

Diös

Q3

INTERIM REPORT **JANUARY – SEPTEMBER 2017**





OVERVIEW OF THE PERIOD

JANUARY–SEPTEMBER 2017

- **TOTAL RENTAL INCOME WAS SEK 1,263 MILLION (992)**
- **PROPERTY MANAGEMENT INCOME WAS SEK 625 MILLION (406)**
- **UNREALISED CHANGES IN VALUE OF PROPERTIES WERE SEK 335 MILLION (157) AND UNREALISED CHANGES IN VALUE OF DERIVATIVES WERE SEK 21 MILLION (74).**
- **THE PROFIT AFTER TAX WAS SEK 773 MILLION (566).**
- **EARNINGS PER SHARE WERE SEK 5.87 (5.87)**

	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
PROFIT FOR THE PERIOD, SEKm			
Rental income	1,263	992	1,323
Other revenue	13	12	17
Operating and central costs	-514	-438	-597
Net financial items	-137	-160	-204
Property management income	625	406	539
Changes in value, properties and derivatives	368	221	418
Current tax	-27	23	11
Deferred tax	-193	-84	-136
Profit after tax	773	566	832
Surplus ratio	64	62	61
Occupancy rate, %	91	90	90
Equity ratio, %	33.9	29.8	31.0
Loan-to-value ratio, properties, %	57.8	59.6	58.6
Equity per share, SEK	49.3	42.5	45.3
EPRA NAV per share, SEK	57.8	52.8	56.0

For definitions of key ratios, see page 34.

FOR FURTHER INFORMATION, PLEASE CONTACT

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ABOUT DIÖS

Nearly 100 years ago Anders Diös established the building firm that would eventually grow into one of Sweden's largest property owners. Thanks to his outstanding entrepreneurship and his faith in the future, the building firm had by the 1950s become one of the largest in Sweden. Inspired by Anders' drive, we formulated our current vision: to be the most active and sought-after landlord in our market.

We drive urban development to create growth for our tenants. By taking a simple and active approach, and by working closely with our stakeholders, we create meeting places where people can live, work and enjoy life. The company's property portfolio is concentrated to central locations in priority growth cities with an emphasis on office and retail properties.

Our business model centres on using the company's assets to create value for our stakeholders with sustainability as a central aspect. Through efficient property management, risk-aware transactions and future-oriented project development, we add value to our assets. The value we create is evident in the fact that we are an attractive employer, manage our properties in a sustainable manner, conduct our business responsibly and focus on sustainable urban development.

Property management

Transactions



Funding

Project development

VISION

To be 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 local offices. We create long-term values with a focus on the tenant by operating in a responsible and sustainable manner.

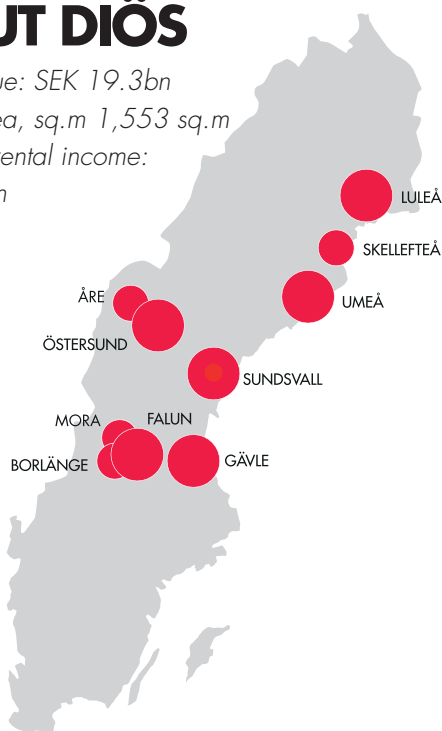
PROMISE AND CORE VALUES

Our promise is that everything is possible. We strive to be perceived as simple, close and active. Simple by being open and honest. Close by having a local presence, being available and taking an interest. Active by developing, growing and taking advantage of opportunities.



QUICK FACTS ABOUT DIÖS

Property value: SEK 19.3bn
Leasable area, sq.m 1,553 sq.m
Contracted rental income:
SEK 1,712m



SIGNIFICANT EVENTS DURING THE PERIOD

- > Completion/handover for the deal with Dcap AB in Umeå takes place on 15 August 2017.
- > Completion/handover for the deal with Norrlandspojkarna in Sundsvall takes place on 1 September 2017.
- > We sell our entire portfolio in Söderhamn. The transaction took the form of the sale of a business with a handover date of 4 September 2017.
- > Diös and Nordic Choice Hotels sign a statement of intention for the building of a new hotel in Sundsvall called Riverside. Construction is planned to commence around year-end 2018.
- > Diös wins an EPRA award for most improved sustainability reporting in accordance with EPRA's recommendations and has now reached the Gold level.
- > On 26 November 2017 Diös announces the membership of the Nominating Committee for the Annual General Meeting 2018, which consists of Bo Forsén, Bob Persson, Jonas Bengtsson and Stefan Nilsson.

QUARTERLY RESULTS IN BRIEF

	30/09/2017	30/6/2017	31/3/2017	31/12/2016	30/09/2016	30/6/2016	31/3/2016	31/12/2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue, SEKm	436	435	405	337	335	334	335	334
Operating surplus, SEKm	287	286	241	195	212	212	187	195
Property management income, SEKm	222	224	179	132	147	140	119	125
Profit for the period, SEKm	192	255	326	266	229	194	143	249
Surplus ratio, %	67	66	60	59	64	64	57	59
Economic occupancy rate, %	91	91	90	90	90	90	89	88
Return on equity, %	2.9	3.9	6.0	6.4	5.8	5.0	3.7	6.6
Equity ratio, %	33.9	33.3	33.5	31.0	29.8	28.5	29.0	27.4
Loan-to-value ratio, properties, %	57.8	58.3	59.1	58.6	59.6	60.6	61.4	60.7
Average interest rate at end of period, % ¹	1.6	1.6	1.6	2.0	1.9	2.6	2.6	2.5
Interest coverage ratio, times	5.5	5.8	5.2	3.9	3.8	3.5	3.1	3.5
Property management income per share, SEK	1.65	1.67	1.44	1.39	1.54	1.47	1.25	1.31
Earnings per share after tax, SEK	1.43	1.88	2.60	2.79	2.39	1.99	1.48	2.49
Equity per share, SEK	49.3	47.9	48.0	45.3	42.5	40.1	40.3	38.8
Earnings per share, SEK	52.0	46.6	44.0	47.1	50.8	47.1	46.9	48.0

¹ Includes expenses relating to commitment fees and derivatives.



> Diös tenant Gray's in Mora. Ellinor Sparrman, shop assistant, and Mikael Hedh, Business Manager Dalarna.

KNUT ROST, CEO

DRIVING GROWTH

Diös continues to report strong earnings. Cash flow has increased as a result of a high level of activity in lettings. This has led to higher revenues, which creates growth and ensures a continued high dividend yield for our shareholders.

Our property management income increased by 54 per cent and the surplus ratio was 64 per cent. Net leasing for the quarter remained strong, at SEK 13 million, and totalled SEK 45 million (24) for the period, showing that our focus on lettings is yielding fruit. We have continued to deliver by actively looking for new business opportunities and developing our existing relationships. During the period completion and handover took place for the deals in Umeå and Sundsvall that we communicated in the summer. Handover also took place for the properties that we sold in Söderhamn. These transactions will strengthen our offering to tenants and improve our efficiency.

Our strategy of concentrating our portfolio to central locations in our target cities shows clearly that we are actively engaged in urban development. We enable our tenants and ourselves to grow by developing our properties to create more attractive meeting places, homes, retail premises and offices. A clear example of this is our Riverside hotel project in Sundsvall, where we are creating a new meeting place in a prime location that will increase density in the city centre and integrate it with the Norrmalm district, creating a lively urban buzz.

Our unique position is a competitive advantage. We have a local organisation in each city that operates in close proximity to our tenants. Good knowledge of the market coupled with an attractive portfolio of properties is a hard-to-beat combination. Yet growth doesn't occur by itself; we need to work hard to create opportunities. We still have vacant premises where we see good opportunities that we want to realise by driving our company and our target cities forward.

Our focus is on generating revenue. We have a strongly diversified revenue base in terms of geography and types of property. We have properties across all segments, a large number of tenants and a limited concentration risk to individual tenants. We are a cash flow-oriented company operating in a low-risk, high-yield market. Thanks to our growth and



strong financial position, we have become interesting to banks and the capital market. We now have very good access to capital through various sources of funding and are in a strong position to solicit competitive offers when raising new finance and refinancing. Our financial key ratios have continued to improve.

As part of our efforts to raise the level of expertise in our organisation and as a key element of our sustainability work, we have introduced an initiative to certify our workers as building maintenance technicians in accordance with industry standards. This training initiative is being implemented in collaboration with the Training Board of the Property Industry (FU) with the aim of further raising the quality of our building operating and maintenance activities, and the level of service for our tenants. We are pioneers in the industry, and are delighted that our training initiative is being implemented within the framework of our in-house Diös Academy. We are also proud to have reached EPRA's Gold level for our sustainability reporting, which is evidence of a high standard and transparency.

The macroeconomic environment is very favourable and we see a big potential in our priority cities. The property industry is facing many challenges, and I believe the key factors for meeting these challenges is that we listen to our tenants, and that we create products, services and solutions that meet their changing requirements. Our focus on urban development, deals and relationships is aimed at enabling our tenants to grow while building a foundation for our own continued success.



Knut Rost, CEO

RESULTS AT A GLANCE

JANUARY–SEPTEMBER 2017

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 625 million (406). For comparable properties our property management income increased by 20 per cent year on year.

