

Diös

Q4

YEAR-END REPORT **JANUARY – DECEMBER 2017**





OVERVIEW OF THE YEAR

JANUARY–DECEMBER 2017

- **TOTAL RENTAL INCOME INCREASE WAS 28 PER CENT AND TOTALS SEK 1,700 MILLION (1,323)**
- **PROPERTY MANAGEMENT INCOME WAS SEK 822 MILLION (539)**
- **UNREALISED CHANGES IN VALUE OF PROPERTIES WERE SEK 402 MILLION (337) AND UNREALISED CHANGES IN VALUE OF DERIVATIVES WERE SEK 27 MILLION (91)**
- **THE PROFIT AFTER TAX WAS SEK 1,029 MILLION (832)**
- **EARNINGS PER SHARE WERE SEK 7.78 (8.66)***
- **THE BOARD OF DIRECTORS PROPOSES A DIVIDEND OF SEK 2.90 PER SHARE (2.00), TO BE EVENLY DISTRIBUTED ON TWO OCCASIONS.**

	2017 3 mths Oct-Dec	2016 3 mths Oct-Dec	2017 12 mths Jan-Dec	2016 12 mths Jan-Dec
NET PROFIT FOR THE YEAR, SEK million				
Rental income	437	332	1,700	1,323
Other revenue	6	5	19	17
Operating and central costs	-198	-160	-712	-597
Net financial items	-48	-45	-185	-204
Property management income	197	132	822	539
Changes in value, properties and derivatives	71	198	439	418
Current tax	-16	-11	-43	11
Deferred tax	4	-53	-189	-136
Profit after tax	256	266	1,029	832
Surplus ratio, %	61	59	64	61
Occupancy rate, %	91	90	91	90
Equity ratio, %			34.9	31.0
Loan-to-value ratio, properties, %			57.1	58.6
Equity per share, SEK			51.2	45.3
EPRA NAV per share, SEK			59.7	56.0

For definitions of key ratios, see page 34.

* The number of shares have during 2017 increased by 60 million after completion of a rights issue, thus effecting share-related key ratios.

FOR FURTHER INFORMATION, PLEASE CONTACT

Knut Rost, CEO, +46 (0)770-33 22 00, +46 (0)70-555 89 33, knut.rost@dios.se

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

This constitutes information which Diös Fastigheter AB is required to publish under the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication through the above contact person on 16 February 2018, at 7:00 a.m. CET.

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. 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.



➤ 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.

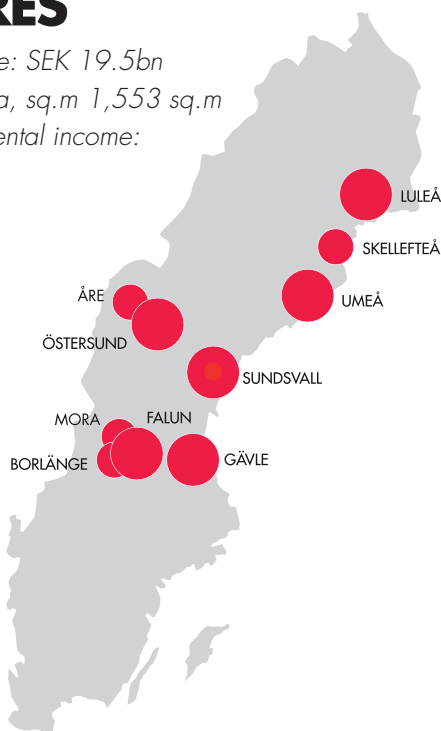
➤ PROMISE AND CORE VALUES

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.



DIÖS IN FIGURES

Property value: SEK 19.5bn
Leasable area, sq.m 1,553 sq.m
Contracted rental income:
SEK 1,726m



SIGNIFICANT EVENTS DURING THE PERIOD

- > Our property management income has increased by 53 per cent compared with the previous year. For comparable properties the increase is 19 per cent.
- > The local council in Östersund makes a final decision to give Diös sole negotiating rights in respect of a part of Gustav III:s torg, a central square in Östersund.
- > On 21 December Diös sells the Nedre Gruvriset 33:156 property for a consideration of SEK 49 million. Completion is in the latter half of 2018.
- > In December we acquire the Idun 10 and Polaris 39 properties in Skellefteå. The completion dates are in the first quarter of 2018.
- > In December we issue SEK 600 million in commercial paper with maturities of 3, 4, 6 and 12 months under a newly established commercial paper programme. The programme has a SEK 2,000 million limit.

SUMMARY OF QUARTERLY RESULTS

	2017-12-31	2017-09-30	2017-06-30	2017-03-31	2016-12-31	2016-09-30	2016-06-30	2016-03-31
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue, SEKm	443	436	435	405	337	335	334	335
Operating surplus, SEKm	266	287	286	241	195	212	212	187
Property management income, SEKm	197	222	224	179	132	147	140	119
Profit for the period, SEKm	256	192	255	326	266	229	194	143
Surplus ratio, %	61	67	66	60	59	64	64	57
Economic occupancy rate, %	91	91	91	90	90	90	90	89
Return on equity, %	3.8	2.9	3.9	6.0	6.4	5.8	5.0	3.7
Equity ratio, %	34.9	33.9	33.3	33.5	31.0	29.8	28.5	29.0
Loan-to-value ratio, properties, %	57.1	57.8	58.3	59.1	58.6	59.6	60.6	61.4
Average interest rate at end of period, % ¹	1.5	1.6	1.6	1.6	2.0	1.9	2.6	2.6
Interest coverage ratio, times	4.8	5.5	5.8	5.2	3.9	3.8	3.5	3.1
Property management income per share, SEK	1.46	1.65	1.67	1.44	1.39	1.54	1.47	1.25
Earnings per share after tax, SEK	1.91	1.43	1.88	2.60	2.79	2.39	1.99	1.48
Equity per share, SEK	51.2	49.3	47.9	48.0	45.3	42.5	40.1	40.3
Earnings per share, SEK	55.8	52.0	46.6	44.0	47.1	50.8	47.1	46.9

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.

»»» CEO'S REVIEW

KNUT ROST, CEO

2017 – A STRONG YEAR

Diös' earnings performance in 2017 was strong. Our property management income increased by 53 per cent to SEK 822 million (539) and the surplus ratio increased to 64 per cent, which was above our target for the year. New leasing activity picked up and net leasing came in at SEK 55 million (26), which is a new record.

The occupancy rate was 91 per cent, and I am convinced that the figure will continue to improve. We currently have a clear focus on growth. We have a better property portfolio and an organisation that has a clearer emphasis on the tenant and our business.

New needs and patterns of behaviour influence the development of a city. To achieve long-term success, we need to be attentive to what the market is demanding. At its heart, our urban development strategy is about creating growth. We create meeting places and increase urban density. We build new homes and commercial premises. And we develop and improve our properties in a smart way to meet changing requirements. Our premise is that we will become even more profitable if the city grows, if it is attractive and if our tenants are successful.

We have identified development rights for a gross area of 150,000 square metres with a total investment in new builds of around SEK 4,000 million. The projects will give us a new dimension and new opportunities. Our efforts to create new spaces in central areas will increase the attractiveness of our cities, increase demand for premises and drive rents. The first projects are expected to be launched in 2018, starting with our Riverside hotel project in central Sundsvall and a residential property in central Falun.

Our acquisition of the 32 properties on which we completed in early February has proved to be just as successful as we had expected. In addition to strengthening our offering to tenants, we have improved the efficiency of our administration and reduced total vacancies in our portfolio. During the year we concluded a number of exchange deals which show clearly that the city centres is where we should be. In December we also strengthened our position in central Skellefteå through the acquisition of two commercial properties.

In the fourth quarter we issued SEK 600 million in commercial paper under a recently established Swedish programme. The programme has broadened our financing base in a cost-effective way. Our interest ex-



pense was lower than in the previous year, despite a larger balance sheet, which shows that we are able to obtain a low financing rate and enjoy good relations with banks as well as the capital market.

