liquidation in the long term and short term. These performance indicators can be assessed against the current share price to show how the company's shares are valued in relation to equity.

	2016 12 mths Jan-Dec	2015 12 mths Jan-Dec
Net asset value		
Equity according to balance sheet	4,313	3,694
Equity held by non-controlling interest	-43	-36
Reversal		
Fair value of financial instruments	43	134
Deferred tax on temporary differences	1,023	912
EPRA NAV (long-term net asset value)	5,336	4,704
EPRA NAV (long-term net asset value) per share, without taking into account the rights issue, SEK	71.4	63.0
Deductions		
Fair value of financial instruments	-43	-134
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-180	-186
EPRA NNAV (short-term net asset value)	5,113	4,384
EPRA NNAV (short-term net asset value) per share, without taking into account the rights issue, SEK	68.4	58.7

¹ 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 22 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of six per cent. The use of tax loss carry-forwards is taken into account for the first two years.

FINANCIAL KPIS CONT

FINANCIAL RISK

The company's strategy is to own, develop and manage properties in a value-creating sustainable manner that promotes development while maintaining a stable financial risk. This is expressed in the ambition to maintain a loan-to-value ratio of less than 65 per cent, a short-term equity ratio in excess of 25 per cent and a long-term equity ratio of 30 per cent, and an interest coverage rate of over 1.8 times. 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. These key ratios are deemed to be relevant for investors and analysts from a financial risk perspective. They 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.

	2016 12 months Jan-Dec	2015 12 mths Jan-Dec
Loan-to-value ratio		
Interest-bearing liabilities	8,012	8,121
Investment properties	13,683	13,381
Loan-to-value ratio, %	58.6	60.7
Equity/assets ratio		
Equity	4,313	3,694
Total assets	13,920	13,505
Equity/assets ratio, %	31.0	27.4
Interest coverage ratio		
Property management income	539	508
Reversal		
Net financial items	204	210
Total	743	718
Financial costs	206	212
Interest coverage ratio, times	3.6	3.4

EPRA, the European Public Real Estate Association, is a trade association for listed property companies and investors in Europe whose activities include defining common standards for financial reporting. The key ratios EPRA EPS (long-term earnings capacity per share), EPRA NAV (long-term net asset value) and EPRA NNNNAV (current net asset value) are part of this. The European Securities and Markets Authority (ESMA) is an independent authority appointed by the European Parliament. ESMA has issued guidelines for "alternative key ratios", which are not regulated by applicable laws. See definitions and key ratios above. See also www.esma.europa.eu for more information.

OTHER KEY RATIOS

Other key ratios refer to a number of measures of return which the company uses to describe various aspects of the statement of financial position and to give investors and analysts further information about the operations. The company reports return on equity, equity per share and cash flow per share, as these key ratios show the company's earnings and profitability, the distribution of equity per share and the company's ability to meet its obligations and pay dividends to the shareholders. These alternative key ratios supplement the picture of Diös' financial performance and give investors and analysts a better understanding of the company's return and results. The yield shows earnings from the properties in relation to their market value. It thus shows the profitability of the properties and is deemed to provide additional information to investors and analysts on the risk in the property portfolio. The debt/equity ratio, which shows the ratio of interest-bearing liabilities to equity, is presented to further illustrate Diös' financial situation. The measure gives investors and analysts a further basis on which to assess the company's financial stability.

	2016 12 months Jan-Dec	2015 12 mths Jan-Dec
Return on equity, %	20.6	15.0
Operating surplus, SEKm	806	776
Yield, %	5.9	5.8
Equity per share, SEK	57.7	49.4
Rental income, SEKm	1,323	1,295
Cash flow per share, SEK		
Profit before tax	957	845
Reversal unrealised change in value		
Properties	-337	-262
Derivatives	-91	-64
Depreciation	2	3
CURRENT TAX	-26	-162
Total	504	359
Number of shares at end of period, thousands	74,729	74,729
Cash flow per share, SEK	6.74	4.80
Earnings per share without taking into account the rights issue, SEK	11.04	7.09
Earnings per share taking into account the rights issue, SEK ¹	8.66	5.56
Debt/equity ratio, times	1.9	2.2

¹ For the calculation of earnings per share taking into account the rights issue, see the section "Calculation of the number of shares taking into account the rights issue" on the next page.



OTHER INFORMATION

Diös also reports figures for economic occupancy rate, rental value and net leasing, as these indicators provide a more in-depth picture of changes in income from the properties and thus also of revenue growth in the company as a whole. These performance indicators are widely used in the industry and enable investors and analysts to compare different property companies.

