

Diös

Q1

INTERIM REPORT **JANUARY – MARCH 2017**





HIGHLIGHTS

JANUARY–MARCH 2017

- **RENTAL INCOME FOR THE PERIOD WAS SEK 400 MILLION (331)**
- **PROPERTY MANAGEMENT INCOME WAS SEK 179 MILLION (119)**
- **UNREALISED CHANGES IN THE VALUE OF PROPERTIES TOTALLED SEK 210 MILLION (10) AND UNREALISED CHANGES IN THE VALUE OF DERIVATIVES WERE SEK 9 MILLION (19)**
- **PROFIT AFTER TAX WAS SEK 326 MILLION (143)**
- **EARNINGS PER SHARE WERE SEK 2.60 (1.48)**

	2017 3 mths Jan-Mar	2016 3 mths Jan-Mar	2016 12 mths Jan-Dec
NET PROFIT FOR THE PERIOD, SEKm			
Rental income	400	331	1,323
Other income	5	4	17
Operating and central costs	-185	-164	-597
Net financial items	-41	-52	-204
Property management income	179	119	539
Changes in value of properties and derivatives	219	20	418
CURRENT TAX	-8	-4	11
DEFERRED TAX	-64	8	-136
Profit after tax	326	143	832
Surplus ratio, %	60	57	61
Occupancy rate, %	90	89	90
Equity/assets ratio, %	33.5	29.0	31.0
Property loan-to-value ratio, %	59.1	61.4	58.6
Equity per share, SEK	48.0	40.3	45.3
EPRA NAV per share, SEK	56.0	50.5	56.0

For definitions of key ratios, see page 34.

FOR FURTHER INFORMATION, PLEASE CONTACT

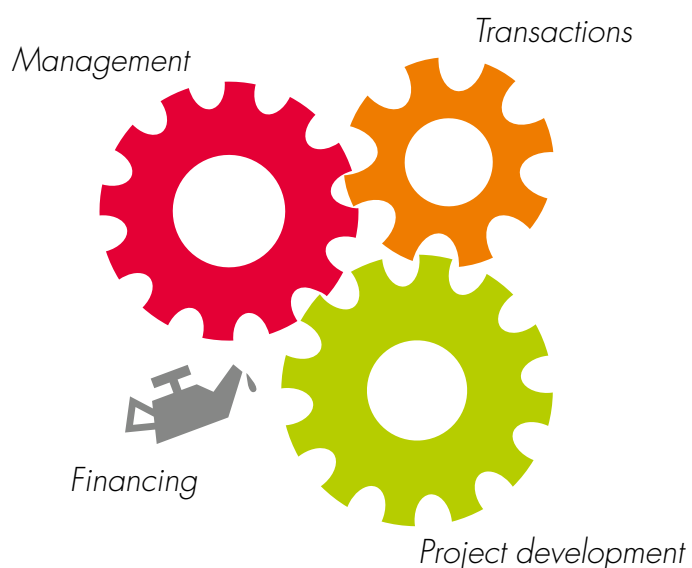
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ABOUT DIÖS

Diös is a public property company with a focus on urban development. The company's property portfolio is concentrated to central locations in priority growth cities with an emphasis on office and retail properties. We engage in urban development to create growth, pleasant environments and meeting places where people can live and work.

Our business model centres on using the company's assets to create value for our stakeholders with sustainability as a central aspect. Through efficient management, risk-aware transactions and forward-looking project development, we refine 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

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

BUSINESS CONCEPT

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

PROMISE AND CORE VALUES

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



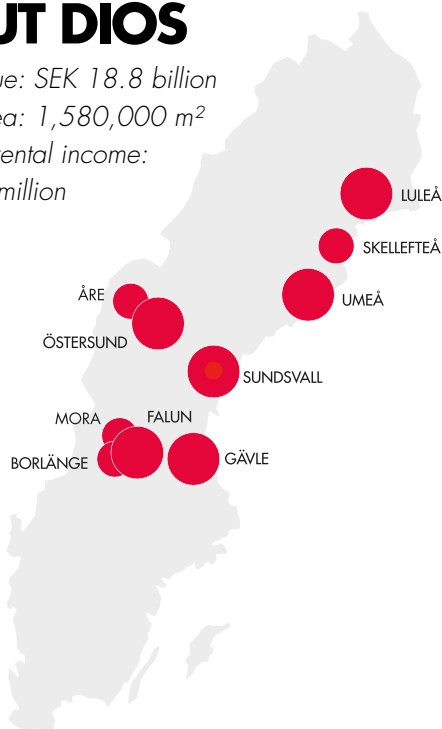
QUICK FACTS ABOUT DIÖS

Property value: SEK 18.8 billion

Leasable area: 1,580,000 m²

Contracted rental income:

SEK 1,693 million



SIGNIFICANT EVENTS DURING THE PERIOD

- > Property management income increased by 50 per cent compared with the previous year. For comparable properties the increase was 21 per cent.
- > The completion date for the 32 properties acquired from Castellum was 1 February.
- > Completion was reached on the landmark Luleå Office Building.
- > Diös completed a SEK 1.8 billion rights issue to part-finance the Castellum property acquisition. The number of shares increased by approximately 59 million.
- > Diös raised around SEK 3 billion in new financing to fund the acquisition of properties. The average interest rate in the portfolio decreased, and the average fixed-rate term and loan maturity were extended.
- > Our new business area, Retail, was reported for the first time.