I am proud that we are delivering such a strong result that the Board is able to propose increasing our dividend by 45 per cent. The proposed dividend is SEK 2.90 per share (2.00) to be distributed evenly in two separate payments of SEK 1.45 each. It evens out the cash flow over the year and reduces the volatility of the shares, as the amount that is set aside in each distribution is lower than in the case of a single dividend. The proposed payment is consistent with our dividend policy and once again represents one of the most attractive yields in the industry.

The level of activity in the Swedish economy and in our market is very high. The National Institute of Economic Research predicts that 2018 will be another year of strong growth in Sweden, which will benefit us as a property owner, leading to reduced vacancies and increased cash flows.

Thanks to our focus on urban development, and with the properties that we own today, we are ideally positioned to generate further profitable business in the form of acquisitions, lets and new build projects. We have a first-rate organisation that is already performing strongly, yet we also see many more opportunities. Having completed a successful 2017 and armed with a constant ambition to improve, we will continue to deliver increased cash flows and attractive returns for our shareholders also in 2018.



Knut Rost, CEO

RESULTS AT A GLANCE

JANUARY–DECEMBER 2017

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 822 million (539). For comparable properties our property management income increased by 19 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 1,700 million (1 323), representing a 91 per cent (90) economic occupancy rate. For comparable properties rental income increased by 3.7 per cent year on year.

Other property management income totalled SEK 19 million (17) and consisted mainly of costs for work in leased premises that are passed on to tenants.

PROPERTY COSTS

Total property costs were SEK 639 million (534). Of total property costs, SEK 9 million (10) refers to work in leased premises for which the costs are passed on to tenants.

OPERATING SURPLUS

The operating surplus was SEK 1 080 million (806), representing a surplus ratio of 64 per cent (61). Our improved surplus ratio is due mainly to improved occupancy. For comparable properties our operating surplus increased by 5.8 per cent compared with the previous year.

CENTRAL ADMINISTRATION

The central administration expense was SEK 73 million (63). Central administration includes a non-recurring item of SEK 4 million, which refers to restructuring costs incurred in connection with acquisitions.

NET FINANCIAL ITEMS

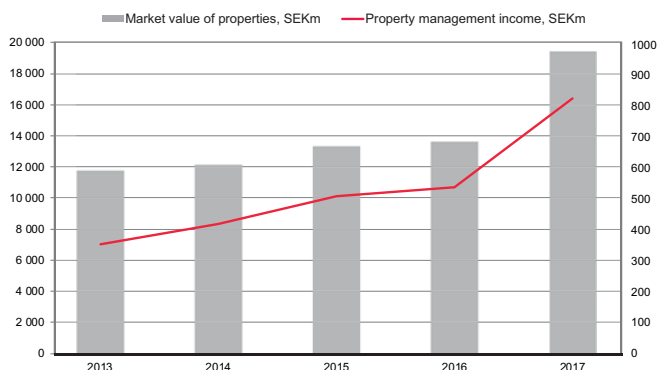
Net financial items for the period were SEK -185 million (-204). The interest costs for the year, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.8 per cent (2.4). The average annual interest rate for interest-bearing liabilities based on the applicable terms and market interest rates at 31 September was 1.5 per cent (2.0).

CHANGES IN VALUE, PROPERTIES

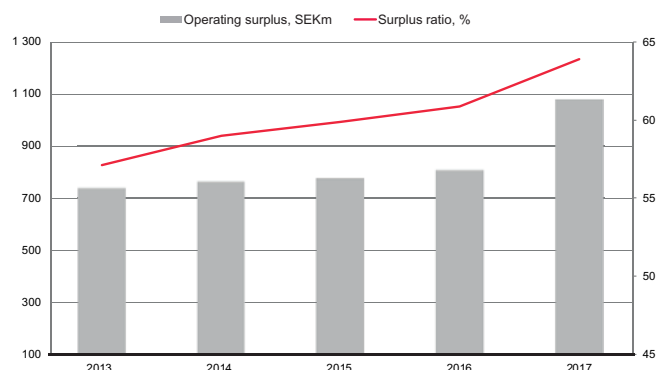
The property market is marked by a continued high level of activity, strong demand and continued limited supply, which is pushing prices higher. Prices are increasing mainly for centrally located office properties in growth cities. The average valuation yield at the end of the period was 6.08 per cent (6.40), which at portfolio level is a decrease of 0.32 percentage points since year-end. The positive change in value of SEK 402 million (337) is primarily related to investments in the property portfolio and a one-off effect of a discount on deferred tax in connection with property transactions. The change in value represented 2.1 per cent (2.5) of market value. The market value was SEK 19,457 million (13,683) on 31 December.

During the period 15 properties were sold, resulting in a realised change in value of SEK 10 million. In the previous year 42 properties were sold, resulting in a realised change in value of SEK -10 million. 40 properties (5) were acquired during the year.

»» MARKET VALUE AND PROPERTY MANAGEMENT INCOME



»» OPERATING SURPLUS AND SURPLUS RATIO



CHANGES IN VALUE, DERIVATIVES

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

During the year unrealised changes in value on derivatives totalled SEK 27 million (91), 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 1,261 million (957). The improvement in earnings is due primarily to a larger property portfolio.

PROFIT AFTER TAX

The profit after tax was SEK 1,029 million (832). Current tax totalled SEK -43 million (11). 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 was SEK -189 million (-136).

FOURTH QUARTER 2017

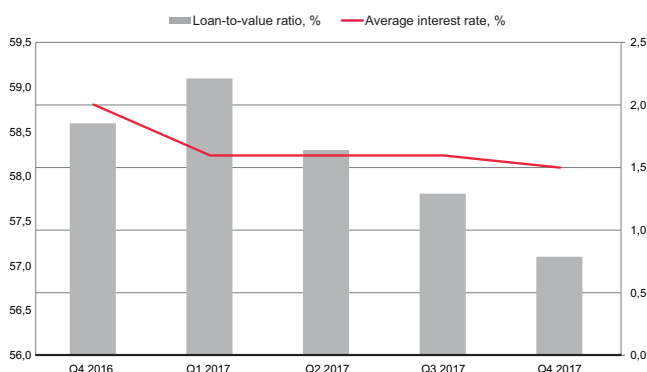
Property management income for the fourth quarter, i.e. income excluding changes in value and tax, was SEK 197 million (132). The operating surplus was SEK 266 million (195), representing a surplus ratio of 61 per cent (59).

- Rental income for the fourth quarter was SEK 437 million (332), representing an economic occupancy rate of 91 per cent (90).
- Total property costs were SEK 177 million (142).

Net financial items for the fourth quarter were SEK -48 million (-45). The profit before tax was SEK 268 million (330), with changes in the value of properties having a positive impact of SEK 65 million (181) and changes in the value of interest rate derivatives adding SEK 6 million (17). Earnings after tax were SEK 256 million (266), of which SEK 4 million (-53) refers to deferred tax and SEK -16 million (-11) to current tax.

In the fourth quarter 2 properties (0) were sold, resulting in a net realised change in value of SEK -2 million (0). In the fourth quarter 2 properties (1) were acquired.

➤➤➤ 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 are estimated at SEK 21 million (177). The Group also has untaxed reserves of SEK 123 million (116). The fair value of the properties exceeds their tax base by SEK 5,339 million (4,648). 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	822	
Tax-deductible		
depreciation and amortisation	-227	227
conversion projects	-56	56
Other tax adjustments	-140	51
Taxable property management income	399	334
Income tax at 22% if tax losses are not used	-88	
Sale of properties	3	-84
Unrealised change in value, properties		402
Issue costs	-51	51
Taxable profit before tax losses	351	703
Tax losses, opening balance	-177	177
Tax losses, closing balance	21	-21
Taxable profit	195	859
Tax for the period as per income statement	-43	-189

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

Our portfolio is well diversified, comprising residential, office, retail and industrial premises. A broad choice of large and small premises in central locations enables us 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.

PROPERTY DEVELOPMENT

Our investments in our existing portfolio comprise conversions and extensions as well as energy-saving measures. The investments must result in a higher occupancy rate, increased customer satisfaction, lower costs and a reduced impact on the environment. During the year SEK 505 million (420) was invested in 662 projects (331). At the end of the period 18 major¹ development projects were ongoing, with a remaining investment volume of SEK 134 million and a total investment volume of SEK 208 million. During the period 97 new project investments were approved. The return on completed investments for 2017 was 9.0 per cent on the invested amount while the return on our ongoing projects at year-end was 6.8 per cent.