	2016 12 months Jan-Dec	2015 12 mths Jan-Dec
Rental value, SEKm	1,478	1,466
Economic occupancy rate, %	90	88
Number of properties at end of period	314	351
Leasable area at end of period, sq.m	1,353,525	1,462,538
Market value of properties, SEKm	13,683	13,381

CALCULATION OF THE NUMBER OF SHARES TAKING INTO ACCOUNT THE RIGHTS ISSUE

A performance indicator which is not defined by IFRS but is also calculated using the new number of shares as a basis following the rights issue. This indicator is marked "taking into account the rights issue".

	2016 12 months Jan-Dec	2015 12 mths Jan-Dec
Average number of shares	95,289,530	95,289,530
Number of shares outstanding at end of period	95,289,530	95,289,530

Historical share data has been restated to take account of the bonus issue element in the rights issue in January 2017 and has been used in calculating the earnings per share ratios. The conversion factor is 1.28.

EPRA KEY FIGURES

EPRA key figures	2016	2015
EPRA EPS, SEKm	490	432
EPRA EPS per share ¹ , SEK	6.56	5.77
EPRA NAV, SEKm	5,336	4,704
EPRA NAV per share, SEK	71.4	63
EPRA NNNNAV, SEKm	5,113	4,384
EPRA NNNNAV per share, SEK	68.4	58.7
EPRA vacancy rate, %	9.4	9.7
Rental growth for comparable portfolio, %	3.2	0.5

¹ Without taking into account the rights issue, see above and page 102.

The EPRA key figure for sustainability can be found on our website, www.dios.se.

GRI INDEX

>>> GRI INDEX

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G4-10	Employees	24–25	
G4-11	Collective bargaining agreement	104–105	All employees are covered by collective bargaining agreements
G4-12	Supply chain	26	
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G4-14	Precautionary principle	52–54	
G4-15	External declarations and principles	104–105	Diös will sign up to the UN Global Compact in 2017
G4-16	Memberships	104–105	Diös is a member of the Sweden Green Building Council
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities in the organisation	104–105	The sustainability report covers the entire Diös organisation.
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CRE 1	Energy intensity	22–23	For further information, please go to dios.se/finanisellt (in Swedish)
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G4-EN8	Water consumption	22–23	For further information, please go to dios.se/finanisellt (in Swedish)
CRE 2	Water intensity	22–23	For further information, please go to dios.se/finanisellt (in Swedish)
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G4-EN15	Emissions scope 1	22–23	More detailed data is available on the website. Financial information.
G4-EN16	Emissions scope 2	22–23	More detailed data is available on the website.
G4-EN17	Emissions scope 3	22–23	More detailed data is available on the website.
CRE 3	Emissions intensity, buildings	22–23	More detailed data is available on the website.
CRE 4	Emissions intensity, new build and conversion projects	104	At the time of writing we do not have access to this information.
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G4-LA6	Absence due to illness	24	
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TRAINING AND EDUCATION			
G4-LA9	Hours of training delivered	24	For further information, please go to dios.se/finanisellt (in Swedish)
G4-LA11	Development review	104–105	80 per cent of the employees had performance and career development reviews with their line manager in 2016.
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G4-LA12	Composition of Board of Directors and Management	88–89	
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> The tenant Kicks from the In: shopping centre in Sundsvall. Micael Johansson, store manager, and Maria Sundqvist, letting agent.

STAKEHOLDER ANALYSIS

Our most important stakeholder groups are employees, the Board, shareholders, tenants, analysts and suppliers, as well as the communities in which we operate. Prior to developing our sustainability strategy, we supplemented our ongoing stakeholder dialogue with interviews and questionnaire surveys. The more detailed stakeholder dialogue was conducted as follows:

- Telephone interviews with a number of key tenants who already set stringent requirements for our sustainability work. It is very likely that these requirements will be introduced by more parties in the foreseeable future.
- Telephone interviews with the analysts who monitor our business.
- In-depth interviews with a random selection of our employees.
- A questionnaire was sent out to our 40 largest suppliers, all our employees, the entire Board and the analysts who took part in the interviews.
- The annual CSI survey, which was sent out to approx. 20 per cent of our tenants, had an extra section on sustainability in order to find out the views of more tenants.

In light of this more detailed stakeholder dialogue, we have produced a summary of which sustainability issues are important to our stakeholders so we know what we need to actively focus on. One of the views that was confirmed was that customer satisfaction is an important issue for both internal and external stakeholders. Customer relations is something we are working actively to improve.

Based on the results of the stakeholder analysis, an environmental and industry analysis and workshops with executive management and selected roles from the organisation, we decided which sustainability aspects are a priority for our business and we will report on in accordance with GRI G4. The aspects are listed on page 20.

➤➤➤ RESULTS OF THE MAIN QUESTIONNAIRE AND CUSTOMER SATISFACTION SURVEY

In the questionnaire, the stakeholders were asked to rate 17 different aspects on a scale between 1 and 6. All of these aspects were rated 4 or higher.