QUARTERLY RESULTS IN BRIEF

	31/03/2017	31/12/2016	30/09/2016	30/06/2016	31/03/2016	31/12/2015	30/09/2015	30/06/2015
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Income, SEKm	405	337	335	334	335	334	324	330
Operating surplus, SEKm	241	195	212	212	187	195	201	207
Property management income, SEKm	179	132	147	140	119	125	129	153
Profit for the period, SEKm	326	266	229	194	143	249	-10	228
Surplus ratio, %	60	59	64	64	57	59	63	64
Economic occupancy rate, %	90	90	90	90	89	88	88	88
Return on equity, %	6.0	6.4	5.8	5.0	3.7	6.6	-0.4	6.7
Equity/assets ratio, %	33.5	31.0	29.8	28.5	29.0	27.4	27.1	27.3
Property loan-to-value ratio, %	59.1	58.6	59.6	60.6	61.4	60.7	60.5	61.2
Average interest rate at end of period, % ¹	1.6	2.0	1.9	2.6	2.6	2.5	2.5	2.5
Interest coverage ratio, times	5.2	3.9	3.8	3.5	3.1	3.5	3.5	4.1
Property management income per share, SEK	1.44	1.39	1.54	1.47	1.25	1.31	1.35	1.61
Earnings per share after tax, SEK	2.60	2.79	2.39	1.99	1.48	2.49	-0.15	2.43
Equity per share, SEK	48.0	45.3	42.5	40.1	40.3	38.8	36.2	36.3
Market price per share, SEK	44.0	47.1	50.8	47.1	46.9	48.0	43.5	41.8

¹ Includes expenses relating to commitment commission and derivatives.



»»» CEO'S REVIEW

KNUT ROST, CEO

DEALS AND RELATIONS

Property management income increased by 50 per cent. A larger property portfolio, an organisation that is delivering and a reduced net financial expense will raise our earnings and cash flow to the next level.

Our earnings are now on an entirely new level after the acquired properties were integrated in our business, although the full impact on earnings will be felt only in the coming quarters. Our property management income from comparable properties has also increased, by 21 per cent, witnessing to the strength of the market and the ability of our organisation to deliver. We are concluding more deals and have reduced our interest expense. New leasing activity remained strong, resulting in a net increase in rental income for the period of SEK 18 million. We have a strong focus on concluding new deals and forging new relationships, and see opportunities in our vacant space.

Our staff have done a good job managing our new properties, and we are now adapting to our expanded business. The acquisitions have increased the number of tenants and also brought new types of tenants, and we have already noticed that this broader offering is producing results. Establishing a new Retail business area enables us to further increase our focus on tenant relations and retailers in shopping centres, strengthening our position in the city centre retail segment. We have also established a new Business Developer role with a focus on new business establishments and key customers to meet the needs of our largest tenants.

The acquired properties on which completion was reached during the period were financed partly through new bank loans. We have negotiated favourable terms for the new loans and the effect is that we have extended the average fixed-rate term and loan maturity while also reducing the average interest rate. We have reduced our financial risk and cut our interest expense despite increasing our balance sheet. One derivative expired during the period and had a positive impact on our net financial expense.

Having acquired additional centrally located properties, we are now in a stronger position to engage in urban development. We want to create pleasant cities with continuous growth where people want to live and



work. Through new builds and by developing and adapting existing buildings, we and other players are working together to strengthen the attractiveness of the cities where we operate.

Our cities are showing strong growth partly on the back of positive population growth. We have previously seen significant increases in rents in Umeå and Luleå. The same trend is now evident in several of our other cities, including Sundsvall and Östersund, as rents for flexible and modern premises in central locations move higher. Tenants are demanding higher standards and adapted premises, ideally close to good transport connections.

Various new legislative proposals affecting the property industry have created uncertainty, the proposed tax reform concerning packaging of properties in connection with transactions being the latest in the row. Even if the proposed amendment is not implemented in the near term the prevailing uncertainty could have the effect of reducing the number of transactions and shifting capital towards other asset classes. The uncertainty could also lead to reduced construction activity.

Our results for the first quarter are stronger than ever. The positive trend has continued and our market is showing strength, giving us a good base on which to build. We are continuously developing our offering to tenants and driving urban development to generate growth and returns. We have many new building projects in the pipeline that will add further spice to our strong performance. By focusing on deal-making and relations we will continue to create value for our shareholders.

Knut Rost, CEO

THE RESULTS AT A GLANCE

The property management income for the period, i.e. income excluding changes in value and tax, was SEK 179 million (119). On comparable holdings, property management income increased by 21 per cent compared to last year.

Income and expenses for the period were affected by the previously communicated acquisition of 32 properties. Completion was 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 period was SEK 400 million (331), representing an 90 per cent (89) economic occupancy rate. For comparable holdings, rental income increased by 3.2 per cent compared with the previous year.

Other property management income totalled SEK 5 million (4) and consisted partly of re-billing to tenants regarding work carried out in leased premises.