¹ Initial investment volume > SEK 4 million.

PROJECTS

Our existing and potential development rights cover a gross area of around 150,000 square metres, of which around 50 per cent refers to development rights for residential properties and 50 per cent refers to development rights for commercial properties. Among these, Diös has identified various types of projects with a total potential future investment volume of around SEK 4,000 million.

Diös made limited use of its own development rights during the year but previously announced projects such as the Falan 20 residential property in Falun and the Riverside hotel project in Sundsvall are expected to be initiated in 2018.

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. Diös' property portfolio is divided into a main portfolio and a subsidiary portfolio. The main portfolio comprises around 75 per cent of the property value, or SEK 14,666 million, and

120 properties. The valuation method requires that an external valuation of the entire main portfolio be made each year. The external valuation is made by valuation consultants Savills, who assess 25 per cent of the main portfolio each quarter. All properties in the main portfolio are also physically inspected by Savills within a three-year period. In addition to the regular inspections, physical visits are also made after major changes. Properties in the secondary portfolio are valued with the help of Savills. 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 17,998-20,917 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 fourth quarter Diös completed on the sale of the Krukan 16 and Krukan 18 properties and on the purchase of the Njord 28 and Dyckerten 3 properties in Umeå.

In the third quarter Diös completed on the sale of the Furan 1, Furan 9, Furan 10 and Svalan 6 properties in Söderhamn. We completed on the purchase of two properties in central Sundsvall and on the sale of three industrial properties in Birsta, Sundsvall in a deal with Norrlandspojkarna. We also completed on the purchase of a commercial property in central Umeå and on the sale of four industrial properties in Umeå in a deal with Dcap AB.

In the second quarter Diös completed on the sale of the Näringen 22:3 land property in Gävle to Gävle Local Authority.

In the first quarter we completed on the purchase of the Luleå Office Building and the 32 properties in Umeå, Luleå and Sundsvall that we acquired from Castellum.

The acquisitions increased the value of Diös' property portfolio by SEK 5,094 million (206). New builds, conversions and extensions added SEK 505 million (420) 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 402 million (337) and is primarily related to investments in the property portfolio and a one-off effect of a discount on deferred tax in connection with property transactions.

VALUATION ASSUMPTIONS

	31 Dec 2017					31 Dec 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	6.8-6.0	5.3-4.7	8.1-7.0	7.0-6.0	7.3-6.2	7.2-6.1	5.5-4.8	8.2-7.3	7.1-6.6
Cost of capital for discounting to present value, %	8.1	8.2	7.4	9.8	8.6	8.5	8.4	7.4	9.9	9.0
Long-term vacancy, %	5.0	3.7	1.8	12.0	5.5	5.3	3.5	1.7	11.9	6.4
Inflation, %	2	2	2	2	2	2	2	2	2	2

¹ From lower to upper quartiles in the portfolio.

NET LEASING

Net leasing for the year was SEK 55 million (26). Noteworthy lets during the three-month period included CGI Sverige AB in Norr 29:5 in Gävle, Harrys in Holmen 8 in Falun and Riksbyggen in Lagret 4 in Sundsvall. At 31 December the average contract term for commercial premises was 3.6 years (3.4).

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 31 December. 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 (9).

ENERGY USE AND CARBON DIOXIDE EMISSIONS

Heating ¹	kWh/sq.m	88.1	87.4
District cooling ²	kWh/sq.m	13.5	15.7
Electricity ³	kWh/sq.m	58.4	60.7
Carbon dioxide, total ⁴	g CO2/kWh	23.5	23.1
Water	m ³ /sq.m	0.4	0.4

¹ Heating has been adjusted to a normal year.

² District cooling does not include self-produced cooling.

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

⁴ Carbon dioxide from electricity and heating.

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

Total use of heating and electricity in comparable properties was down by 1.1 per cent compared with the previous year. Our ambition for 2017 was to achieve a saving of 4 per cent. As we enter 2018 we are implementing a reorganisation to integrate energy-related tasks with our property management activities to a greater extent while engaging additional energy optimisers to achieve our targets. To reduce the

environmental impact from our energy use, we only buy origin-labelled electricity from renewable sources and take an active role in dialogues with district heating suppliers, and we can now see that 97 per cent of our district heating comes from non-fossil sources. During the period we installed our first solar cell facility, which will be taken into operation in early 2018.

LEASE MATURITIES AT 31 DECEMBER 2017

Maturity year	Concluded contracts no.	Rented area sq.m.	Contracted rental income SEKm	Share, %
Leases for premises				
2018	912	196,677	231	13
2019	776	271,939	331	19
2020	701	252,894	322	19
2021	427	202,457	269	16
2022+	255	302,518	391	23
Total, leases for premises	3,071	1,226,485	1,544	90
Residential leases	1,643	113,970	124	7
Other leases	4,109	-	58	3
TOTAL	8,823	1,340,455	1,726	100

LARGEST TENANTS AT 31 DECEMBER 2017

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total annual contract value, %	Average contract term, years
Swedish Transport Administration	26	61,588	3.6	2.6
Municipality of Östersund	111	37,261	2.2	2.8
Swedish Public Employment Service	42	32,663	1.9	2.5
Åhléns AB	5	22,443	1.3	5.5
Swedbank AB	9	21,539	1.2	3.0
Telia Sverige AB	26	20,357	1.2	10.7
Swedish Police Authority	34	19,741	1.1	3.1
Folksam ömsesidig sakförsäkring	43	19,047	1.1	5.5
Swedish Social Insurance Agency	21	18,719	1.1	2.8
Municipality of Falun	6	17,725	1.0	2.5
Total, largest tenants	323	271,083	15.7	3.7



OUR MARKET

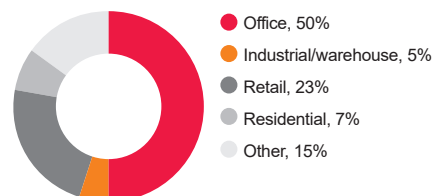
We are the market leader in our priority cities. Our portfolio is concentrated to central locations in growth cities, from Borlänge in the south to Luleå in the north. Our operations are divided into seven business areas, of which six are defined geographically. Our seventh business area, Retail, has no geographical boundary but consists of our shopping centre and retail properties. In 2018 our Retail business area will form part of our geographic business areas to ensure that we take a more integrated approach to urban development in our cities. The business area organisation consists of property management staff and letting agents and one business manager.

MARKET COMMENTARY

The Swedish economy remains strong and GDP is expected to grow by 3.0 per cent in 2018, 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.

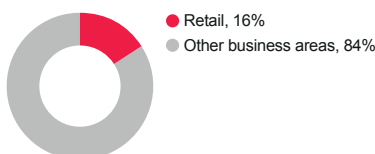
Northvolt has decided to establish its battery factory in Skellefteå. The investment is expected to create 2,000–2,500 new jobs and the factory is scheduled for completion in 2023. Building work is expected to begin in the middle of 2018 and production is expected to commence in 2020.