Income and expenses for the period were affected by the acquisition of 32 properties in the first quarter. Completion took place on 1 February 2017 and the properties will be consolidated in our results as of that date.

RENTAL INCOME AND OTHER INCOME

The rental income for the reporting period was SEK 1,263 million (992), representing a 91 per cent (90) economic occupancy rate. For comparable properties rental income increased by 3.4 per cent year on year. Other property management income totalled SEK 13 million (12) and consisted mainly of costs for work in leased premises that are passed on to tenants.

PROPERTY COSTS

Total property costs were SEK 462 million (393). Of total property costs, SEK 6 million (6) refers to work in leased premises for which the costs are passed on to tenants.

OPERATING SURPLUS

The operating surplus was SEK 814 million (611), representing a surplus ratio of 64 per cent (62). Our improved surplus ratio is due mainly to improved occupancy. For comparable properties our operating surplus increased by 6.0 per cent compared with the previous year.

CENTRAL ADMINISTRATION

The central administration expense was SEK 52 million (45). Central administration includes a non-recurring item of SEK 4 million, which refers to restructuring costs incurred in connection with acquisitions.

NET FINANCIAL ITEMS

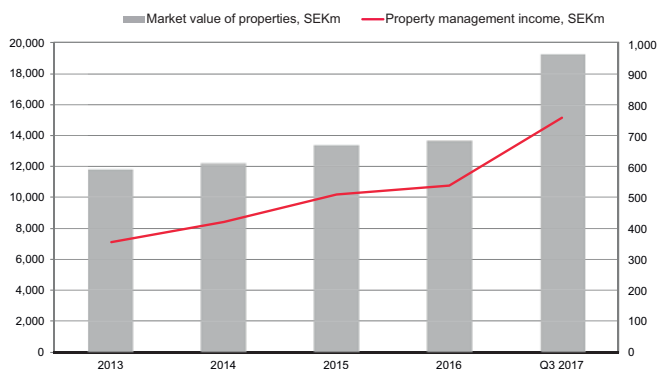
Net financial items for the period were SEK -137 million (-160). The interest costs for the period, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.8 per cent (2.5). The average annual interest rate for interest-bearing liabilities based on the applicable terms and market interest rates at 30 September was 1.6 per cent (1.9).

CHANGES IN VALUE, PROPERTIES

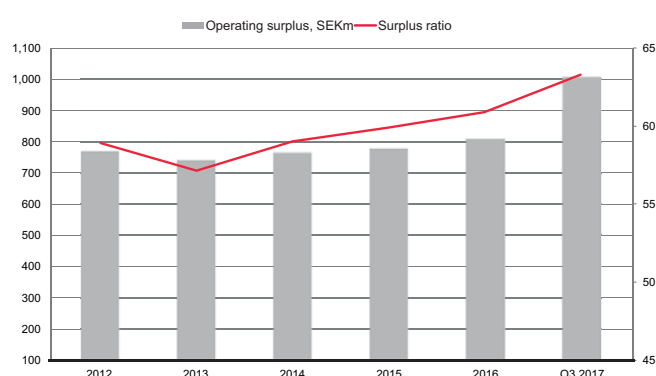
The property market is marked by a continued high level of activity, strong demand and continued limited supply, which is pushing prices higher. Prices are increasing mainly for centrally located office properties in growth cities. The average valuation yield at the end of the period was 6.09 per cent (6.46), which at portfolio level is a decrease of 0.31 percentage points since year-end. The positive change in value of SEK 335 million (157) is primarily a one-off effect of a discount on deferred tax in connection with property transactions. The change in value represented 1.7 per cent (1.2) of market value. At 30 September the market value was SEK 19,260 million (13,357).

During the period 13 properties were sold, resulting in a realised change in value of SEK 12 million. In the same period in the previous year 42 properties were sold, resulting in a realised change in value of SEK -10 million. 38 properties (4) were acquired during the period.

»» MARKET VALUE AND PROPERTY MANAGEMENT INCOME¹



»» OPERATING SURPLUS AND SURPLUS RATIO¹



¹The figures for property management income, operating surplus and surplus ratio in Q3 2017 are on a rolling 12-month basis.

CHANGES IN VALUE, DERIVATIVES

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

During the period unrealised changes in value on derivatives totalled SEK 21 million (74), which have been fully recognised in the income statement. The change in the market values of derivatives is primarily attributable to the time effect.

PROFIT BEFORE TAX

The profit before tax was SEK 993 million (627). The improved profit is chiefly due to a larger property portfolio and unrealised changes in the value of properties.

PROFIT AFTER TAX

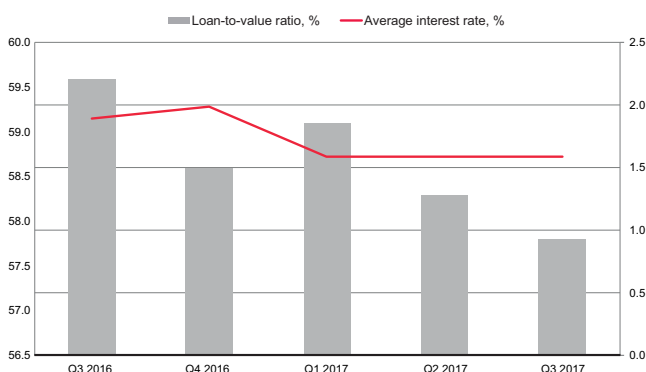
The profit after tax was SEK 773 million (566). Current tax totalled SEK -27 million (23). This is mainly attributable to tax in subsidiaries which do not have the right to offset losses against Group profits. The positive tax effect in the previous year is attributable to a partial reversal of tax provisions related to a tax case. The deferred tax liability for the third quarter was SEK -193 million (-84).

Property management income for the third quarter, i.e. income excluding changes in value and tax, was SEK 222 million (147). The operating surplus was SEK 287 million (212), representing a surplus ratio of 67 per cent (64).

- Rental income for the third quarter was SEK 431 million (331), representing an economic occupancy rate of 91 per cent (90).
- Total property costs were SEK 149 million (123).

Net financial items for the third quarter were SEK -49 million (-52). The profit before tax was SEK 272 million (281), with changes in the value of properties having a positive impact of SEK 43 million (107) and changes in the value of interest rate derivatives adding SEK 7 million (27). Earnings after tax were SEK 192 million (229), of which SEK -70 million (-44) refers to deferred tax and SEK -10 million (-8) to current tax. In the third quarter 12 properties (0) were sold, resulting in a net realised change in value of SEK 10 million (0). In the third quarter four properties were acquired. In the same period last year Diös concluded agreements for the acquisition of one property with a completion date in December 2016.

➤➤➤ AVERAGE INTEREST RATE AND LOAN-TO-VALUE RATIO



➤➤➤ TAX

The nominal corporate tax rate in Sweden is 22 per cent. Due to the option of using tax depreciation allowances, recognising the full amount of expenses for certain types of conversion projects in the first year and using tax losses, tax paid was low. Tax paid arises from the fact that some subsidiaries are not able to avail themselves of the tax benefits of group contributions.

The remaining tax losses can be calculated at SEK 0 million (160). The Group also has untaxed reserves of SEK 118 million (87). The fair value of the properties exceeds their tax base by SEK 5,313 million (4,419). The tax on the net balance of these items at the full nominal tax rate of 22 per cent less the deferred tax attributable to asset purchases has been recognised as a deferred tax liability.

TAX CALCULATION FOR THE PERIOD

SEKm	Basis for current tax	Basis for deferred tax
Property management income	625	
Tax-deductible		
depreciation and amortisation	-170	170
conversion projects	-51	51
Other tax adjustments	-55	82
Taxable property management income	350	303
Income tax at 22% if tax losses are not used	77	
Sale of properties	2	-2
Change in value, properties	0	347
Issue costs	-51	51
Taxable profit before tax losses	301	699
Tax losses, opening balance	-177	177
Tax losses, closing balance	0	0
Taxable profit	124	876
Tax for the period as per income statement	27	193

While the reporting of taxes complies with the applicable accounting rules it should be noted that the amount of tax paid over the period generally differs from the reported amount. In addition, tax regulations are complex and hard to interpret. The application of the regulations may also change over time. Diös has no ongoing tax disputes.

OUR PROPERTIES

PROPERTY PORTFOLIO

The portfolio comprises a well balanced mix of residential, office, retail and industrial space with a range of small and large premises, creating wide scope to offer flexible solutions and build long-term relationships. At the end of the period the portfolio comprised 93 per cent (92) commercial properties and 7 per cent (8) residential properties based on rental value by type of premises.

INVESTMENTS

Our project investments cover new builds, conversions and extensions as well as energy-saving measures. The investments must result in a higher occupancy rate, lower costs and a reduced impact on the environment. During the period SEK 388 million (310) was invested in 578 projects (452). At the end of the period 17 major¹ development projects were ongoing, with a remaining investment volume of SEK 92 million and a total investment volume of SEK 196 million. During the period 54 new project investments were approved.

¹Initial investment volume > SEK 4 million.

PROPERTY VALUATION

At each closing date all properties are measured at fair value. The aim is to determine the properties' individual values in a sale executed through an orderly transaction between market players. Any portfolio effects are thus 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 external valuation is carried out by Savills. In addition to the largest properties in terms of value, properties are valued internally and properties in which significant changes have taken place are valued by Savills. These are properties where new leases have been signed or where leases have been terminated as well as new builds and properties that have undergone extensive conversions. All property valuations are based on a number of assumptions about the future and the market. Savills' calculations therefore have an uncertainty range of +/-7.5 per cent, which is also applied for the property portfolio as a whole. For Diös, this translates into a value range of SEK 17,816-20,704 million. No changes in terms of valuation methodology or approach were made during the period. The valuations were made in accordance with IFRS 13 level 3.