PROPERTY COSTS

Total property costs were SEK 164 million (148). Of total property costs, SEK 2 million (2) refers to work in leased premises that is re-billed to tenants.

OPERATING SURPLUS

The operating surplus was SEK 241 million (187), representing a surplus ratio of 60 per cent (57). The increased surplus ratio is explained mainly by a stronger lettings performance and reduced property costs as a result of more efficient property management. For comparable holdings, the operating surplus increased by 6.0 per cent compared with the previous year.

CENTRAL ADMINISTRATION

The central administration expense was SEK 21 million (16). Central administration includes a non-recurring item of SEK 4 million, which refers to restructuring costs incurred in connection with acquisitions.

NET FINANCIAL ITEMS

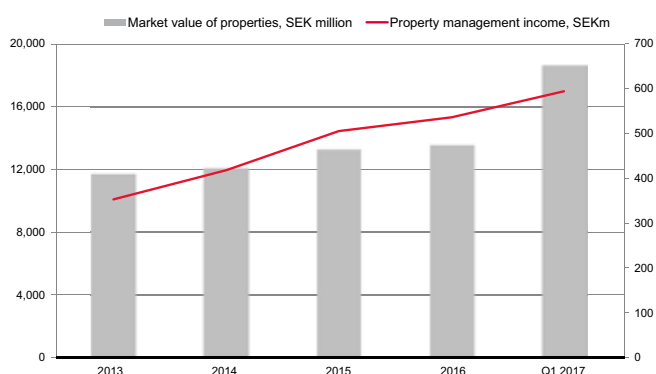
Net financial items for the period totalled SEK -41 million (-52). The interest expense for the period, including expenses for interest-rate derivatives and loan commitments, represents borrowings at an average annual interest rate of 1.7 per cent (2.5). The average annual interest rate on interest-bearing liabilities based on the applicable terms and market interest rates at 31 March was 1.6 per cent (2.6).

CHANGES IN VALUE, PROPERTIES

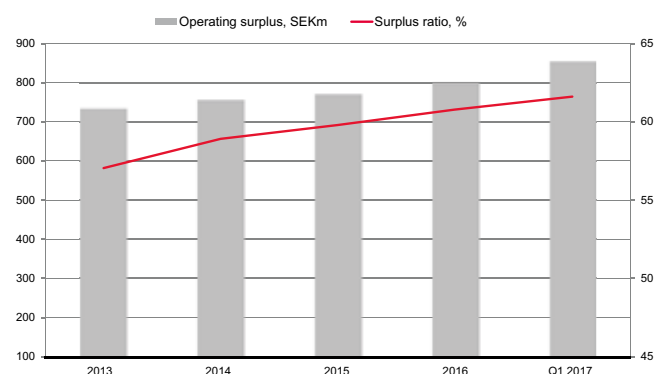
The property market is marked by a continued high activity, strong demand and continued limited supply, which is pushing prices higher. Prices are increasing mainly for centrally located office properties in growth cities. The upward trend is also reflected in the internal valuation in the form of a lower required rate of return, which, at the portfolio level, corresponds to 0.27 percentage points for the period. The average valuation yield at the end of the period was 6.13 per cent (6.60). The positive change in value of SEK 210 million (10) is primarily a one-off effect of a discount on deferred tax in connection with property transactions. The change in value represented 1.1 per cent (0.1) of the market value. At 31 March the market value was SEK 18,811 million (13,001).

No properties were sold during the period. In the same period in the previous year 41 properties were sold, resulting in a realised change in value of SEK -9 million before tax. 33 properties (3) 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 Q1 2017 are on a rolling 12-month basis.

CHANGES IN VALUE, DERIVATIVES

The derivatives portfolio has been valued 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 a reporting nature and does not affect the cash flow.

During the period, unrealised changes in value on derivatives totalled SEK 9 million (19), which have been fully recognised in profit or loss. The change in the market values of derivatives is primarily attributable to the time effect. The time to maturity decreased over the period, which, assuming that market interest rates remain largely unchanged, will push the market value towards 0. Accrued negative market values from derivatives will thus have an ongoing positive revaluation effect until maturity.

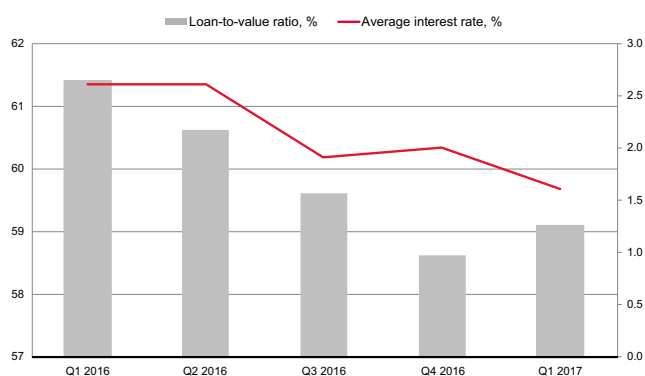
PROFIT BEFORE TAX

Profit before tax was SEK 398 million (139). The improved profit is chiefly due to a larger property portfolio and unrealised changes in the value of properties.