RENTAL VALUE BY TYPE OF PREMISES

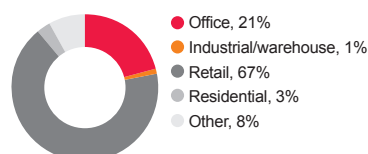


RETAIL

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	3,112
Operating surplus, SEKm	164
Surplus ratio, %	58

LARGEST TENANTS

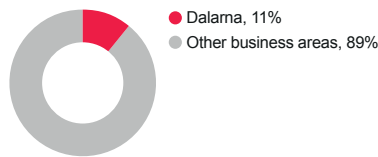
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Falun	2	15,477	5.4	2.4
KappAhl Sverige AB	5	12,142	4.3	1.9
Hennes & Mauritz Sverige AB	4	10,229	3.6	1.2
Clas Ohlson AB	5	9,099	3.2	4.3
Swedish Social Insurance Agency	3	6,481	2.3	5.0
Total, largest tenants	19	53,428	18.8	2.7

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

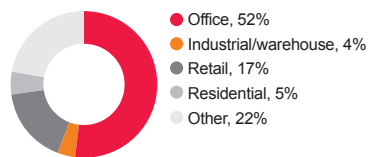


DALARNA BORLÄNGE/FALUN/MORA

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



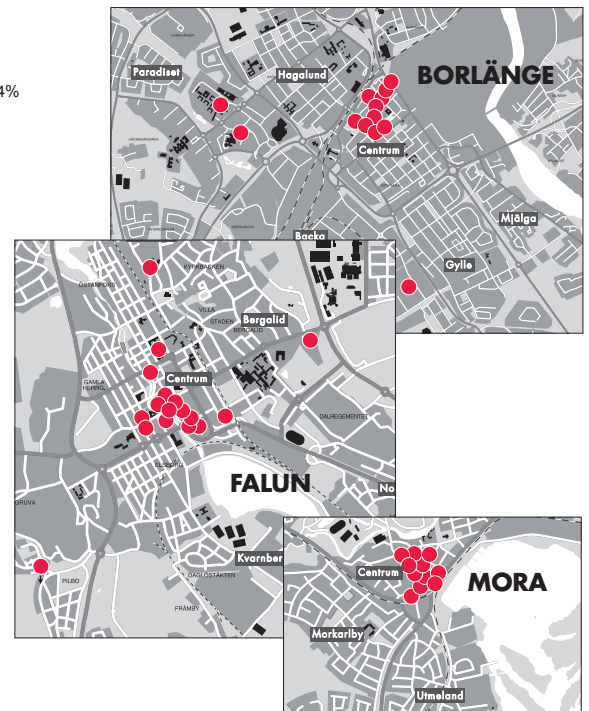
PROPERTY HOLDINGS

No. of properties	43
Area, '000 sq.m	225
Property value, SEKm	2,098
Operating surplus, SEKm	140
Surplus ratio, %	65

LARGEST TENANTS

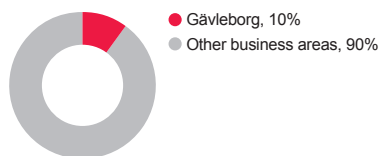
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	3	40,204	18.8	2.5
Swedish Police Authority	8	10,042	4.7	1.6
Internationella Engelska Skolan AB	1	9,270	4.3	18.0
Pysslingen Förskolor och Skolor AB	1	8,419	3.9	6.6
County Administrative Board of Dalarna	13	7,393	3.5	2.0
Total, largest tenants	26	75,328	35.2	4.7

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

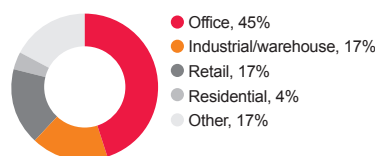


GÄVLEBORG GÄVLE

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



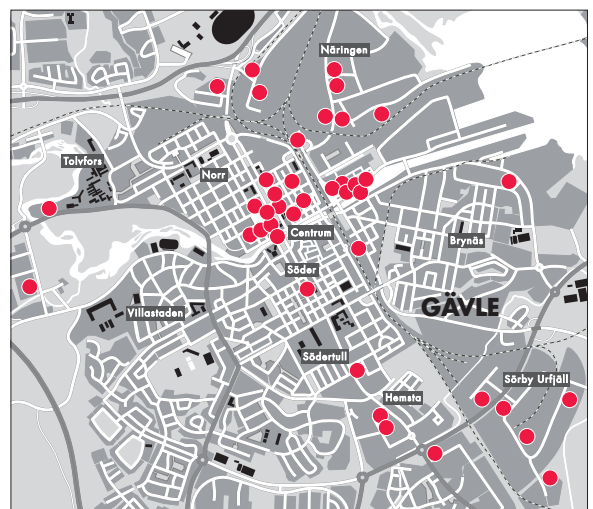
PROPERTY HOLDINGS

No. of properties	44
Area, '000 sq.m	228
Property value, SEKm	1,846
Operating surplus, SEKm	118
Surplus ratio, %	66

LARGEST TENANTS

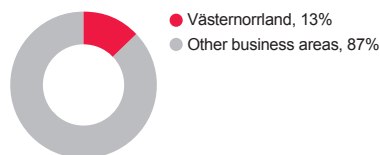
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Gävleborg County Council	7	9,439	5.5	2.9
Swedish Transport Administration	3	6,143	3.6	1.1
Internationella Engelska Skolan AB	3	5,777	3.4	5.7
Swedish Public Employment Service	6	5,259	3.0	2.7
Åhléns	1	4,363	2.5	4.0
Total, largest tenants	20	30,981	18.0	3.2

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

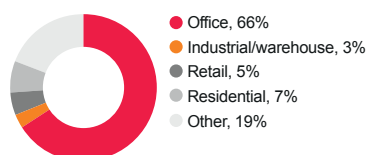


VÄSTERMORRLAND *SUNDSVALL*

SHARE OF TOTAL PROPERTY VALUE

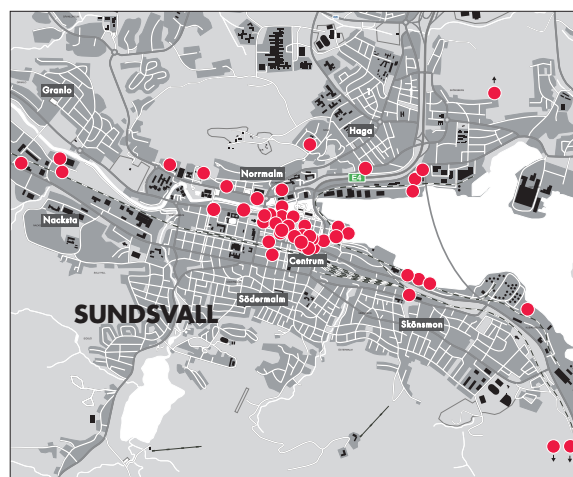


RENTAL VALUE BY TYPE OF PREMISES



PROPERTY HOLDINGS

No. of properties	50
Area, '000 sq.m	192
Property value, SEKm	2,583
Operating surplus, SEKm	130
Surplus ratio, %	63



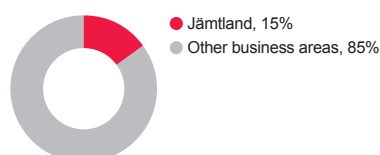
LARGEST TENANTS

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Livförsäkringsbolaget Skandia	3	14,123	6.5	5.2
Sweco Sverige AB	4	8,448	3.9	4.9
Folksam ömsesidig sakförsäkring	7	7,985	3.7	8.6
Norrlidens Kunskapscentrum AB	3	7,085	3.3	7.9
Municipality of Sundsvall	16	7,001	3.2	2.0
Total, largest tenants	33	44,642	20.6	5.7

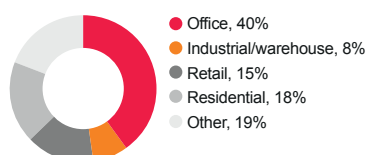
*In relation to the annual contract value for each business area.

JÄMTLAND *ÅRE/ÖSTERSUND*

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



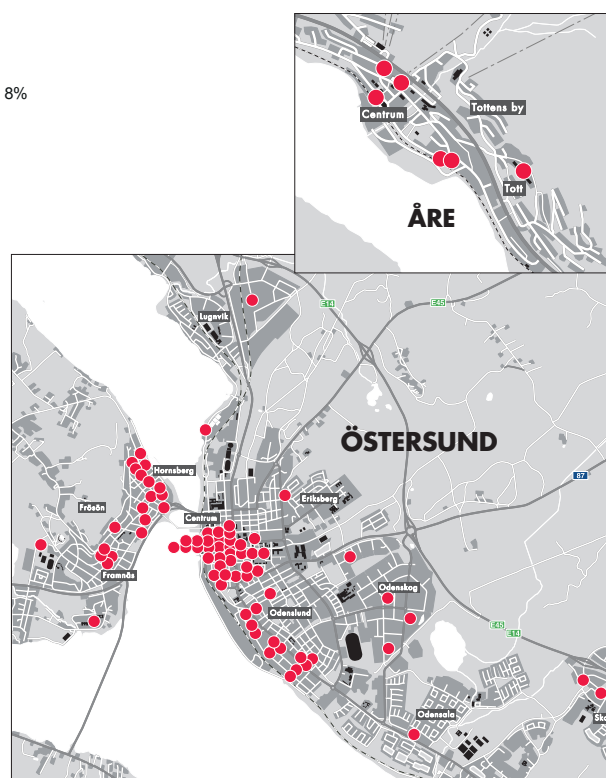
PROPERTY HOLDINGS

No. of properties	113
Area, '000 sq.m	289
Property value, SEKm	3,006
Operating surplus, SEKm	172
Surplus ratio, %	60