CHANGES IN THE PORTFOLIO

Our strategy is to continually concentrate our portfolio to priority locations in our target cities.

In the third quarter Diös sold the Furan 1, Furan 9, Furan 10 and Svalan 6 properties in Söderhamn. On 1 September Diös completed on two properties in central Sundsvall and sold three industrial properties in Birsta, Sundsvall in a deal with Norrlandspojkarna. The acquisition was communicated in the second quarter. On 15 August we completed on a commercial property in central Umeå and sold four industrial properties in Umeå in a deal with Dcap AB. The acquisition was communicated in the second quarter.

In the second quarter Diös sold the Näringen 22:3 land property in Gävle to Gävle Local Authority. We communicated the acquisition of two central properties in Umeå and the sale of two residential properties in Umeå in a deal with Lerstenen. Completion took place on 2 October.

On 10 January 2017 we completed on the Luleå Office Building, an acquisition that was communicated in the second quarter of 2016. On 1 February 2017 we completed on the 32 properties in Umeå, Luleå and Sundsvall that we acquired from Castellum, as communicated in the fourth quarter of 2016. The acquisitions increased the value of Diös' property portfolio by SEK 4,997 million.

New builds, conversions and extensions added SEK 388 million (310) to the value of Diös' property portfolio for the period. We are continually adjusting our portfolio in order to create improvements and efficiencies for our tenants.

Unrealised changes in value for the period totalled SEK 335 million (157) and were mainly due to the one-off effect of a discount on deferred tax and lower required rates of return.

NET LEASING

Net leasing for the period was SEK 45 million (24). Noteworthy new leases concluded during the period were those with Dalarna County Council in Stranden 20:4, Mora, Cubus in Abborren 11, Luleå, and the IT Department of the Swedish Social Insurance Agency in Porsön 1:423, Luleå. At 30 September the average contract term for commercial premises was 3.6 years (3.3).

VACANCIES

Vacancies remained unchanged during the period, with economic vacancies standing at 9 per cent (10) and physical vacancies at 14 per cent (16) at 30 September. Economic vacancies are highest in office and retail premises while physical vacancies are highest in office and industrial premises. The economic vacancy rate for the period, excluding discounts, was 8 per cent (10).

»» VALUATION ASSUMPTIONS

	30 Sep 2017					30 Sep 2016				
	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 , %	7.0-5.7	6.8-5.9	5.3-4.7	8.1-7.0	7.0-6.2	7.3-6.3	7.2-6.2	5.6-4.8	8.3-7.4	7.5-6.7
Cost of capital for discounting to present value, %	8.1	8.2	7.3	9.8	8.8	8.6	8.5	7.5	9.7	9.1
Long-term vacancy, %	5.0	3.5	1.7	11.9	6	5.3	3.5	1.7	11.6	6.5
Inflation, %	2	2	2	2	2	2	2	2	2	2

¹ From lower to upper quartiles in the portfolio.



»»» ENERGY USE AND CARBON DIOXIDE EMISSIONS

Heating ¹	kWh/sq.m	57.2	57.2
District cooling ²	kWh/sq.m	14.5	15.4
Electricity ³	kWh/sq.m	40.7	42.0
Carbon dioxide, total ⁴	g CO ₂ /kWh	22.8	22.7
Water	m ³ /sq.m	0.3	0.3

¹ Heating has been adjusted to a normal year.

² District cooling does not include self-produced cooling.

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

⁴ Carbon dioxide from electricity and heating.

All values have been provided by the suppliers. Floor area refers to tempered area. The comparative figures have been updated for the current portfolio and thus show changes for comparable properties.

Total use of heating and electricity was down by 1.3 per cent on the same period in 2016. Diös' ambition for the full year 2017 is to reduce energy use by 4 per cent, partly through a greater focus on geo-energy solutions and smart control systems in the energy projects and partly through a stronger emphasis on optimisation. Use of district cooling is increasing as we replace cooling machine solutions with district cooling

solutions, and thus cut electricity and refrigerant use. To reduce our environmental impact, we only buy electricity from renewable sources and take an active role in dialogues with district heating suppliers, and we can now see that 99 per cent of our district heating also comes from non-fossil sources. During the period we extended our green electricity contracts for a further four years.

»»» LEASE MATURITIES AT 30 SEPTEMBER 2017

	Maturity year	Concluded contracts no. of	Rented area sq.m	Contracted rental income SEKm	Share, %
Leases for premises	2017	312	61,021	71	4
	2018	827	218,944	258	15
	2019	692	257,048	314	19
	2020	661	244,835	313	18
	2021+	519	432,504	569	33
Total, leases for premises		3,011	1,214,352	1,525	89
Residential leases		1,748	121,004	130	8
Other leases		4,078	-	57	3
TOTAL		8,837	1,335,356	1,712	100

»»» LARGEST TENANTS AT 30 SEPTEMBER 2017

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total annual contract value, %	Average contract term, years
Swedish Transport Administration	25	62,578	3.7	2.2
Municipality of Östersund	110	36,782	2.2	3.0
Swedish Public Employment Service	43	32,663	1.9	2.1
Åhléns AB	5	22,443	1.3	5.2
Telia Sverige AB	25	19,547	1.2	10.5
Swedish Police Authority	35	19,517	1.1	3.5
Municipality of Falun	9	19,045	1.1	2.5
Swedish Social Insurance Agency	21	18,719	1.1	3.0
Folksam ömsesidig sakförsäkring	40	18,463	1.1	5.8
Swedbank AB	9	18,153	1.1	1.7
Total, largest tenants	322	267,910	15.8	3.5



OUR MARKET

We are the market-leading public property company in our priority cities. Our portfolio is concentrated to central locations in growth cities, from Borlänge in the south to Luleå in the north. Our operations are divided into seven business areas, of which six are defined geographically. Our seventh business area, Retail, has no geographical boundary but consists of our shopping centre and retail properties. The business area organisation consists of property management staff and letting agents and one business manager. All technical management services are sourced internally and performed by Diös staff at each location.

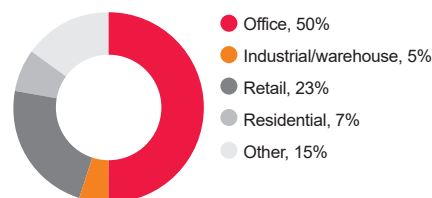
MARKET COMMENTARY

The Swedish economy remains strong and GDP is expected to grow by 2.8 per cent in 2017, according to the National Institute of Economic Research. Employment has grown rapidly over the past few years and there is still a strong need to recruit.

Population growth was positive in all our locations in 2016, with a total increase of 7,000 people.

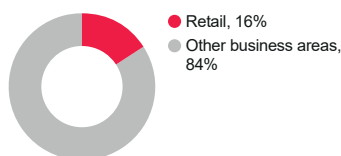
The Swedish government's decision to relocate government agencies to several of our cities will have a positive impact on the local economy. New direct and indirect jobs will be created, and demand for offices and homes will increase.

RENTAL VALUE BY TYPE OF PREMISES

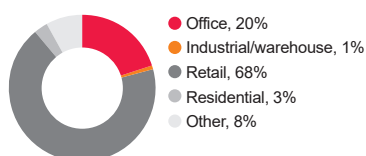


RETAIL

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



PROPERTY HOLDINGS

No. of properties	15
Area, '000 sq.m	167
Property value, SEKm	3,140
Operating surplus, SEKm	123
Surplus ratio, %	59

LARGEST TENANTS

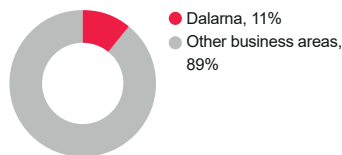
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Falun	4	16,796	5.9	2.5
KappAhl Sverige AB	5	12,142	4.3	1.4
Hennes & Mauritz Sverige AB	4	10,229	3.6	1.5
Clas Ohlson AB	5	9,099	3.2	4.5
Swedish Social Insurance Agency	3	6,481	2.3	5.2
Total, largest tenants	21	54,747	19.3	2.7

*In relation to the annual contract value for each business area.

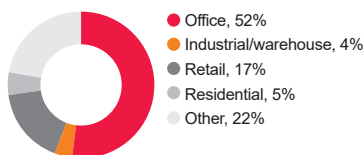


DALARNA BORLÄNGE/FALUN/MORA

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



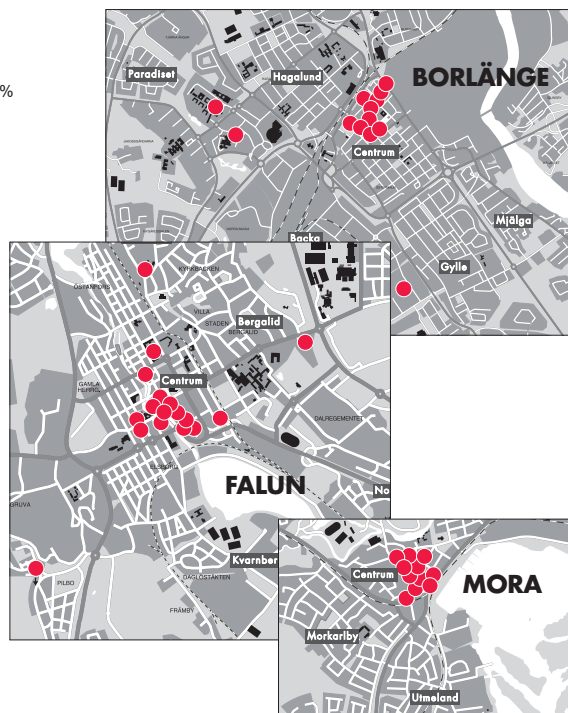
PROPERTY HOLDINGS

No. of properties	43
Area, '000 sq.m	225
Property value, SEKm	2,072
Operating surplus, SEKm	107
Surplus ratio, %	67

LARGEST TENANTS

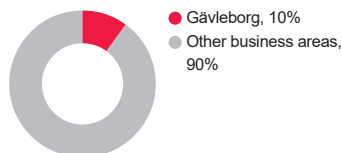
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	3	40,204	18.8	2.7
Swedish Police Authority	8	10,042	4.7	1.9
Internationella Engelska Skolan AB	1	9,270	4.3	18.3
Pysslingen Förskolor och Skolor AB	1	8,419	3.9	6.8
County Administrative Board of Dalarna	13	7,393	3.5	2.2
Total, largest tenants	26	75,328	35.2	4.9

*In relation to the annual contract value for each business area.