PROFIT AFTER TAX

Profit after tax was SEK 326 million (143). Current tax totalled SEK -8 million (-4). This is mainly attributable to tax in subsidiaries, which are not permitted to offset losses against Group contributions. The calculation of deferred tax has given rise to a deferred tax item of SEK -64 million (8). The positive tax effect on deferred tax is attributable to disposals of properties.

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 loss carry-forward is calculated to be SEK 172 million (237). The Group also has untaxed reserves of SEK 116 million (89). The fair value of the properties exceeds their tax base by SEK 4,936 million (4,087). The tax on the net balance of these items at the full nominal tax rate of 22 per cent has been recognised as a deferred tax liability.

TAX CALCULATION FOR THE PERIOD

SEKm	Current tax basis	Deferred tax basis
Property management income	179	
Tax-deductible		
depreciation	-55	55
conversion projects	-18	18
Other tax adjustments	-14	-48
Taxable property management income	92	25
<i>Income tax at 22% if tax losses are not used</i>	20	
Sale of properties	-	-
Change in value of properties	-	210
Issue costs	-51	51
Taxable profit before tax loss carry-forwards	41	286
Opening balance, tax loss carry-forwards	-177	177
Closing balance, tax loss carry-forwards	172	-172
Taxable profit	36	291
Tax for the period as per income statement	8	64

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. Tax regulations are also complex and difficult to interpret. The application of the regulations may also change over time. Diös has no ongoing tax disputes.

OUR PROPERTIES

THE 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 establish long-term tenant relations. At the end of the period the portfolio comprised 93 per cent (93) commercial properties and 7 per cent (7) residential properties based on rental value by type of premises.

INVESTMENTS

The majority of our project investments are in the form of new builds, conversions and extensions, along with energy-saving measures. The goal is for such investments to reduce vacancies, increase occupancy and reduce the impact on the environment. During the period SEK 155 million (105) was invested in 438 projects (368). At the end of the period 15 major¹ development projects were ongoing, with a remaining investment volume of SEK 58 million and a total investment volume of SEK 172 million. During the period decisions were taken on 63 new project investments.

¹Initial investment volume > SEK 4 million.

PROPERTY VALUATION

At each closing, a fair value assessment is made of all properties, as of that date. The aim is to determine the properties' individual values in a sale executed through an orderly transaction between market players. Any portfolio effects are thus not taken into account. 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 performed by Savills. In addition to the largest properties in terms of value, an internal valuation is carried out, with the assistance of Savills, of the remaining properties and of those where significant changes have occurred. This pertains to, for example, properties where a lease has recently been signed or terminated, along with major new build or conversion projects. All property valuations are based on a number of assumptions about the future and the market. Savills' calculations are therefore based on an uncertainty range of +/- 7.5 per cent, which is also applied to the entire portfolio. For Diös this corresponds to a value range of SEK 17,400–20,222 million.

During the quarter, there were no changes in valuation methodology or approach. The valuations are in accordance with IFRS 13 level 3.

CHANGES IN THE PORTFOLIO

Our strategy is to continuously strive to concentrate our property portfolio to central locations in our priority localities.

The completion date for the Luleå Office Building was 10 January 2017. The acquisition was communicated in the second quarter of 2016. The completion date for the 32 properties in Umeå, Luleå and Sundsvall that Diös acquired from Castellum, as communicated in the fourth quarter of 2016, was 1 February 2017. The acquisitions increased the value of the property portfolio by SEK 4,763 million (149).

New builds, conversions and extensions added SEK 155 million (105) to the value of Diös' property portfolio over the period. We makes adjustments to the portfolio on an ongoing basis to create improvements and efficiencies for our tenants.

Unrealised changes in value for the period totalled SEK 210 million (10) and were mainly due to the one-off effect of a discount on deferred tax.

NET LEASING

Net leasing for the period was SEK 18 million (7). The largest lets during the period were those to the Gävleborg County Council in the Kungsbäck 2:13 property in Gävle, Åhléns AB in Norr 31:9 in Gävle and Sense Hotell AB in Hundén 15 in Luleå. The average contract term for commercial premises at 31 March was 3.7 years (3.4).

VACANCIES

Vacancies fell during the quarter and at 31 March the economic vacancy rate was 10 per cent (11) and vacant area was 16 per cent (16). Economic vacancies are highest in office and retail premises while physical vacancy rates are highest in office and industrial premises. The economic vacancy rate for the period, excluding discounts, was 10 per cent (10).

»» VALUATION ASSUMPTIONS

	2017-03-31					2016-03-31				
	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	6.9-6.0	5.5-4.8	8.2-7.3	7.0-6.5	7.5-6.5	7.3-6.3	5.7-5.1	8.3-7.5	7.3-6.7
Cost of capital for discounting to present value, %	8.1	8.2	7.4	9.9	8.8	8.8	8.6	7.5	10.0	9.2
Long-term vacancy, %	5.1	3.4	1.8	12.0	6.0	5.9	3.4	1.7	11.2	6.0
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

	Unit	2017 3 months Jan-Mar	2016 3 months Jan-Mar
Heating ¹	kWh/sq.m	37.9	38.1
District cooling ²	kWh/sq.m	3.4	2.8
Electricity ³	kWh/sq.m	15.3	15.4
Carbon dioxide, total ⁴	g CO2/kWh	1.4	1.4
Water	m ³ /sq.m	0.1	0.1

¹ Heating has been adjusted to a normal year.