LARGEST TENANTS

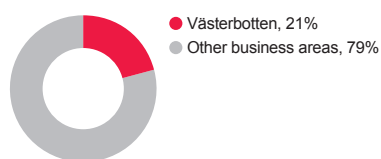
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Östersund	109	37,261	13.1	2.8
Region Jämtland Härjedalen	21	13,264	4.7	3.0
Swedbank AB	4	9,280	3.3	4.6
Swedish Public Employment Service	3	5,886	2.1	2.9
Deloitte	1	3,888	1.3	2.0
Total, largest tenants	138	69,579	24.5	3.0

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

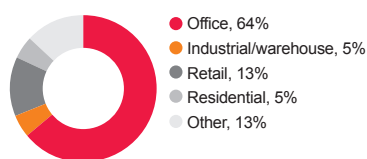


VÄSTERBOTTEN SKELLEFTEÅ/UMEÅ

SHARE OF TOTAL PROPERTY VALUE



RENTAL VALUE BY TYPE OF PREMISES



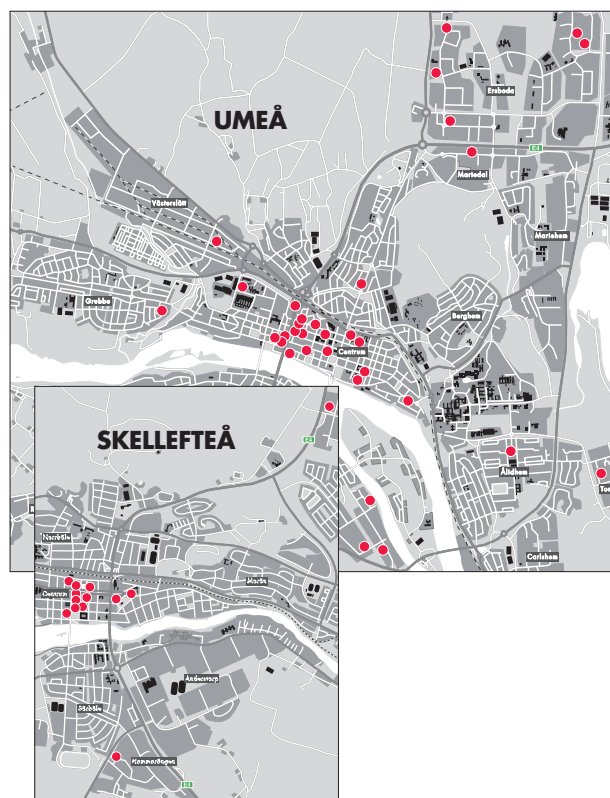
PROPERTY HOLDINGS

No. of properties	49
Area, '000 sq.m	287
Property value, SEKm	4,042
Operating surplus, SEKm	206
Surplus ratio, %	65

LARGEST TENANTS

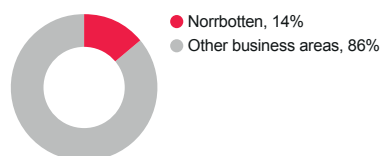
TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Skelefteå Municipality	18	15,631	4.8	3.9
Swedish Courts	8	14,941	4.6	9.2
County Administrative Board of Västerbotten	3	10,715	3.3	3.8
Swedish Tax Agency	15	10,185	3.2	2.4
Scandic Hotels AB	1	9,934	3.1	12.7
Total, largest tenants	45	61,406	19.0	6.3

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

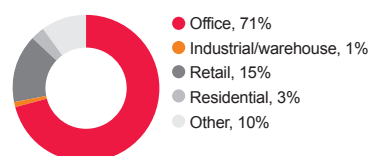


NORRBOTTEN LULEÅ

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	2,770
Operating surplus, SEKm	151
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	15,169	6.9	13.1
Swedish Transport Administration	3	11,816	5.4	3.7
Municipality of Luleå	14	11,716	5.4	3.2
Sweco Sverige AB	4	8,406	3.8	5.2
County Administrative Board of Norrbotten	5	8,263	3.8	1.0
Total, largest tenants	34	55,370	25.3	6.0

*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 31 December 2017, 35 per cent (31) of Diös' total assets of SEK 19,708 million were financed through equity, 56 per cent (58) through debt and 9 per cent (11) through other capital. The equity/assets ratio was 34.9 per cent (31.0), which exceeds the target of 30 per cent. Interest-bearing liabilities comprise bank financing, covered bonds and commercial paper.

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 SEK 1,853 million in new equity for Diös. Equity at 31 December was SEK 6,887 million (4,313).

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities in the Group were SEK 11,104 million (8,013). Of total interest-bearing liabilities, SEK 9,298 million (6,997) refers to bank financing, SEK 1,206 million (1 015) to covered bonds and SEK 600 million (0) to commercial paper. The bonds are issued through the covered MTN programme of a jointly controlled company, Svensk FastighetsFinansiering AB (SFF). In the fourth quarter Diös issued SEK 191 million in bonds. The bonds mature on 25 September 2019 and have a fixed coupon of 0.35 per cent. In the fourth quarter a commercial paper programme with a limit of SEK 2,000 million and a maturity of up to 364 days was set up. The programme has secured back-up facilities to manage the refinancing risk. The loan-to-value ratio in the Group was 57.1 per cent (58.6) at the end of the period. The average annual interest rate at 31 December, including costs related to

derivatives and taking account of loan commitments, was 1.5 per cent (2.0). The interest coverage ratio for the year was 5.3 times (3.6).

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. At 31 December 2017 Diös' derivatives portfolio excluding interest rate caps had a market value of SEK -16 million (-43). Interest rate caps had a market value of SEK 1 million (0). 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 1.4 years (0.7) and 2.4 years (1.8), respectively. Taking account of the impact of the derivatives portfolio, the average fixed-rate term was 2.5 years (0.9). Of the Group's outstanding loans, SEK 7,965 million (1,926) is subject to fixed interest rates.

CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the year were SEK 32 million (0) and drawn overdraft facilities were SEK 0 million (15). The agreed limit on the overdraft facility was SEK 600 million (450).

SENSITIVITY ANALYSIS AS AT 31 DECEMBER 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	1.4	2.4	1.3 ¹	11,104	0.3	+32	
Derivatives portfolio	2.6		0.2	-16	-0.1	-6	+7
Loan portfolio incl. derivatives	2.5	2.4	1.5		0.2	+26	+7

¹ The cost for undrawn credit facilities has been included.

INTEREST RATES AND LOAN MATURITY AT 31 DECEMBER 2017

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm
2018	3,386	0.8	2,066	2,066
2019	2,426	1.2	2,224	2,224
2020	5,292	1.4	5,292	5,292
2021	-	-	525	23
2022	-	-	1,750	801
2027	-	-	1,000	697
Drawn credit facilities	11,104	1.2	12,858	11,104
Undrawn credit facilities ²	1,754	0.1		
Financial instruments	4,600	0.2		
TOTAL		1.5		

¹ Average annual interest rate refers to the average interest rate based on interest rate terms and the outstanding liability at 31 December 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 year was SEK 55.8 (47.1), which represents a market capitalisation of SEK 7,499 million (4,484), and the return for the past 12 months was 18.5 per cent (-2.0). If the distributed dividend of SEK 2.00 per share is included, the total return on the shares for the period was 23.9 per cent (2.8). 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 3.9 per cent (4.9) and the return on the OMX Stockholm Real Estate PI index 6.7 per cent (8.2).

On 31 December Diös Fastigheter AB had 14,513 shareholders (11,233). The proportion of foreign-owned shares was 21.5 per cent (19.4) 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 57.4 per cent (57.1) 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 rate¹ plus 6 per cent. The target return for the past 12 months was 5.9 per cent (5.8). The annual return was 18.3 per cent (20.6).