● SOCIAL SUSTAINABILITY

1. Social and environmental requirements for suppliers
2. Occupational health and safety
3. Training and education for employees
4. Diversity and equal opportunities
5. Urban development

● ENVIRONMENTAL SUSTAINABILITY

6. Environmentally certified properties
7. Energy and water consumption
8. Waste and recycling
9. Travel and transport
10. Carbon dioxide emissions
11. Green leases

● ECONOMIC SUSTAINABILITY

12. Customer satisfaction
13. Anti-corruption
14. Transparent and fair contracts
15. Returns for shareholders
16. Financial risk management/excellent financial position
17. Tax solidarity



SHARE KEY RATIOS

LARGEST SHAREHOLDERS

Shareholder	No. of shares	Capital and votes, %	Change over 12 months, %
AB Persson Invest	11,499,691	15.4	0.0
Backahill Inter AB	7,830,754	10.5	0.0
Bengtssons Tidnings Aktiebolag	7,518,222	10.1	0.0
Pensionskassan SHB Försäkringsförening	4,498,239	6.0	0.0
SEB Investment Management	2,952,418	4.0	1.2
Försäkringsaktiebolaget, Avanza Pension	2,496,748	3.3	0.1
Fourth AP Fund	1,737,760	2.3	0.2
Handelsbankens Fonder	1,441,666	1.9	0.0
Ssb Client Omnibus Ac Om07 (15 pct)	1,430,804	1.9	0.2
Staffan Rasjö	1,260,100	1.7	0.0
Total, largest shareholders	42,666,402	57.1	-3.8
Other shareholders	32,062,732	42.9	3.8
TOTAL	74,729,134	100.0	0.0

DATA PER SHARE

	2016	2015	2014	2013	2012
Share price at 31 Dec, SEK	60.0	61.3	57.8	45.6	35.0
Market value of outstanding shares, SEKm	4,484	4,577	4,316	3,408	2,616
Property management income per share without taking into account the rights issue, SEK	7.21	6.80	5.63	4.74	4.55
Property management income per share taking into account the rights issue ³ , SEK	5.66	5.33	4.42	3.72	3.57
Dividend per share, SEK	2.00 ¹	2.85	2.85	2.30	2.30
Payout ratio ² , %	53	54	50	49	50
Dividend yield, %	4.3 ⁴	4.7	4.9	5.0	6.6
Total return, %	2.8	12.1	31.8	36.9	26.7

¹ The Board of Directors' proposal.

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

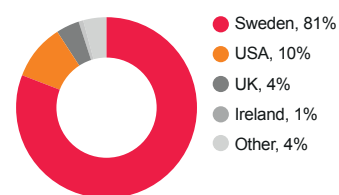
³ For the calculation of earnings per share taking into account the rights issue, see Note 19 on page 74.

⁴ Based on the market price as at 31 December 2016 of SEK 47.05 adjusted for the rights issue, see www.nasdaqomxnordic.com.

OWNERSHIP STRUCTURE

Number of shares, shareholding	No. of shareholders	No. of shares	Holding and votes, %	Market value, SEKm
100–500	7,287	1,235,454	1.7	74,127
501–1,000	1,741	1,486,078	2.0	89,165
1,001–5,000	1,667	3,856,164	5.2	231,370
5,001–10,000	224	1,686,109	2.3	101,167
10,001–15,000	74	926,103	1.2	55,566
15,001–20,000	41	746,784	1.0	44,807
20,001–	199	64,792,442	86.7	3,887,547
TOTAL	11,233	74,729,134	100	4,483,749

SHAREHOLDERS PER COUNTRY





DEFINITIONS

FINANCIAL

RETURN ON EQUITY

Profit for the period divided by average equity. 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 expense 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

Interest-bearing and other liabilities relating to properties divided by the properties' fair value at the end of the period.

PROPERTY MANAGEMENT INCOME

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

INTEREST COVERAGE RATIO

Profit after financial items, excluding unrealised changes in value, plus financial expense, in relation to financial expense during the period.

DEBT/EQUITY RATIO

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

EQUITY/ASSETS 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.

EPRA EPS

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 conversion projects.

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 the minority's 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.

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 less current tax divided by the average number of outstanding shares.

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

YIELD

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

OPERATING COSTS

Costs of electricity, heating, water, cleaning, insurance, repairs, care 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

The rental income for the period divided by the rental value at the end of the period.

ECONOMIC VACANCY RATE

Estimated market rent for unoccupied premises divided by the total rental value.

EPRA VACANCY RATE

The economic vacancy rate, excluding discounts.

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.

RENTAL INCOME

Rents invoiced for the period minus rent losses and rent discounts.

RENTAL VALUE

Rent invoiced for the period plus estimated market rent for unoccupied floor space.