² District cooling does not include self-produced cooling.

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

⁴ Carbon dioxide from electricity, heating and cooling.

All values have been provided by the suppliers. Floor area refers to tempered area. The properties acquired from Castellum in February have not yet been included in the statistics, as the necessary historical data to present reliable figures is not available.

Total energy use decreased by 1 per cent compared with the same period the year before. 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 a stronger emphasis on optimisation. Use of district cooling is increasing as we replace

cooling machines 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 comes from non-fossil sources.

»»» LEASE MATURITIES AT 31 MARCH 2017

	Maturity year	Signed contracts no.	Rented area sq.m	Contracted rental income SEKm	Share, %
Leases for premises	2017	566	78,931	99	6
	2018	887	281,541	335	20
	2019	685	264,476	315	18
	2020	611	250,726	318	19
	2021+	289	332,507	440	26
Total leases for premises		3,038	1,208,181	1,507	89
Residential leases		1,765	123,229	132	8
Other leases		4,150	-	54	3
TOTAL		8,953	1,331,410	1,693	100

»»» LARGEST TENANTS AT 31 MARCH 2017

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %	Average contract term, years
Swedish Transport Administration	25	62,631	3.4	2.7
Municipality of Östersund	110	36,950	2.0	3.4
Swedish Public Employment Service	40	32,705	1.8	2.2
Åhléns AB	5	22,443	1.2	5.7
TeliaSonera Sverige AB	34	19,695	1.1	11.5
Municipality of Falun	9	19,195	1.0	3.0
Swedish Social Insurance Agency	21	18,857	1.0	3.5
Swedish Police Authority	32	18,810	1.0	3.5
Folksam Sak	38	18,445	1.0	6.3
Swedbank AB	10	17,264	0.9	1.0
Total, largest tenants	324	266,995	14.4	3.9



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

BUSINESS AREAS

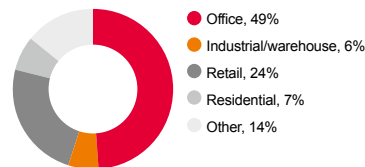
We are the market-leading public property company in our priority locations. Our portfolio is concentrated to central locations in growth cities, from Borlänge in the south to Luleå in the north. Our operations are divided into seven business areas, of which six are defined geographically. The seventh business area, Retail, was established in the first quarter of 2017 and is not geographically defined but consists of our shopping centre properties. The business area organisation consists of property management staff and letting agents and one business area manager. All technical management services are purchased internally and performed by Diös staff at each location.

MARKET COMMENTARY

Sweden has continued to perform well economically. Employment is increasing and GDP is expected to grow by 2.5 per cent in 2017, according to the National Institute of Economic Research. Population growth was positive in all our locations in 2016, with a total increase of

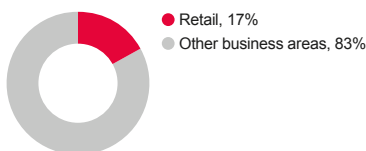
7,000 people. Umeå and Åre saw the biggest increases in population. Facebook has recently announced that it intends to build another data centre in Luleå, which will provide a boost to local growth and development. In Åre start-up company House Be has created an innovative meeting place for business owners and entrepreneurs with the aim stimulating growth and new business establishments.

RENTAL VALUE BY TYPE OF PREMISES

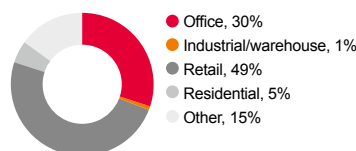


RETAIL

SHARE OF TOTAL CONTRACT VALUE



RENTAL VALUE BY TYPE OF PREMISES



PROPERTY HOLDINGS

No. of properties	16
Area, thousand sq.m	169
Property value, SEKm	3,158
Operating surplus, SEKm	36
Surplus ratio, %	55

RETAIL – LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Falun	4	16,946	5.3	3.0
KappAhl Sverige AB	5	12,342	3.9	1.9
Hennes & Mauritz Sverige AB	4	10,289	3.2	2.4
Clas Ohlson AB	5	9,149	2.9	4.9
Nilson Group	7	7,536	2.4	1.5
Total, largest tenants	25	56,262	17.7	2.7

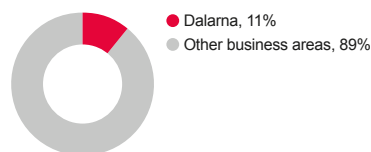
*In relation to the annual contract value for each business area.



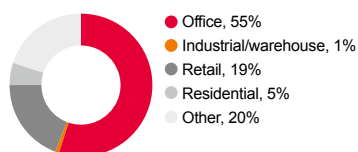
> Shopping Galleria, Rättan 20, Luleå.