Equity at the end of the year was SEK 6,887 million (4,313) and the long-term net asset value, EPRA NAV, was SEK 8,033 million (5,336). On a per share basis, EPRA NAV was SEK 59.7 (56.0), which means that the share price at 31 December represented 93 per cent (84) of the long-term net asset value. The net asset value per share for the period, expressed as EPRA NNNNAV, was SEK 58.0 (53.7).

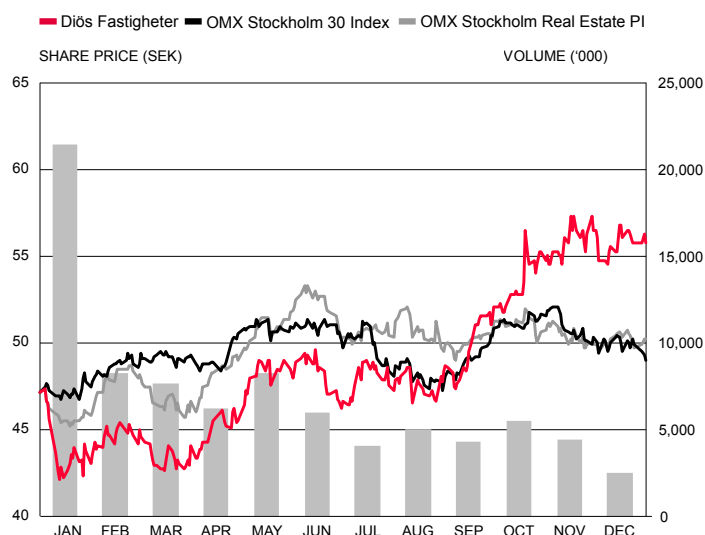
EARNINGS

Earnings per share for the year were SEK 7.78 (8.66)² while long-term earnings per share, expressed as EPRA EPS, were SEK 5.54 (5.14). 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.

¹ The risk-free rate is defined as the average yield on five-year government bonds.

² Share related key ratios are effected by 2017 rights issue.

SHARE PRICE PERFORMANCE



LARGEST SHAREHOLDERS²

OF DIÖS FASTIGHETER AB AT 31 DECEMBER 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
Avanza Pension	5,015,873	3.7
Handelsbankens Fonder	4,750,000	3.5
SEB Fonder	4,189,559	3.1
Fourth Swedish National Pension Fund (AP4)	2,514,599	1.9
Transamerica Asset Management, Inc.	2,242,274	1.7
Staffan Rasjö	2,000,000	1.5
Total, largest shareholders	77,178,677	57.4
Other shareholders	57,333,761	42.6
TOTAL	134,512,438	100.0

² Source: Monitor of Modular Finance AB. Compiled and processed data from Euroclear, Morningstar, the Swedish Financial Supervisory Authority and other sources.



> Blomsterservice, a Diös tenant in the In: shopping centre, Jenny Söderberg, florist.

OTHER DISCLOSURES

»»» EMPLOYEES AND ORGANISATION

The number of employees at 31 December 2017 was 156 (148), of whom 61 were women (60). The majority of the Group's employees, 106 (97), work in property management at our locations, of whom 40 (39) are involved in the physical management of properties. The company's head office and central Group functions are located in Östersund. In late 2017 we recruited additional project and business developers to ensure that we are able to take an even more focused approach to big projects and major new retail and office developments in our market. We have also completed a major skills development initiative for our operations staff, all of whom have been trained and validated to the newly created role of building maintenance technician.

»»» 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 170 million (137) and the profit after tax was SEK 436 million (-311). Profit after tax includes dividends from Group companies in the amount of SEK 300 million (300) and received Group contributions of SEK 154 million (0). Net sales refer chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents at 31 December 2017 were SEK 29 million (0) and drawn overdraft facilities were SEK 0 million (17). External interest-bearing liabilities, excluding overdraft facilities, totalled SEK 2,608 million (2,145). Outstanding commercial paper totalled SEK 600 million (0). The average annual interest rate based on the situation at 31 December 2017 was 1.2 per cent (1.2). 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 19 December 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. It has also been decided that, starting in January 2018, the Riksbank will be reinvesting the proceeds of maturing bonds in 2019 with the aim of stabilising inflation around 2 per cent.

According to the December 2017 edition of Swedish Economy published by the National Institute of Economic Research (KI), the Swedish economy is performing strongly. Both production and employment grew at a brisk pace in the autumn and there are strong indications that the economy will continue to perform well. Unemployment is forecast to continue to decline in 2018, bottoming out at just over 6 per cent in 2019. The decline in house prices over the last few months is a big source of uncertainty, however. If the decline continues and becomes more protracted this could have negative consequences for the whole Swedish economy.

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 real estate operations continue to generate strong cash flows, we are seeing a stabilisation of the yield levels in the market valuation of our properties and 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.

»»» 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.

»»» DIVIDEND PROPOSED BY THE BOARD

The Board of Directors proposes that the Annual General Meeting on 24 April 2018 approve a dividend of SEK 2.90 per share, to be distributed in two separate payments of SEK 1.45. The proposed record date for the first dividend payment is 26 April 2018 and the proposed record date for the second payment is 26 October. If the AGM approves the proposed dividend, payments will be made through Euroclear Sweden AB on Wednesday 2 May 2018 and Thursday 1 November 2018.

FINANCIAL STATEMENTS

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

	2017 3 mths Oct-Dec	2016 3 mths Oct-Dec	2017 12 mths Jan-Dec	2016 12 mths Jan-Dec
INCOME STATEMENT				
Rental income	437	332	1,700	1,323
Other property management income	6	5	19	17
Property costs	-177	-142	-639	-534
Operating surplus	266	195	1,080	806
Central administration	-21	-18	-73	-63
Net financial items	-48	-45	-185	-204
Property management income	197	132	822	539
Change in value, properties	65	181	412	327
Change in value, interest rate derivatives	6	17	27	91
Profit before tax	268	330	1,261	957
Current tax	-16	-11	-43	11 ¹
Deferred tax	4	-53	-189	-136
Profit after tax	256	266	1,029	832
Profit attributable to shareholders of the parent	257	266	1,027	825
Profit attributable to non-controlling interests	-1	0	2	7
Total	256	266	1,029	832
STATEMENT OF COMPREHENSIVE INCOME				
Profit after tax	256	266	1,029	832
Comprehensive income for the period	256	266	1,029	832
Comprehensive income attributable to shareholders of the parent	257	266	1,027	825
Comprehensive income attributable to non-controlling interests	-1	0	2	7
Total	256	266	1,029	832
Earnings per share, SEK	1.91	2.79	7.78	8.66
Number of shares at end of period ('000)	134,512	95,290	134,512	95,290
Average number of shares ('000)	134,512	95,290	132,041	95,290
Number of treasury shares at end of period	0	0	0	0
Average number of treasury shares	0	0	0	0

¹ Current tax for 2016 includes a reversal of SEK 37 million related to a provision that was recognised in 2015.