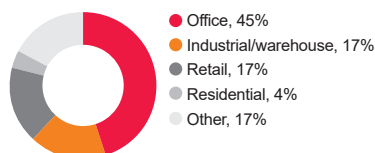


GÄVLEBORG GÄVLE

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



PROPERTY HOLDINGS

No. of properties	44
Area, '000 sq.m	228
Property value, SEKm	1,800
Operating surplus, SEKm	89
Surplus ratio, %	67

LARGEST TENANTS

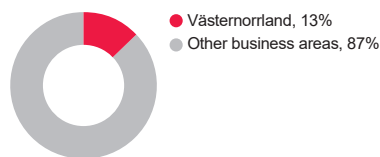
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Gävleborg County Council	7	9,439	5.5	3.2
Swedish Transport Administration	3	7,143	4.1	1.0
Internationella Engelska Skolan AB	2	5,720	3.3	6.0
Swedish Public Employment Service	6	5,259	3.1	3.0
Åhléns AB	1	4,363	2.5	4.3
Total, largest tenants	19	31,924	18.5	3.3

*In relation to the annual contract value for each business area.

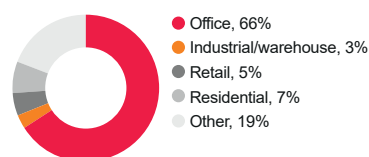


VÄSTERNORRLAND SUNDSVALL

SHARE OF TOTAL PROPERTY VALUE

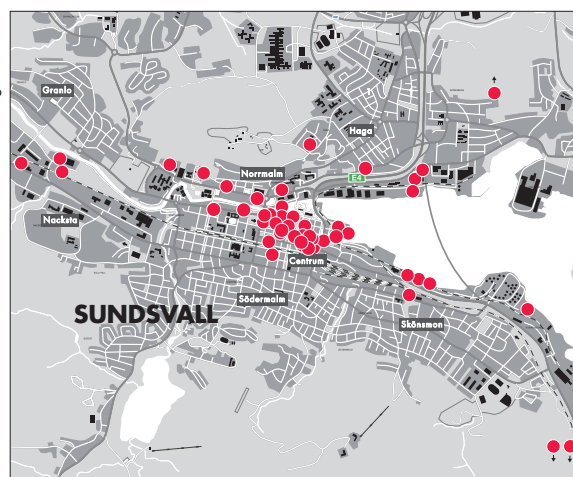


RENTAL VALUE BY TYPE OF PREMISES



PROPERTY HOLDINGS

No. of properties	50
Area, '000 sq.m	192
Property value, SEKm	2,530
Operating surplus, SEKm	98
Surplus ratio, %	64



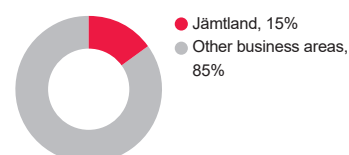
LARGEST TENANTS

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Livförsäkringsbolaget Skandia	3	14,123	6.6	5.5
Sweco Sverige AB	5	8,448	4.0	5.1
Folksam ömsesidig sakförsäkring	7	7,985	3.7	8.9
Norrlidens Kunskapscentrum AB	3	7,085	3.3	8.2
Municipality of Sundsvall	16	7,001	3.3	2.5
Total, largest tenants	34	44,642	20.9	6.0

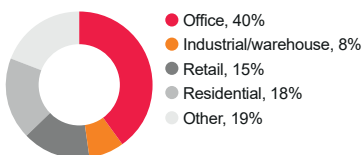
*In relation to the annual contract value for each business area.

JÄMTLAND ÅRE/ÖSTERSUND

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



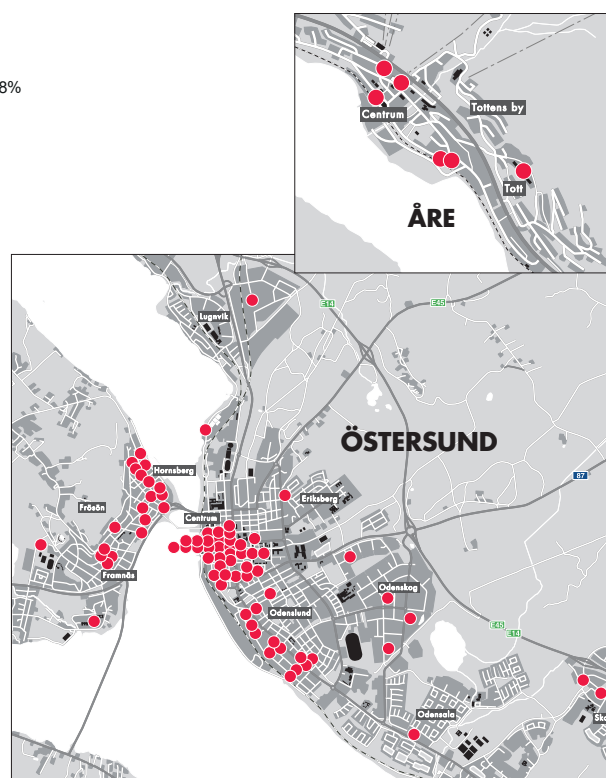
PROPERTY HOLDINGS

No. of properties	113
Area, '000 sq.m	289
Property value, SEKm	2,949
Operating surplus, SEKm	133
Surplus ratio, %	63

LARGEST TENANTS

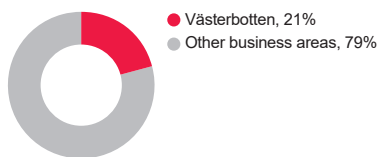
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Östersund	110	36,782	13.1	3.0
Region Jämtland Härjedalen	20	13,253	4.7	3.3
Swedbank AB	4	5,895	2.1	0.7
Swedish Public Employment Service	3	5,886	2.1	3.2
Deloitte AB	1	3,888	1.4	2.3
Total, largest tenants	138	65,704	23.4	2.8

*In relation to the annual contract value for each business area.

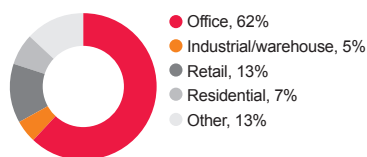


VÄSTERBOTTEN SKELLEFTEÅ/UMEÅ

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



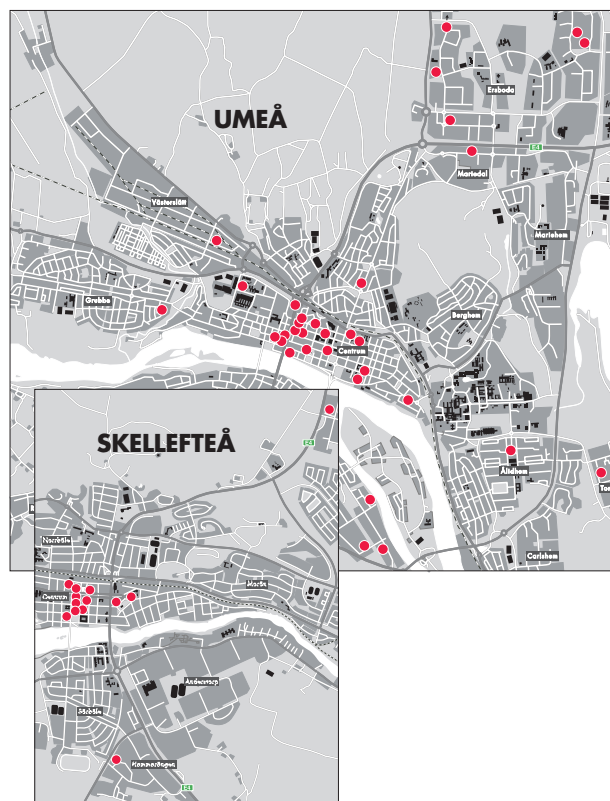
PROPERTY HOLDINGS

No. of properties	49
Area, '000 sq.m	287
Property value, SEKm	4,022
Operating surplus, SEKm	151
Surplus ratio, %	65

LARGEST TENANTS

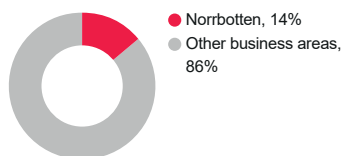
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Skellefteå Municipality	21	15,778	5.0	4.1
Swedish Courts	8	14,941	4.7	9.4
County Administrative Board of Västerbotten	3	10,565	3.3	4.1
Swedish Tax Agency	16	10,192	3.2	2.6
Tieto Sweden AB	2	9,804	3.1	1.3
Total, largest tenants	50	61,280	19.3	4.7

*In relation to the annual contract value for each business area.