DALARNA

SHARE OF TOTAL CONTRACT VALUE



RENTAL VALUE BY TYPE OF PREMISES



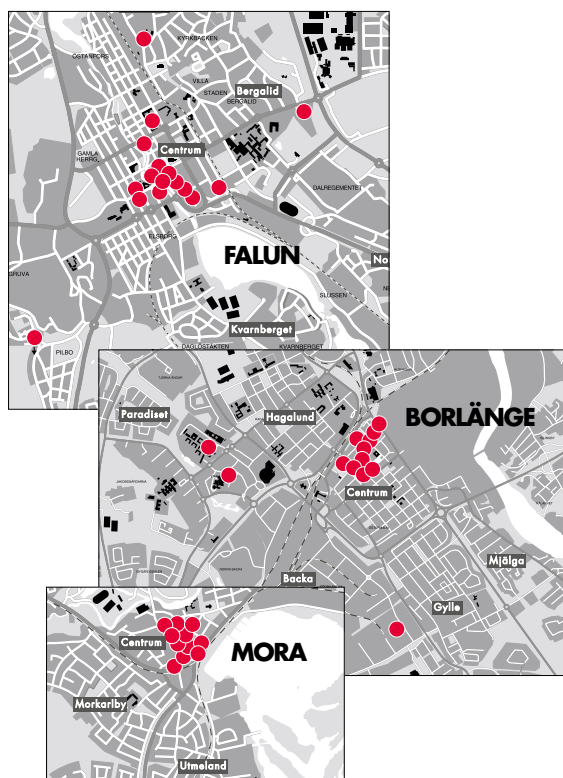
PROPERTY HOLDINGS

No. of properties	42
Area, thousand sq.m	225
Property value, SEKm	2,027
Operating surplus, SEKm	34
Surplus ratio, %	65

DALARNA - LARGEST TENANTS

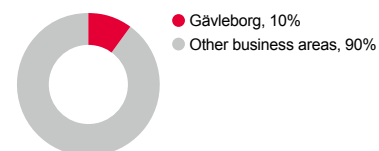
TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	3	40,257	17.4	3.2
Swedish Police Authority	8	10,042	4.3	2.4
Internationella Engelska Skolan AB	1	9,270	4.0	18.8
Pyslingen Förskolor och Skolor AB	1	8,419	3.6	7.3
County Administrative Board of Dalarna	13	7,393	3.2	2.7
Total, largest tenants	26	75,381	32.5	5.4

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

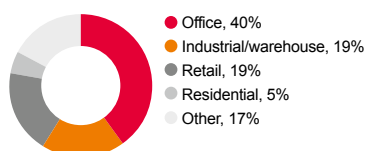


GÄVLEBORG

SHARE OF TOTAL CONTRACT VALUE



RENTAL VALUE BY TYPE OF PREMISES



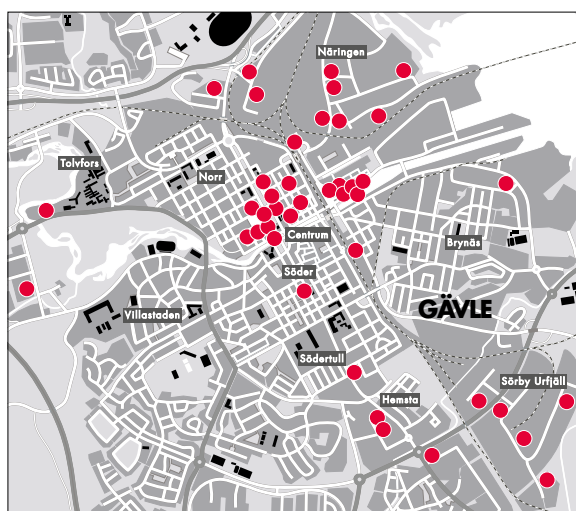
PROPERTY HOLDINGS

No. of properties	48
Area, thousand sq.m	236
Property value, SEKm	1,810
Operating surplus, SEKm	26
Surplus ratio, %	59

GÄVLEBORG - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	3	7,143	3.6	1.5
Swedish Public Employment Service	6	6,464	3.3	3.1
Internationella Engelska Skolan AB	2	5,720	2.9	6.5
Åhléns	1	4,363	2.2	4.8
ÅF AB	1	3,047	1.6	3.8
Total, largest tenants	13	26,737	13.6	3.7

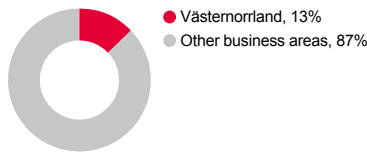
*In relation to the annual contract value for each business area.