CONDENSED CONSOLIDATED BALANCE SHEET, SEK M

	2017 31 Dec	2016 31 Dec
ASSETS		
Investment properties	19,457	13,683
Other non-current assets	46	41
Current receivables	173	196
Cash and cash equivalents	32	-
TOTAL ASSETS	19,708	13,920
EQUITY AND LIABILITIES		
Equity	6,887	4,313
Deferred tax liability	1,197	1,009
Provisions	9	9
Interest-bearing liabilities	11,104	8,013
Overdraft facilities	-	15
Current liabilities	511	561
TOTAL LIABILITIES AND EQUITY	19,708	13,920

CONDENSED STATEMENT OF CHANGES IN EQUITY, SEK M

	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>	832	825	7
Comprehensive income for the period	832	825	7
<i>Cash dividend</i>	-213	-213	-
Equity, 31 Dec 2016	4,313	4,270	43
<i>Profit for the period after tax</i>	1,029	1,027	2
Comprehensive income for the period	1,029	1,027	2
<i>Issue of new shares</i>	1,853	1,853	-
<i>Issue costs</i>	-51	-51	-
<i>Tax effect of issue costs</i>	11	11	-
<i>Dividend</i>	-269	-269	-
Equity, 31 Dec 2017	6,887	6,841	45



CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEKM

	2017 3 mths Oct-Dec	2016 3 mths Oct-Dec	2017 12 mths Jan-Dec	2016 12 mths Jan-Dec
OPERATING ACTIVITIES				
Operating surplus	266	195	1,080	806
Central administration	-21	-18	-73	-63
Reversal of depreciation, amortisation and impairment	0	16	2	5
Interest received	2	0	4	1
Interest paid	-65	-23	-219	-184
Tax paid	-16	-12	-43	-26
Operating cash flow before changes in working capital	166	158	751	539
Changes in working capital				
Decrease (+)/increase (-) in receivables	93	-10	82	-92
Decrease (-)/increase (+) in current liabilities	-53	41	-142	35
Total changes in working capital	40	31	-60	-57
Operating cash flow	206	189	691	482
INVESTING ACTIVITIES				
Investments in new builds, conversions and extensions	-117	-125	-502	-452
Acquisition of properties	-90	-36	-2,581	-136
Sale of properties	88	4	240	641
Other property, plant and equipment	-	-	-	-
Other financial assets	-	4	-	-26
Investing cash flow	-119	-153	-2,843	27
FINANCING ACTIVITIES				
Dividends paid	-	-	-269	-213
Issue of new shares	-	-	1,802	-
New borrowing, interest-bearing liabilities	34	107	3,168	370
Repayment and redemption of interest-bearing liabilities	-108	-40	-2,502	-454
Change in overdraft facility	-	-103	-15	-212
Financing cash flow	-74	-36	2,184	-509
Cash flow for the period	13	0	32	0
Cash and cash equivalents at beginning of period	19	0	0	0
Cash and cash equivalents at end of period	32	0	32	0



ACCOUNTING POLICIES

Diös complies with EU-adopted IFRS standards and the interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The report for the parent company is prepared in accordance with RFR 2 Financial Reporting for Legal Entities and the Swedish Annual Accounts Act. Disclosures under IAS 34 are provided elsewhere in the interim report than in a note. 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 2017, Note 1.

New or amended IFRS standards and new interpretations which have not yet become effective:

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement, and contains rules for the recognition, classification, measurement, impairment and derecognition of financial instruments as well as general rules for hedge accounting. It is mandatory for periods beginning on or after 1 January 2018.

The standard introduces new principles for the classification of financial assets, hedge accounting and provisions for credit losses. The Group conducted a project during the year to identify differences between the previously applied principles for the recognition of financial instruments and the IFRS 9 requirements. The new principles for classification of financial assets are based on an analysis of the business model on the basis of which the asset is managed and the asset's cash flow characteristics. The areas where Diös believes the standard could have an impact are impairment testing of trade receivables and the assessment of future bad debts. The analysis and Diös' application of the new model for impairment testing show that the transition will have no material impact on the reported values.

Senior management's general assessment is that IFRS 9 will have an immaterial impact on the Group's financial reporting. The Group will not be restating comparative figures.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 will replace IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. IFRS 15 is mandatory for financial years beginning on or after 1 January 2018. The new standard introduces a new model for revenue recognition (five-stage model) that is based on when control of a good or service is transferred to the customer. The basic principle is that a company should recognise revenue so as to represent the transfer of promised goods and services to the customer in an amount which reflects the compensation which the company is expected to be entitled to in exchange for these goods or services.

Diös conducted a project during the year to identify differences between the previously applied principles for revenue recognition and the IFRS 15 requirements. Diös' revenue essentially comprises rental income from properties. Diös has made an analysis to determine whether we act as principal or agent in respect of service income. Our assessment is that Diös, in the capacity of property owner, essentially acts as principal. IFRS 15 will therefore not have any material impact on Diös' financial statements based on this perspective, as there is no change in net sales. Sales income from properties is also included. Diös recognises sales income from property transactions on the completion date under the current rules, and IFRS 15 is therefore not deemed to have any impact on these transactions.

The Group will apply IFRS 15 from 1 January 2018. The applied transition method is the retroactive method. Senior management's general assessment is that IFRS 15 will have an immaterial impact on the Group's financial reporting and financial statements. The comparative figures will therefore not be restated.

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

>>> PROPERTY HOLDINGS AT 31 DECEMBER 2017

Diös owned 339 properties in 10 locations, from Borlänge in the south to Luleå in the north. The total leasable area was 1,552,524 square metres. The economic occupancy rate based on the number of concluded leases at 31 December was 91 per cent. During the year Diös invested SEK 505 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 19,457 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Retail	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrbotten	Diös Group
Rental income	282	215	177	208	284	317	217	1,700
Other revenue	1	5	4	1	2	1	4	19
Repair and maintenance	-9	-12	-9	-9	-15	-16	-8	-77
Tariff-based costs	-32	-30	-21	-27	-45	-40	-21	-216
Property tax	-19	-8	-9	-10	-13	-16	-12	-86
Other property costs	-48	-20	-16	-20	-28	-28	-20	-180
Property management	-13	-10	-8	-14	-13	-12	-10	-80
Operating surplus	164	140	118	130	172	206	151	1,080
Undistributed items								
Central administration	-	-	-	-	-	-	-	-73
Net financial items	-	-	-	-	-	-	-	-185
Property management income	-	-	-	-	-	-	-	822
Changes in value								
Property, realised	-	-	-1	1	-	10	-	10
Property, unrealised	-64	27	86	100	139	71	43	402
Interest rate derivatives	-	-	-	-	-	-	-	27
Profit before tax	-	-	-	-	-	-	-	1,261
Current tax	-	-	-	-	-	-	-	-43
Deferred tax	-	-	-	-	-	-	-	-189
Non-controlling interests	-	-	-	-	-	-	-	-2
Profit/loss for the year attributable to parent company shareholders	-	-	-	-	-	-	-	1,027
Leasable area, sq.m	166,759	224,594	228,309	192,079	289,336	286,657	164,790	1,552,524
Rental value	314	237	199	238	313	345	228	1,875
Economic occupancy rate, %	90	91	89	87	91	92	95	91
Surplus ratio, %	58	65	66	63	60	65	70	64
Change in property portfolio								
Property portfolio, 1 January 2017	2,043	2,003	1,756	1,397	2,776	2,219	1,489	13,683
Acquisitions	1,066	1	-	1,047	-	1,803	1,177	5,094
Investments in new builds, extensions and conversions	86	66	41	71	92	89	60	505
Sales	-19	-	-36	-32	-	-140	-	-227
Unrealised changes in value	-64	27	86	100	139	71	43	402
Property portfolio, 31 December 2017	3,112	2,097	1,847	2,583	3,007	4,042	2,769	19,457

Columns/rows may not add up due to rounding.

PROPERTY HOLDINGS ON 31 DECEMBER 2016

Diös owned 314 properties in ten locations, from Borlänge in the south to Luleå in the north. The total leasable area was 1,353,525 square metres. The economic occupancy rate based on the number of concluded leases at 31 December was 90 per cent. During the year Diös invested SEK 420 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 13,683 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Retail	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrboten	Diös Group
Rental income	201	207	169	137	263	215	131	1,323
Other revenue	2	5	2	2	2	1	3	17
Repair and maintenance	-6	-11	-10	-9	-16	-13	-7	-71
Tariff-based costs	-25	-30	-21	-20	-45	-31	-13	-185
Property tax	-14	-8	-9	-6	-12	-11	-6	-67
Other property costs	-34	-22	-16	-17	-28	-20	-12	-149
Property management	-10	-8	-7	-8	-13	-10	-8	-64
Operating surplus	115	133	109	80	151	131	89	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	-71	1	54	70	85	71	127	337
Interest rate derivatives	-	-	-	-	-	-	-	91
Profit before tax	-	-	-	-	-	-	-	957
Current tax	-	-	-	-	-	-	-	11
Deferred tax	-	-	-	-	-	-	-	-136
Non-controlling interests	-	-	-	-	-	-	-	-7
Profit/loss for the year attributable to parent company shareholders	-	-	-	-	-	-	-	825
Leasable area, sq.m	123,260	224,594	235,862	143,994	289,336	226,119	110,360	1,353,525
Rental value	223	230	193	162	295	235	140	1,478
Economic occupancy rate, %	90	90	88	85	89	91	94	90
Surplus ratio, %	57	64	64	58	58	61	67	61
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	-	-	-	-	138	68	-	206
Investments in new builds, extensions and conversions	43	64	39	36	97	98	43	420
Sales	-	-	-	-341	-256	-64	-	-661
Unrealised changes in value	-71	1	54	70	85	71	127	337
Property portfolio, 31 December 2016	2,043	2,003	1,756	1,397	2,776	2,219	1,489	13,683

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 mths Oct-Dec	2016 3 mths Oct-Dec	2017 12 mths Jan-Dec	2016 12 mths Jan-Dec
Number of shares at end of period <i>(balance sheet-related key ratios)¹</i>	134,512	95,290	134,512	95,290
Average number of shares <i>(income statement-related key ratios)¹</i>	134,512	95,290	132,041	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.