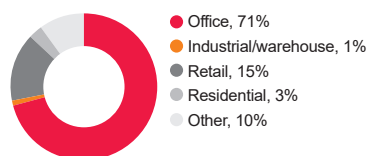


NORRBOTTEN LULEÅ

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



PROPERTY HOLDINGS

No. of properties	25
Area, '000 sq.m	165
Property value, SEKm	2,747
Operating surplus, SEKm	113
Surplus ratio, %	70

LARGEST TENANTS

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Telia Sverige AB	8	14,365	6.6	13.3
Municipality of Luleå	14	13,110	6.0	3.4
Swedish Transport Administration	3	11,816	5.4	1.0
Sweco Sverige AB	4	8,406	3.9	5.5
County Administrative Board of Norrbotten	5	8,263	3.8	1.2
Total, largest tenants	34	55,960	25.7	5.4

*In relation to the annual contract value for each business area.





> Anders Wesström, Technical Manager, and Diös tenant Amberline at the Falu kontorshotell business centre, Sofie Lofors-Läck, owner.

FINANCING

CAPITAL STRUCTURE

At 30 September 2017, 34 per cent (30) of Diös' total assets of SEK 19,570 million were financed through equity, 57 per cent (59) through debt and 9 per cent (11) through other capital. The equity/assets ratio was 33.9 per cent (29.8), which exceeds the target of 30 per cent. Interest-bearing liabilities comprise bank financing and covered bonds while other capital consists mainly of deferred tax liabilities.

EQUITY

The Castellum property acquisition, for which the completion date was 1 February, was part-financed through a rights issue of 59,783,304 shares, which raised around SEK 1,853 million in new equity for Diös. Equity at 30 September was SEK 6,631 million (4,047).

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities in the Group were SEK 11,133 million (7,960). Of total interest-bearing liabilities, SEK 10,118 million (7,019) refers to bank financing and SEK 1,015 million (941) to covered bonds. The covered bonds are issued through a jointly controlled company, Svensk FastighetsFinansiering AB (SFF). The loan-to-value ratio in the Group was 57.8 per cent (59.6) at the end of the period. The annual average interest rate including the cost for derivatives was 1.6 per cent (1.9), including loan commitments, and the interest coverage ratio was 5.5 times (3.5) at 30 September.

DERIVATIVES

Of total interest-bearing liabilities in the Group, SEK 4,600 million (2,200) had been hedged through derivatives, including SEK 4,000 million through interest rate caps. The market value of the derivatives at 30 September 2017 was SEK -24 million (-60). The financial instruments limit the impact of changes in interest rates on our average borrowing cost. All financial instruments are measured at fair value and are classified in Level 2 in accordance with IFRS 13, which means that the measurement is based on observable market data (see Note 21 in the Annual Report 2016). Changes in value are recognised through profit or loss.

FIXED-RATE TERMS AND LOAN MATURITIES

The average fixed-rate term and average loan maturity were 1.5 years (0.3) and 2.2 years (1.9), respectively. Taking account of the impact of the derivatives portfolio, the average fixed-rate term was 2.7 years (0.5). Using derivatives and fixed-rate loans, all of the Group's outstanding loans have been hedged (33.9 per cent).

CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the period were SEK 19 million (0) and drawn overdraft facilities were SEK 0 million (118). The agreed limit on the overdraft facility was SEK 600 million (450).

SENSITIVITY ANALYSIS AS AT 30 SEPTEMBER 2017

If market interest rates increase by 1 percentage point

	Fixed-rate term, years	Maturity, years	Average annual interest rate, %	Market value, SEKm	Change in average annual interest rate, %	Change in average annual interest rate, SEKm	Change in market value, SEKm
Loan portfolio excl. derivatives	1.5	2.2	1.3 ¹	11,133	0.4	+39	
Derivatives portfolio	2.8		0.2	-24	-1.0	-6	+10
Loan portfolio incl. derivatives	2.7	2.2	1.6		0.3	+33	+10

¹ The cost for undrawn credit facilities has been included.

INTEREST RATE AND DEBT MATURITY STRUCTURE AT 30 SEPTEMBER 2017

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm
2017	991	1.0	1,158	991
2018	2,965	1.0	2,245	2,245
2019	1,856	1.3	1,856	1,856
2020	5,321	1.4	5,321	5,321
2021	-	-	1,080	23
2027	-	-	1,000	697
Drawn credit facilities	11,133	1.3	12,659	11,133
Undrawn credit facilities ²	1,526	0.1		
Financial instruments	4,600	0.2		
TOTAL		1.6		

¹ Average annual interest rate refers to the average interest rate based on interest rate terms and the outstanding liability at 30 September 2017.

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

SHARE INFORMATION

SHARE PERFORMANCE

Diös' share price at the end of the period was SEK 52.0 (50.8), which represents a market capitalisation of SEK 6,995 million (4,839), and the return for the past 12 months was 2.4 per cent (16.7). If the adopted dividend of SEK 2.00 per share is included, the total return on the shares for the period was 7.0 per cent (22.3). The graph shows share prices for the past 12 months for both Diös and the indexes. The return on the OMX Stockholm 30 Index was 13.8 per cent (3.4) and the return on the OMX Stockholm Real Estate PI index 3.9 per cent (28.3).

At 30 September Diös Fastigheter AB had 15,409 shareholders (11,291). The proportion of foreign-owned shares was 20.5 per cent (16.8) of the total number of shares, which increased over the period to 134,512,438,(74,729,134) The single largest shareholder was AB Persson Invest, with 15.4 per cent (15.4) of the shares. The ten largest shareholders accounted for 56.2 per cent (59.6) of the total number of shares and votes.

The Annual General Meeting 2017 resolved to authorise the company to buy back ten per cent of the total number of outstanding shares of the company. No repurchases were made during the period.

No new changes of ownership were flagged during the period. A list of the ten largest owners of Diös Fastigheter AB according to Euroclear Sweden AB is shown below.

Diös Fastigheter AB is a publicly traded company listed on the NASDAQ OMX Nordic Exchange Stockholm, Mid Cap list. The ticker symbol is DIOS and the ISIN code SE0001634262.

RETURN AND NET ASSET VALUE

Our goal is to generate a return on equity in excess of the risk-free rate plus 6 per cent. The target return for the past 12 months was 5.9 per cent (5.9). On an annualised basis, the return for the period was 18.8 per cent (19.2).

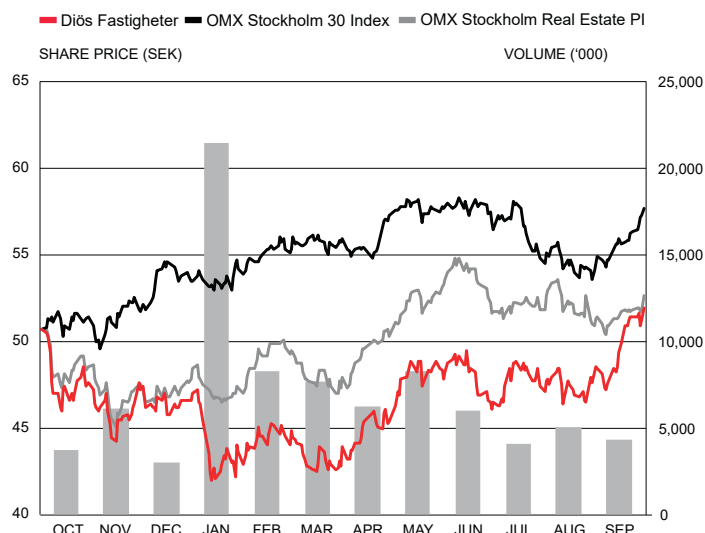
Equity at the end of the second quarter was SEK 6,631 million (4,047) and the long-term net asset value, EPRA NAV, was SEK 7,776 million (5,036). On a per share basis, EPRA NAV was SEK 57.8 (52.8), which means that the share price at 30 September represented 90 per cent (96) of the long-term net asset value. The net asset value per share for the period, expressed as EPRA NNNAV, was SEK 56.1 (50.4).

EARNINGS

Earnings per share for the period were SEK 5.87 (5.87) while long-term earnings per share, expressed as EPRA EPS, were SEK 4.15 (3.86).

EPRA EPS, which is designed to show an entity's long-term earnings per share, is calculated as property management income after deducting 22 per cent corporation tax attributable to property management income less minority share of earnings.

SHARE PRICE PERFORMANCE



LARGEST SHAREHOLDERS

OF DIÖS FASTIGHETER AB AT 30 SEPTEMBER 2017

SHAREHOLDER	No. of shares	Capital and votes, %
AB Persson Invest	20,699,443	15.4
Backahill Inter AB	14,095,354	10.5
Bengtssons Tidnings Aktiebolag	13,574,748	10.1
Pensionskassan SHB Försäkringsförening	8,096,827	6.0
Försäkringsaktiebolaget, Avanza Pension	5,127,065	3.8
SEB Investment Management	4,150,335	3.1
Handelsbankens Fonder	2,921,777	2.2
Fourth Swedish National Pension Fund (AP4)	2,535,311	1.9
Ssb Client Omnibus Ac Om07 (15 pct)	2,394,359	1.8
Staffan Rasjö	2,000,000	1.5
Total, largest shareholders	75,595,219	56.2
Other shareholders	58,917,219	43.8
TOTAL	134,512,438	100.0



OTHER DISCLOSURES

»»» EMPLOYEES AND ORGANISATION

The number of employees at 30 September 2017 was 155 (152), of whom 63 were women (61). The majority of Diös' employees, 107 people (103), work in our seven business areas. During the spring we have been in a recruitment phase, strengthening our business-driving roles in lettings and property management as well as our operational organisation.