NET LEASING

Net annual rent, excluding discounts and supplements, for newly signed, terminated and renegotiated contracts. The length of contracts is not taken into account.

OCCUPANCY RATE BASED ON AREA

Rented area in relation to total leasable area.

SURPLUS RATIO

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



FIVE-YEAR SUMMARY

INCOME STATEMENT

SEKm	2016	2015	2014	2013	2012
Rental income	1,323	1,295	1,291	1,292	1,300
Other income	17	20	21	15	31
Property costs	-534	-539	-550	-569	-565
Operating surplus	806	776	762	738	766
Central administration	-63	-58	-58	-84 ²	-98 ³
Profit from financial items	-204	-210	-283	-300	-329
Property management income	539	508	421	354	339
Unrealised changes in value on interest-rate derivatives	91	64	-91	68	-76
Change in value of properties, realised	-10	11	15	11	9
Change in value of properties, unrealised	337	262	47	-35	180
Profit before tax	957	845	392	398	451
CURRENT TAX	11 ¹	-163 ¹	-10	-15	-6
DEFERRED TAX	-136	-140	-80	-62	-14
Less non-controlling interests' share	-7	-12	-5	2	-3
PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	825	530	297	323	428

¹ Current tax for 2015 includes 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.

² Of which SEK 26 million refers to restructuring costs attributable to the acquisition of Norrvidden.

³ Of which SEK 38 million refers to transaction costs attributable to the acquisition of Norrvidden.

BALANCE SHEET

SEKm	2016	2015	2014	2013	2012
Investment properties	13,683	13,381	12,200	11,823	11,878
Other property, plant and equipment	3	4	7	7	12
Intangible non-current assets	2	3	4	4	-
Non-current financial assets	36	13	7	9	11
Current receivables	196	104	43	91	172
Cash and cash equivalents	-	-	79	121	120
ASSETS	13,920	13,505	12,340	12,055	12,193
Equity	4,313	3,694	3,365	3,235	3,086
Deferred tax liability	1,009	875	735	655	593
Non-current liabilities	8,022	8,121	7,673	7,666	7,895
Overdraft facilities	15	227	-	-	-
Current liabilities	561	588	567	499	619
LIABILITIES AND EQUITY	13,920	13,505	12,340	12,055	12,193

CASH FLOW STATEMENT

SEKm	2016	2015	2014	2013	2012
Operating cash flow	482	347	422	334	313
Cash flow from investing activities	27	-888	-299	68	-107
Cash flow from financing activities	-509	462	-165	-401	-190
Cash flow for the year	0	-79	-42	1	16
CASH AND CASH EQUIVALENTS AT END OF YEAR	0	0	79	121	120

FINANCIAL KPIS

	2016	2015	2014	2013	2012
Return on equity, %	20.6	15.0	9.0	10.2	14.7
Return on total assets, %	8.5	8.2	5.5	5.8	6.5
Return on capital employed, %	8.9	8.6	5.8	6.1	6.8
Equity/assets ratio, %	31.0	27.4	27.3	26.8	25.3
Property loan-to-value ratio, %	58.6	60.7	62.9	64.8	66.4
Interest coverage ratio, times	3.6	3.4	2.5	2.2	2.0
Debt/equity ratio, times	1.9	2.2	2.3	2.4	2.6

DATA PER SHARE

	2016	2015	2014	2013	2012
Earnings per share without taking into account the rights issue, SEK	11.04	7.09	3.97	4.32	5.73
Earnings per share taking into account the rights issue ¹ , SEK	8.66	5.56	3.12	3.39	4.49
Equity per share, SEK	57.7	49.4	45.0	43.3	41.3
Cash flow per share, SEK	6.74	4.80	5.50	4.57	4.50
EPRA EPS without taking into account the rights issue, SEK	6.56	5.77	5.25	4.30	4.10
EPRA EPS taking into account the rights issue ¹ , SEK	5.14	4.53	4.12	3.37	3.22
EPRA NAV per share, SEK	71.4	63.0	57.9	54.2	52.7
Average number of shares outstanding at year-end (thousands)	74,729	74,729	74,729	74,729	74,729
Number of shares outstanding at end of period (thousands)	74,729	74,729	74,729	74,729	74,729

¹ For the calculation of earnings per share and EPRA EPS taking into account the rights issue, see Note 19 on page 74.

PROPERTY-RELATED KPIS AT YEAR-END

	2016	2015	2014	2013	2012
No. of properties	314	351	354	364	378
Rentable area, sq.m	1,353,525	1,462,538	1,422,519	1,446,900	1,504,738
Carrying amount of investment properties, SEKm	13,683	13,381	12,200	11,823	11,878
Rental value, SEKm	1,478	1,466	1,448	1,457	1,464
Economic occupancy rate, %	90	88	89	89	89
Surplus ratio, %	61	60	59	57	59



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