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

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 mths Oct-Dec	2016 3 mths Oct-Dec	2017 12 mths Jan-Dec	2016 12 mths Jan-Dec
Property management income				
Profit before tax	268	330	1,261	957
Reversal				
Change in value, properties	-65	-181	-412	-327
Change in value, derivatives	-6	-17	-27	-91
Property management income	197	132	822	539
EPRA earnings (property management income after tax)				
Property management income	197	132	822	539
Reversal, current tax property management income	-11	-11	-88	-42
Minority share of earnings	1	0	-2	-7
EPRA earnings / EPRA EPS	187	121	732	490
EPRA earnings / EPRA EPS per share	1.39	1.27	5.54	5.14
Surplus ratio				
Operating surplus as per income statement	266	195	1,080	806
Rental income as per income statement	437	332	1,700	1,323
Surplus ratio, %	61	59	64	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 NNNAV 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 12 mths Jan-Dec	2016 12 mths Jan-Dec
Net asset value		
Equity as per balance sheet	6,887	4,313
Minority share of equity	-45	-43
Reversal as per balance sheet		
Fair value of financial instruments	16	43
Deferred tax on temporary differences	1,175	1,023
EPRA NAV (long-term net asset value)	8,033	5,336
EPRA NAV (long-term net asset value) per share, SEK	59.7	56.0
Deductions		
Fair value of financial instruments	-16	-43
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-209	-180
EPRA NNNAV (short-term net asset value)	7,808	5,113
EPRA NNNAV (short-term net asset value) per share, SEK	58.0	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. It is expected that it will be possible to use the tax losses in the coming year.



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 mths Oct-Dec	2016 3 mths Oct-Dec	2017 12 mths Jan-Dec	2016 12 mths Jan-Dec
Loan-to-value ratio				
Interest-bearing liabilities			11,104	8,013
Investment properties			19,457	13,683
Loan-to-value ratio, %			57.1	58.6
Equity ratio				
Equity			6,887	4,313
Total assets			19,708	13,920
Equity ratio, %			34.9	31.0
Interest coverage ratio				
Property management income	197	132	822	539
Reversal				
Financial costs	52	45	191	204
Total	249	177	1,013	743
Financial costs	52	45	191	206
Interest coverage ratio, times	4.8	3.9	5.3	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 mths Oct-Dec	2016 3 mths Oct-Dec	2017 12 mths Jan-Dec	2016 12 mths Jan-Dec
Return on equity, %	3.8	6.4	18.3	20.6
Equity per share, SEK	51.2	45.3	51.2	45.3
Rental income, SEKm	437	332	1,700	1,323
Cash flow per share, SEK				
Profit before tax	268	330	1,261	957
Reversal, unrealised change in value				
Properties	-67	-181	-402	-337
Derivatives	-6	-17	-27	-91
Depreciation and amortisation	1	1	2	2
Current tax	-16	-11	-43	-26
Total	180	122	791	504
Average number of shares ('000)	134,512	95,290	132,041	95,290
Cash flow per share, SEK	1.34	1.28	6.00	5.29
Earnings per share, SEK	1.91	2.79	7.78	8.66
Debt/equity ratio, times			1.6	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 mths Oct-Dec	2016 3 mths Oct-Dec	2017 12 mths Jan-Dec	2016 12 mths Jan-Dec
Economic occupancy rate, %	91	90	91	90
No. of properties at end of period			339	314
Leasable area at end of period, sq.m			1,552,524	1,353,525
EPRA vacancy rate				
Estimated market rent for vacant space			153	137
Annualised rental value for the whole portfolio			1,875	1,478
EPRA vacancy rate, %			8.2	9.3



»»» TARGETS

OPERATIONAL TARGETS	Target 2017	Outcome 2017	Target 2018
Economic occupancy rate, %	92	91	92
Surplus ratio, %	63	64	64
Energy use, %	-4	-1	-3
Carbon dioxide emissions,%			-2
Employee satisfaction index	76	73	76
Customer satisfaction index	70	65	70

FINANCIAL TARGETS	Target 2017	Outcome 2017	Target 2018
Return on equity, %	5.9 ¹	18.3	>12
Distribution of profit for the year ² , %	~50	49.5 ³	~50
Loan-to-value ratio, %	< 60	57.1	< 60
Equity ratio, %	> 30	34.9	> 30

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

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

³ The Board's proposal, to be distributed in two separate payments.

»»» 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 the start of the period	-	-	10,000	100,000	10.00
21 Jun 2005	Share split	990,000	-	1,000,000	100,000	0.10
21 Jun 2005	Issue of new shares	1,489,903	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



➤ Stefan Jönsson, Technical Manager, Östersund.

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

	2017 12 mths Jan-Dec	2016 12 mths Jan-Dec
INCOME STATEMENT		
Net sales	170	137
Gross profit	170	137
Central administration	-214	-178
Operating profit	-44	-41
Income from interests in Group companies	454	300
Financial income	218	236
Financial costs	-192	-184
Profit after financial items	436	311
Current tax	-	-
Profit after tax	436	311
STATEMENT OF COMPREHENSIVE INCOME		
Profit after tax	436	311
Comprehensive income for the year	436	311

CONDENSED PARENT COMPANY BALANCE SHEET, SEK M

	2017 31 Dec	2016 31 Dec
ASSETS		
Investments in Group companies	2,124	270
Receivables from Group companies	11,439	8,719
Other assets	26	28
Cash and cash equivalents	29	-
TOTAL ASSETS	13,618	9,017
EQUITY AND LIABILITIES		
Equity	3,095	1,127
Interest-bearing liabilities	3,208	2,145
Liabilities to Group companies	7,277	5,692
Overdraft facilities	-	17
Other liabilities	38	36
TOTAL EQUITY AND LIABILITIES	13,618	9,017



»»» FINANCIAL CALENDAR

Annual Report 2017 ¹	Week 14, 2018
Annual General Meeting 2018, Östersund	24 April 2018
Q1 Interim Report January-March 2018	24 April 2018
Q2 Interim Report January-June 2018	6 July 2018
Q3 Interim Report January-September 2018	25 October 2018

¹The Annual Report 2017 will be available at www.dios.se. In the beginning of April the Annual Report will be sent to those Swedish share holders that have requested a printed version of the report.

»»» EVENTS AFTER THE REPORTING DATE

In preparation for the Annual General Meeting of Diös Fastigheter AB (publ) on 24 April 2018, the Nominating Committee has presented its proposal for Chairman and other Directors. The Nominating Committee proposes that the Board consist of five Directors, that Anders Bengtsson, Ragnhild Backman, Anders Nelson and Bob Persson be re-elected to the Board, and that Eva Nygren be elected as a new Director in place of Maud Olofsson, who has declined re-election.

The Board of Directors and Chief Executive Officer declare that the year-end 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. This financial statement has not been subject to review by the Company's auditor.

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

Östersund, 16 February 2018

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



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.

EPRA VACANCY RATE

Estimated market rent for vacant space divided by the annual rental value of the whole property portfolio.

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.





DIÖS FASTIGHETER AB (PUBL)

FRITZHEMVGATAN 1A, BOX 188, SE-831 22 ÖSTERSUND, TEL: +46 (0)770-33 22 00

CRN: 556501-1771, REGISTERED OFFICE ÖSTERSUND, WWW.DIOS.SE