»»» PARENT COMPANY

The activities of the parent company consist of central Group functions as well as the ownership and operation of the Group's subsidiaries. Sales totalled SEK 128 million (105) and the profit after tax was SEK 326 million (-315). Profit after tax includes dividends from Group companies in the amount of SEK 300 million (300). Net sales refer chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents at 30 September 2017 were SEK 16 million (0) and drawn overdraft facilities were SEK 0 million (118). External interest-bearing liabilities, excluding overdraft facilities, totalled SEK 3,457 million (2,037). The average annual interest rate based on the situation at 30 September 2017 was 1.2 per cent (0.8). The parent company prepares its financial reports in compliance with RFR 2 Financial Reporting for Legal Entities.

»»» OPPORTUNITIES AND RISKS

Diös Fastigheters' principal risks and uncertainties are described on pages 52-54 of the 2016 annual report. Apart from what is stated in the following, there have been no material changes to Diös' risks and uncertainties.

At its monetary policy meeting on 6 September the Riksbank decided to keep its repo rate unchanged at -0.5 per cent. Only in the second half of 2018 does the executive board deem that it will be appropriate to start raising interest rates at a modest pace. The central bank continues to purchase government bonds in accordance with its previous decision, with the aim of stabilising inflation at around 2 per cent.

In the August 2017 edition of *Swedish Economy* the National Institute of Economic Research (KI) upgraded its forecast for Swedish GDP growth in 2017 to 3 per cent as a result of strong growth in the second quarter, which was due to increased business investment, including investment in housing, which has increased at a faster pace.

Thanks to Sweden's strong public finances, healthy banks and growing GDP, the prospects for growth in our markets are deemed to be good. As our property operations continue to generate strong cash flows, we are seeing a stabilisation of yields in market valuations of our properties and of our property values. In aggregate, these factors should strengthen property as an asset class.

»»» 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.

»»» ACCOUNTING POLICIES

Diös complies with EU-adopted IFRS standards and the interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The report for the parent company is prepared in accordance with RFR 2 Financial Reporting for Legal Entities and the Swedish Annual Accounts Act. The accounting policies applied in preparing the interim report are consistent with the accounting policies applied in preparing the consolidated financial statements and annual accounts for 2016, Note 1.

IMPACT OF NEW OR REVISED IFRS FROM 1 JANUARY 2018 OR LATER

IFRS 9 Financial Instruments is applicable from 2018 and replaces IAS 39 Financial Instruments. Under the recommendation, Diös will be required to assess expected future credit losses. We do not expect the standard to have a material impact on Diös' financial statements.

IFRS 15 Revenue Recognition will be applied from 1 January 2018. Diös' revenue consists essentially of rental income from properties as well as sales income from the sale of properties. The recommendation introduces increased disclosure requirements for sales, such as disclosures on variable or conditional considerations and/or financing arrangements. Clarifications have also been introduced, which, in brief, require that performance obligations for the principal versus agent be identified. This can have an impact on the recognition of revenue when costs are passed on tenants, which in turn depends on whether Diös is acting as principal or agent in such situations. As Diös recognises the sale of properties at the completion date, this is not expected to have a significant impact. Having initiated a review to assess what impact the standard will have, our assessment is that the standard may affect Diös' financial statements.

IFRS 16 Leases applies for financial years beginning on 1 January 2019. The accounting treatment for lessors will remain essentially unchanged. For lessees, the standard will have the effect that most leases will be recognised in the balance sheet. For Diös, the main impact will be on the recognition of leasehold contracts and car leases, which will be recognised in the balance sheet and will thus have an impact on total assets.^c The lease payment will be accounted for as depreciation of the right-of-use asset and as an interest expense, and will thus no longer be included in net operating income. As Diös has a limited number of contracts, the impact on the financial statements is expected to be limited.

»»» SEASONAL VARIATIONS

Costs for operations and maintenance are subject to seasonal variations. Cold weather and snow affect the costs for heating, snow clearance and roof snow removal. The costs are normally higher in the first and fourth quarters.

¹ The Annual Report 2016 is available at www.dios.se

FINANCIAL STATEMENTS

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

	2017 3 mths Jul-Sep	2016 3 months Jul-Sep	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
INCOME STATEMENT					
Rental income	431	331	1,263	992	1,323
Other property management income	5	4	13	12	17
Property costs	-149	-123	-462	-393	-534
Operating surplus	287	212	814	611	806
Central administration	-16	-13	-52	-45	-63
Net financial items	-49	-52	-137	-160	-204
Property management income	222	147	625	406	539
Change in value, properties	43	107	347	147	327
Change in value, interest rate derivatives	7	27	21	74	91
Profit before tax	272	281	993	627	957
Current tax	-10	-8	-27	23 ¹	11 ¹
Deferred tax	-70	-44	-193	-84	-136
Profit after tax	192	229	773	566	832
Profit attributable to shareholders of the parent	192	228	770	559	825
Profit attributable to non-controlling interests	0	1	3	7	7
Total	192	229	773	566	832
STATEMENT OF COMPREHENSIVE INCOME					
Profit after tax	192	229	773	566	832
Comprehensive income for the period	192	229	773	566	832
Comprehensive income attributable to shareholders of the parent	192	228	770	559	825
Comprehensive income attributable to non-controlling interests	0	1	3	7	7
Total	192	229	773	566	832
Earnings per share, SEK	1.43	2.39	5.87	5.87	8.66
Number of shares at end of period ('000)	134,512	95,290	134,512	95,290	95,290
Average number of shares ('000)	134,512	95,290	131,208	95,290	95,290
Number of treasury shares at end of period	0	0	0	0	0
Average number of treasury shares	0	0	0	0	0

¹ Current tax for 2016 includes a reversal of SEK 37 million related to a provision that was recognised in 2017.



CONDENSED CONSOLIDATED BALANCE SHEET, SEKM

	2017 30 Sep	2016 30 Sep	2016 31 Dec
ASSETS			
Non-current assets			
Investment properties	19,260	13,357	13,683
Other property, plant and equipment	4	4	3
Intangible assets	2	3	2
Financial assets	40	39	36
Total non-current assets	19,306	13,403	13,724
Current assets			
Current receivables	245	190	196
Cash and cash equivalents	19	-	-
Total current assets	264	190	196
TOTAL ASSETS	19,570	13,593	13,920
EQUITY AND LIABILITIES			
Equity	6,631	4,047	4,313
Deferred tax liability	1,202	957	1,009
Provisions	9	9	9
Interest-bearing liabilities	11,133	7,960	8,013
Overdraft facilities	-	118	15
Current liabilities	595	502	561
TOTAL LIABILITIES AND EQUITY	19,570	13,593	13,920

CONDENSED STATEMENT OF CHANGES IN EQUITY, SEKM

	Equity	Attributable to shareholders of the parent	Attributable to minority interests
Equity, 31 Dec 2015	3,694	3,658	36
<i>Profit for the period after tax</i>	<i>566</i>	<i>559</i>	<i>7</i>
Comprehensive income for the period	566	559	7
<i>Dividend</i>	<i>-213</i>	<i>-213</i>	<i>-</i>
Equity, 30 Sep 2016	4,047	4,004	43
<i>Profit for the period after tax</i>	<i>266</i>	<i>266</i>	<i>0</i>
Comprehensive income for the period	266	266	0
Equity, 31 Dec 2016	4,313	4,270	43
<i>Profit for the period after tax</i>	<i>773</i>	<i>770</i>	<i>3</i>
Comprehensive income for the period	773	770	3
<i>Issue of new shares</i>	<i>1,853</i>	<i>1,853</i>	<i>-</i>
<i>Issue costs</i>	<i>-51</i>	<i>-51</i>	<i>-</i>
<i>Tax effect of issue costs</i>	<i>11</i>	<i>11</i>	<i>-</i>
<i>Dividend</i>	<i>-269</i>	<i>-269</i>	<i>-</i>
Equity, 30 Sep 2017	6,631	6,584	46



CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEKM

	2017 3 months Jul-Sep	2016 3 months Jul-Sep	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
OPERATING ACTIVITIES					
Operating surplus	287	212	814	611	806
Central administration	-16	-13	-52	-45	-63
Reversal of depreciation, amortisation and impairment	2	-11	2	-11	5
Interest received	1	1	2	1	1
Interest paid	-32	-43	-154	-161	-184
Tax paid	-10	-8	-27	-14	-26
Operating cash flow before changes in working capital	232	138	585	381	539
Changes in working capital					
Decrease (+)/increase (-) in receivables	1	-3	-11	-82	-92
Decrease (-)/increase (+) in current liabilities	9	6	-89	-6	35
Total changes in working capital	10	3	-100	-88	-57
Operating cash flow	242	141	485	293	482
INVESTING ACTIVITIES					
Investments in new builds, conversions and extensions	-141	-70	-385	-327	-452
Acquisition of properties	-175	-21	-2,491	-100	-136
Sale of properties	149	-	152	637	641
Other property, plant and equipment	-	-	-	-	-
Other financial assets	-	-	-	-30	-26
Investing cash flow	-167	-91	-2,724	180	27
FINANCING ACTIVITIES					
Dividends paid	-	-	-269	-213	-213
Issue of new shares	-	-	1,802	-	-
New borrowing, interest-bearing liabilities	10	-	3,134	263	370
Repayment and redemption of interest-bearing liabilities	-18	-9	-2,394	-414	-454
Change in overdraft facility	-48	-41	-15	-109	-212
Financing cash flow	-56	-50	2,258	-473	-509
Cash flow for the period	19	0	19	0	0
Cash and cash equivalents at beginning of period	0	0	0	0	0
Cash and cash equivalents at end of period	19	0	19	0	0



➤ Stefan Jönsson, Technical Manager, Östersund.