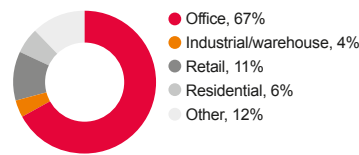


VÄSTERNORRLAND

SHARE OF TOTAL CONTRACT VALUE



RENTAL VALUE BY TYPE OF PREMISES



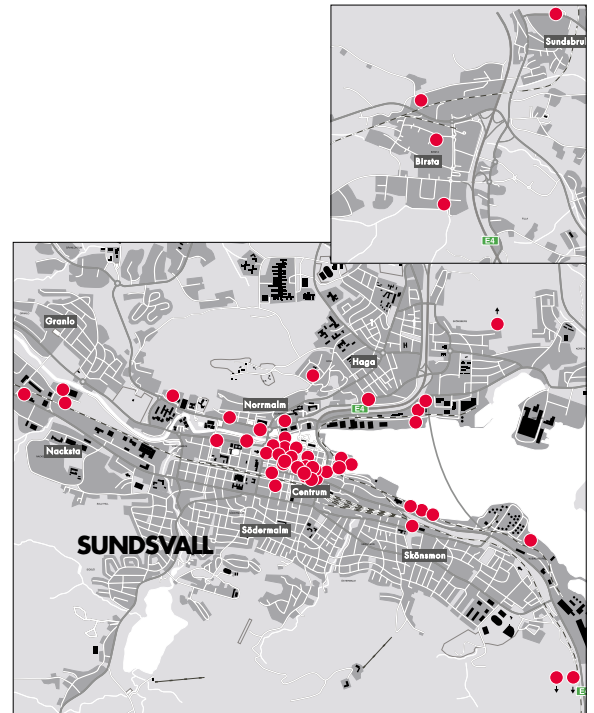
PROPERTY HOLDINGS

No. of properties	51
Area, thousand sq.m	197
Property value, SEKm	2,476
Operating surplus, SEKm	26
Surplus ratio, %	57

VÄSTERNORRLAND – LARGEST TENANTS

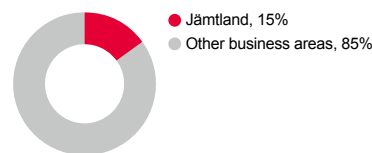
TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Livförsäkringsbolaget Skandia	3	14,123	5.9	6.0
Municipality of Sundsvall	19	8,372	3.5	1.7
Folksam Sak	5	7,967	3.3	9.4
Norlidens Kunskapscentrum AB	2	7,085	2.9	8.7
CC Casino Restaurang AB	1	6,799	2.8	13.8
Total, largest tenants	30	44,346	18.4	7.4

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

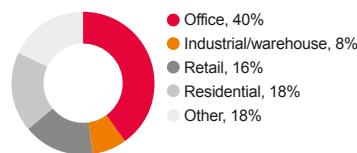


JÄMTLAND

SHARE OF TOTAL CONTRACT VALUE



RENTAL VALUE BY TYPE OF PREMISES



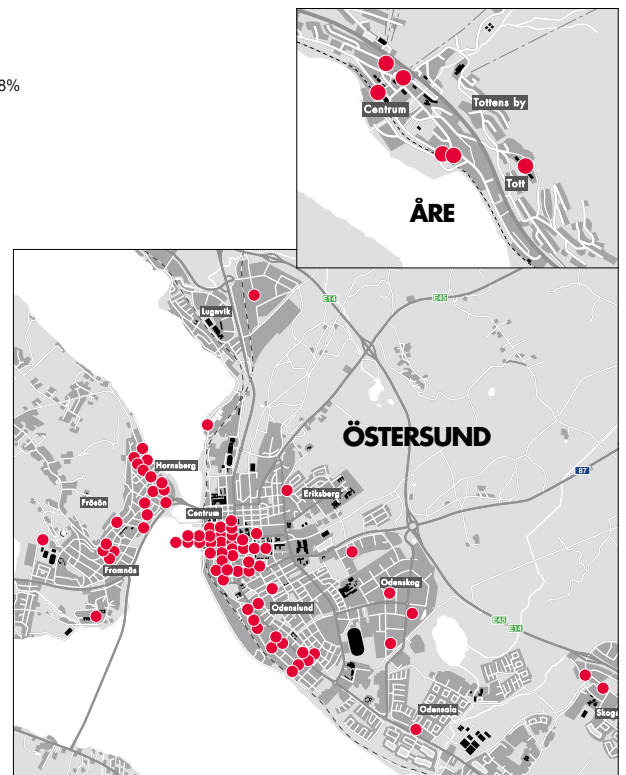
PROPERTY HOLDINGS

No. of properties	113
Area, thousand sq.m	289
Property value, SEKm	2,828
Operating surplus, SEKm	42
Surplus ratio, %	59

JÄMTLAND - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Östersund	110	36,950	12.2	3.4
Region Jämtland Härjedalen	18	11,054	3.6	2.3
Swedish Public Employment Service	3	5,886	1.9	1.5
Swedbank AB	5	4,606	1.5	0.6
Deloitte	1	3,888	1.3	2.8
Total, largest tenants	137	62,384	20.5	2.8

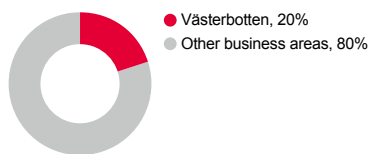
*In relation to the annual contract value for each business area.