»» PROPERTY PORTFOLIO AT 30 SEP 2017

Diös owned 339 properties in 10 locations, from Borlänge in the south to Luleå in the north. The total leasable area was 1,552,544 square metres. The economic occupancy rate based on the number of concluded leases at 30 September was 91 per cent. During the period Diös invested SEK 388 million in new builds, extensions and conversions. In terms of value, Västerbotten, Retail and Jämtland accounted for the largest share of the portfolio. The total market value of the properties was SEK 19,260 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Retail	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrbottn	The Diös Group
Rental income	210	160	133	154	212	233	161	1,263
Other revenue	1	3	3	1	2	1	2	13
Repair and maintenance	-6	-7	-7	-7	-9	-13	-6	-55
Tariff-based costs	-23	-21	-15	-19	-32	-28	-15	-153
Property tax	-14	-6	-7	-7	-10	-12	-10	-66
Other property costs	-34	-14	-12	-14	-20	-22	-14	-129
Property management	-9	-8	-6	-10	-11	-8	-7	-60
Operating surplus	123	107	89	98	133	151	113	814
Undistributed items								
Central administration	-	-	-	-	-	-	-	-52
Net financial items	-	-	-	-	-	-	-	-137
Property management income	-	-	-	-	-	-	-	625
Changes in value								
Property, realised	-	-	-1	1	-	12	-	12
Property, unrealised	-16	14	53	59	110	77	38	335
Interest rate derivatives	-	-	-	-	-	-	-	21
Profit before tax	-	-	-	-	-	-	-	993
Current tax	-	-	-	-	-	-	-	-27
Deferred tax	-	-	-	-	-	-	-	-193
Non-controlling interests	-	-	-	-	-	-	-	-3
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	-	770
Leasable area, sq.m								
Leasable area, sq.m	166,759	224,594	228,309	192,079	289,336	286,677	164,790	1,552,544
Rental value	233	177	150	177	234	254	170	1,395
Economic occupancy rate, %	90	90	89	87	91	92	95	91
Surplus ratio, %	59	67	67	64	63	65	70	64
Change in property portfolio								
Property portfolio, 1 January 2017	2,042	2,003	1,756	1,397	2,776	2,219	1,490	13,683
Acquisitions	1,066	1	-	1,047	-	1,706	1,177	4,997
Investments in new builds, extensions and conversions	72	54	24	60	63	73	42	388
Sales	-24	-	-33	-33	-	-53	-	-143
Unrealised changes in value	-16	14	53	59	110	77	38	335
Property portfolio, 30 September 2017	3,140	2,072	1,800	2,530	2,949	4,022	2,747	19,260

Columns/rows may not add up due to rounding.

PROPERTY PORTFOLIO AT 30 SEP 2016

Diös owned 313 properties in 10 locations, from Borlänge in the south to Luleå in the north. The total leasable area was 1,351,198 square metres. The economic occupancy rate based on the number of concluded leases at 30 September was 90 per cent. During the period Diös invested SEK 310 million in new builds, extensions and conversions. In terms of value, Jämtland Västerbotten and Retail accounted for the largest share of the portfolio. The total market value of the properties was SEK 13,357 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Retail	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrbotten	The Diös Group
Rental income	151	155	127	103	196	161	99	992
Other revenue	2	2	1	2	2	1	2	12
Repair and maintenance	-4	-9	-8	-6	-11	-10	-6	-53
Tariff-based costs	-18	-21	-15	-15	-32	-22	-9	-131
Property tax	-10	-6	-7	-4	-9	-8	-5	-50
Other property costs	-26	-14	-12	-13	-20	-15	-9	-108
Property management	-6	-7	-6	-8	-11	-7	-6	-50
Operating surplus	88	100	82	60	116	99	66	611
Undistributed items								
Central administration	-	-	-	-	-	-	-	-45
Net financial items	-	-	-	-	-	-	-	-160
Property management income		-	-	-	-	-	-	406
Changes in value								
Property, realised	-	-	-	-3	-3	-4	-	-10
Property, unrealised	-27	-9	29	24	40	31	68	157
Interest rate derivatives	-	-	-	-	-	-	-	74
Profit before tax		-	-	-	-	-	-	627
Current tax	-	-	-	-	-	-	-	23
Deferred tax	-	-	-	-	-	-	-	-84
Non-controlling interests	-	-	-	-	-	-	-	-7
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	-	559
Leasable area, sq.m	123,260	224,594	235,862	143,993	287,010	226,119	110,360	1,351,198
Rental value	167	172	145	122	220	176	106	1,107
Economic occupancy rate, %	91	90	88	85	89	91	93	90
Surplus ratio, %	59	65	65	58	59	62	66	62

Change in property portfolio

Property portfolio, 1 January 2016	2,071	1,938	1,663	1,632	2,712	2,046	1,319	13,381
Acquisitions	-	-	-	-	102	68	-	170
Investments in new builds, extensions and conversions	28	52	20	29	67	79	36	310
Sales	-	-	-	-341	-256	-64	-	-661
Unrealised changes in value	-27	-9	29	24	40	31	68	157
Property portfolio, 30 September 2016	2,072	1,981	1,712	1,344	2,665	2,160	1,423	13,357

Columns/rows may not add up due to rounding.

FINANCIAL KPIS

The company presents certain financial measures in the interim report that have not been defined in accordance with IFRS. The company considers that these measures provide valuable additional information for investors, analysts and the company's management, as they enable the evaluation of relevant trends and the company's performance. As not all companies calculate financial measures in the same way, these are not always comparable with the

measures used by other companies. These financial measures should therefore not be viewed as substitutes for IFRS-defined measures. The following table presents non-IFRS measures unless otherwise stated. Definitions of these measures are found on page 34.

Figures refer to SEK million unless otherwise indicated.

	2017 3 months Jul-Sep	2016 3 months Jul-Sep	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
Number of shares at end of period <i>(balance sheet-related key ratios)</i> ¹	134,512	95,290	134,512	95,290	95,290
Average number of shares <i>(income statement-related key ratios)</i> ¹	134,512	95,290	131,208	95,290	95,290

¹ Historical data for the number of shares has been restated to take account of the effect of bonus issues (i.e. the value of the subscription rights) in issues of new shares and has been used in all KPI calculations for SEK per share. The conversion factor is 1.28.

OPERATING RESULTS

The company governs its operations based partly on the objective of generating capital growth by increasing the surplus ratio and thereby the cash flow from operating activities, i.e. increased income from property management. The target for the year is a surplus ratio in excess of 63 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 also reports 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.

	2017 3 months Jul-Sep	2016 3 months Jul-Sep	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
Property management income					
Profit before tax	272	281	993	627	957
Reversal					
Change in value, properties	-43	-107	-347	-147	-327
Change in value, derivatives	-7	-27	-21	-74	-91
Property management income	222	147	625	406	539
EPRA earnings (property management income after tax)					
Property management income	222	147	625	406	539
Reversal, current tax property management income	-27	-8	-77	-31	-42
Minority share of earnings	0	-1	-3	-7	-7
EPRA earnings / EPRA EPS	195	138	545	368	490
EPRA earnings / EPRA EPS per share	1.45	1.45	4.15	3.86	5.14
Surplus ratio					
Operating surplus as per income statement	287	212	814	611	806
Rental income as per income statement	431	331	1,263	992	1,323
Surplus ratio, %	67	64	64	62	61

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 NNNNAV are designed to show the size of the company's equity in case of a liquidation in the short and long term. These performance indicators can be compared with the company's share price to obtain a picture of how the shares are valued in relation to equity.

	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
Net asset value			
Equity as per balance sheet	6,631	4,047	4,313
Minority share of equity	-46	-43	-43
Reversal as per balance sheet			
Fair value of financial instruments	22	60	43
Deferred tax on temporary differences	1,169	972	1,023
EPRA NAV (long-term net asset value)	7,776	5,036	5,336
EPRA NAV (long-term net asset value) per share, SEK	57.8	52.8	56.0
Deductions			
Fair value of financial instruments	-22	-60	-43
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-208	-177	-180
EPRA NNNNAV (short-term net asset value)	7,547	4,799	5,113
EPRA NNNNAV (short-term net asset value) per share, SEK	56.1	50.4	53.7

¹ Estimated actual deferred tax has been calculated at approx. 4 per cent based on a discount rate of 3 per cent. The calculation is based on the assumption that the property portfolio will be realised over a period of 50 years, with 10 per cent of the portfolio being sold directly subject to a nominal tax rate of 22 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of 6 per cent.



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 ensure that the loan-to-value ratio does not exceed 60 per cent over extended periods and to maintain an equity/assets ratio in excess of 30 per cent. The loan-to-value ratio and equity ratio show the company's financial stability while the interest coverage ratio shows the company's ability to pay interest. 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.

	2017 3 months Jul-Sep	2016 3 months Jul-Sep	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
Loan-to-value ratio					
Interest-bearing liabilities			11,133	7,960	8,013
Investment properties			19,260	13,357	13,683
Loan-to-value ratio, %			57.8	59.6	58.6
Equity ratio					
Equity			6,631	4,047	4,313
Total assets			19,570	13,593	13,920
Equity ratio, %			33.9	29.8	31.0
Interest coverage ratio					
Property management income	222	147	625	406	539
Reversal					
Financial costs	49	52	139	161	204
Total	271	199	764	567	743
Financial costs	49	52	139	161	206
Interest coverage ratio, times	5.5	3.8	5.5	3.5	3.6

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 performance indicators show the company's results and profitability, equity on a per share basis, and the company's ability to fulfil its obligations and pay dividends to the shareholders. These alternative performance indicators supplement the picture given of Diös' financial performance and enable investors and analysts to gain a better understanding of the company's return and results. Yield is a measure of the results generated by the properties in relation to their market value. It shows the profitability of the properties and is considered to provide supplementary information for investors and analysts concerning the risk in the portfolio. The debt/equity ratio is presented in order to supplement the picture of Diös' financial situation. It shows the ratio of interest-bearing liabilities to equity. The measure is considered to enhance investors' and analysts' ability to assess the company's financial stability.

	2017 3 months Jul-Sep	2016 3 months Jul-Sep	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
Return on equity, %	2.9	5.8	14.1	14.4	6.4
Operating surplus, SEKm	287	212	814	611	806
Yield, %	1.5	1.6	4.2	4.6	5.9
Equity per share, SEK	49.3	42.5	49.3	42.5	45.3
Rental income, SEKm	431	331	1,263	992	1,323
Cash flow per share, SEK					
Profit before tax	272	281	993	627	957
Reversal, unrealised change in value					
Properties	-33	-107	-335	-157	-337
Derivatives	-7	-27	-21	-74	-91
Depreciation and amortisation	1	1	2	2	2
Current tax	-10	-8	-27	23	-26
Total	223	140	612	421	504
Average number of shares ('000)	134,512	95,290	131,208	95,290	95,290
Cash flow per share, SEK	1.66	1.47	4.66	4.42	5.29
Earnings per share, SEK	1.43	2.39	5.87	5.87	8.66
Debt/equity ratio, times			1.7	2.0	1.9

OTHER INFORMATION

Diös also reports data for economic occupancy, rental value and net leasing, as these performance indicators provide a more in-depth picture of the company's financial performance with regard to revenues in the properties and thus also in the company. These performance indicators are widely used in the industry, and enable investors and analysts to make comparisons between different property companies.

	2017 3 months Jul-Sep	2016 3 months Jul-Sep	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
Rental value, SEKm	475	368	1,395	1,107	1,478
Economic occupancy rate, %	91	90	91	90	90
No. of properties at end of period			339	313	314
Leasable area at end of period, sq.m			1,552,544	1,351,198	1,353,525
Market value of properties, SEKm			19,260	13,357	13,683



»»» TARGETS

OPERATIONAL TARGETS	Target 2017	Outcome Q3 2017
Economic occupancy rate, %	92	91
Surplus ratio, %	63	64
Energy use, %	-4	-1
Employee satisfaction index	76	-
Customer satisfaction index	70	-

FINANCIAL TARGETS	Target 2017	Outcome Q3 2017
Return on equity, %	Risk-free rate ¹ +6%	18.8 ²
Distribution of profit for the year ³ , %	~50	-
Loan-to-value ratio, %	< 60	57.8
Equity ratio, %	> 30	33.9

¹ Risk-free rate as represented by an average five-year government bond +6%.

² Return on equity has been annualised.

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

»»» SHARE CAPITAL HISTORY

Date	Event	Increase in number of shares	Increase in share capital, SEK	Total number of shares	Total share capital, SEK	Face value, SEK
1 Jan 2005	At beginning of period	-	-	10,000	100,000	10.00
21 Jun 2005	Share split	990,000	-	1,000,000	100,000	0.10
21 Jun 2005	Issue of new shares	1,489,903	148,990	2,489,903	248,990	0.10
14 Sep 2005	Non-cash issue	1,503,760	150,376	3,993,663	399,366	0.10
2 Jan 2006	Bonus issue	-	39,537,264	3,993,663	39,936,630	10.00
2 Jan 2006	Share split	15,974,652	-	19,968,315	39,936,630	2.00
18 May 2006	Issue of new shares	8,333,400	16,666,800	28,301,715	56,603,430	2.00
11 Jul 2006	Non-cash issue	5,000,000	10,000,000	33,301,715	66,603,430	2.00
19 Apr 2007	Non-cash issue	666,250	1,332,500	33,967,965	67,935,930	2.00
29 Oct 2010	Non-cash issue	99,729	199,458	34,067,694	68,135,388	2.00
14 Dec 2010	Issue of new shares	3,285,466	6,570,332	37,353,160	74,705,720	2.00
17 Dec 2010	Issue of new shares	11,407	22,814	37,364,567	74,728,534	2.00
5 Dec 2011	Issue of new shares	22,854,136	45,708,272	60,218,703	120,436,806	2.00
14 Dec 2011	Issue of new shares	14,510,431	29,020,862	74,729,134	149,457,668	2.00
27 Jan 2017	Issue of new shares	59,629,748	119,259,496	134,358,882	268,717,164	2.00
31 Jan 2017	Issue of new shares	153,556	307,112	134,512,438	269,024,276	2.00



> Diös tenant Kicks in the In: gallerian shopping centre Micael Johansson, Store Manager, and Maria Sundqvist, Letting Agent, Sundsvall.

>>> CONDENSED PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEK M

	2017 9 months Jan-Sep	2016 9 months Jan-Sep	2016 12 months Jan-Dec
INCOME STATEMENT			
Net sales	128	105	137
Gross profit	128	105	137
Central administration	-157	-137	-178
Operating profit	-29	-32	-41
Income from interests in Group companies	300	300	300
Financial income	217	191	236
Financial costs	-162	-144	-184
Profit after financial items	326	315	311
Current tax	-	-	-
Profit after tax	326	315	311
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax	326	315	311
Comprehensive income for the year	326	315	311

>>> CONDENSED PARENT COMPANY BALANCE SHEET, SEK M

	2017 30 Sep	2016 30 Sep	2016 31 Dec
ASSETS			
Interests in Group companies	2 124	270	270
Receivables from Group companies	11 223	8 764	8 719
Other receivables	23	17	28
Cash and cash equivalents	16	-	-
TOTAL ASSETS	13 386	9 051	9 017
EQUITY AND LIABILITIES			
Equity	2 986	1 131	1 127
Liabilities to credit institutions	3 457	2 037	2 145
Liabilities to Group companies	6 908	5 738	5 692
Overdraft facilities	-	118	17
Other liabilities	35	27	36
TOTAL EQUITY AND LIABILITIES	13 386	9 051	9 017

FINANCIAL CALENDAR

Year-end Report January–December 2017	16 February 2018
Annual Report 2017	29 March 2018
Interim Report January–March 2018	24 April 2018
Annual General Meeting 2018	24 April 2018
Interim Report January–June 2018	6 July 2018
Interim Report January–September 2018	25 October 2018

EVENTS AFTER THE REPORTING DATE

On 2 October 2017 Diös completed on two central commercial properties with a combined floor space of around 6,500 sq.m and sold two residential properties with a combined floor space of around 6,500 sq.m in a deal with Lerstenen in Umeå. The underlying property values were SEK 110 million for the acquired properties and SEK 90 million for the divested properties. The deal was communicated on 16 June 2017.

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

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

Östersund, 25 October 2017

Bob Persson
Chairman

Maud Olofsson
Board member

Ragnhild Backman
Board member

Anders Nelson
Board member

Anders Bengtsson
Board member

Tomas Mellberg
Board member
Employee representative

Knut Rost
Chief Executive Officer

AUDITOR'S REVIEW REPORT

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

INTRODUCTION

We have conducted a review of the interim report of Diös Fastigheter AB (publ) for the period 1 January 2017 to 30 September 2017. Responsibility for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express a conclusion on the interim report based on our review.

FOCUS AND SCOPE OF THE REVIEW

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

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

CONCLUSION

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

Östersund, 25 October 2017

Deloitte AB
Richard Peters
Authorised Public Accountant



DEFINITIONS

NUMBER OF SHARES AT END OF PERIOD

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

RETURN ON EQUITY

Profit for the period in relation to average equity. Average equity is defined as the sum of the opening and closing balance divided by two.

LOAN-TO-VALUE RATIO, PROPERTIES

Interest-bearing and other liabilities relating to properties, divided by the carrying amount of the properties at the end of the period.

YIELD

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

EQUITY PER SHARE

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

ECONOMIC OCCUPANCY RATE

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

ECONOMIC OCCUPANCY RATE

Estimated market rent for unused premises divided by total rental value.

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 redevelopments.

EPRA NAV/LONG-TERM NET ASSET VALUE PER SHARE

Equity at the end of the period after reversal of interest rate derivatives and deferred tax attributable to temporary differences in properties and minority share of equity, divided by the number of outstanding shares at the end of the period.

EPRA NNAV/CURRENT NET ASSET VALUE PER SHARE

Equity at the end of the period adjusted for actual deferred tax instead of nominal deferred tax and minority share of equity, divided by the number of shares outstanding at the end of the period.

PROPERTY MANAGEMENT INCOME

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

AVERAGE NUMBER OF SHARES

Number of shares outstanding at the beginning of the period, adjusted by the number of shares issued or repurchased during the period weighted by the number of days that the shares were outstanding, in relation to the total number of days in the period.

RENTAL INCOME

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

RENTAL VALUE

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

CASH FLOW PER SHARE

Profit before tax, adjusted for unrealised changes in value plus depreciation/amortisation less current tax, divided by the average number of shares.

NET LEASING

Net annual rent, excluding discounts and supplements, for newly signed, terminated and renegotiated contracts. No account is taken of the length of contracts.

EARNINGS PER SHARE

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

INTEREST COVERAGE RATIO

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

DEBT/EQUITY RATIO

Interest-bearing liabilities in relation to shareholders' equity at the end of the period.

EQUITY/ASSETS RATIO

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

SURPLUS RATIO

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





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