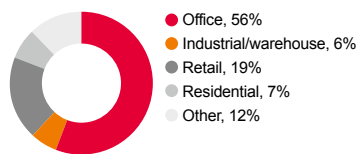


VÄSTERBOTTEN

SHARE OF TOTAL CONTRACT VALUE

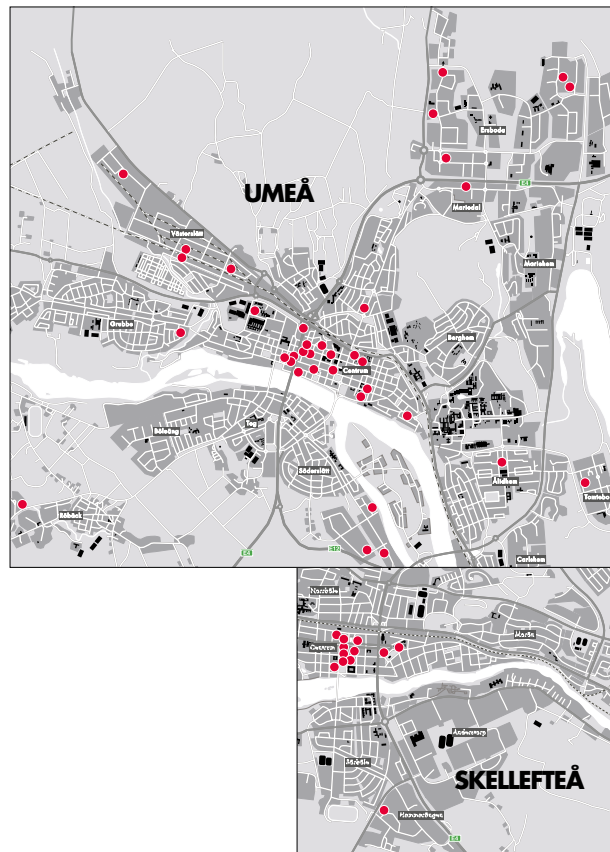


RENTAL VALUE BY TYPE OF PREMISES



PROPERTY HOLDINGS

No. of properties	53
Area, thousand sq.m	299
Property value, SEKm	3,819
Operating surplus, SEKm	44
Surplus ratio, %	60



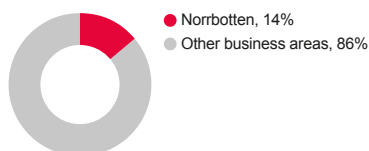
VÄSTERBOTTEN - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Skellefteå	20	15,807	4.6	4.6
Swedish Courts	8	14,946	4.4	9.9
County Administrative Board of Västerbotten	3	10,865	3.2	4.6
Swedish Tax Agency	16	10,192	3.0	3.1
Tieto Sweden AB	2	9,804	2.9	1.8
Total, largest tenants	49	61,614	18.1	5.2

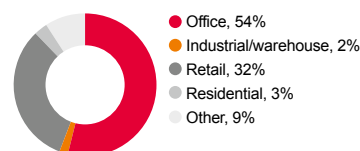
*In relation to the annual contract value for each business area.

NORRBOTTEN

SHARE OF TOTAL CONTRACT VALUE

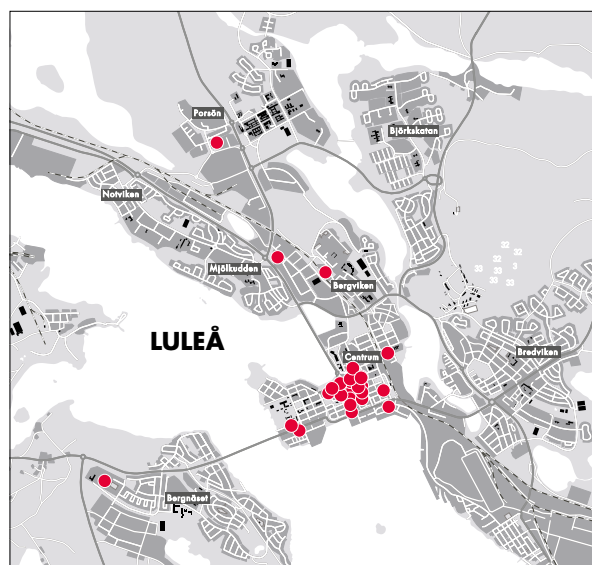


RENTAL VALUE BY TYPE OF PREMISES



PROPERTY HOLDINGS

No. of properties	25
Area, thousand sq.m	165
Property value, SEKm	2,693
Operating surplus, SEKm	33
Surplus ratio, %	67



NORRBOTTEN - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
TeliaSonera Sverige AB	7	14,274	6.1	14.4
Municipality of Luleå	14	13,110	5.6	3.8
Swedish Transport Administration	3	11,816	5.1	1.5
County Administrative Board of Norrbotten	5	8,263	3.6	1.7
Åhléns AB	1	7,997	3.4	10.8
Total, largest tenants	35	55,460	23.8	6.7

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



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

FINANCING

CAPITAL STRUCTURE

At 31 March 2017, 33 per cent (29) of Diös' total assets of SEK 19,260 million was funded through equity, 58 per cent (60) through debt securities and 9 per cent (11) through other capital. The equity/assets ratio was 33.5 per cent, which is above Diös' target of 30 per cent. Interest-bearing liabilities comprise bank financing and covered bonds while other capital mainly consists 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. The issue raised around SEK 1,853 million in new equity. At 31 March equity was SEK 6,452 million (3,837).

INTEREST-BEARING LIABILITIES

The Group's interest-bearing liabilities were SEK 11,117 million (7,977). The increase is mainly due to new bank financing, which part-financed the Castellum property acquisition. Out of total interest-bearing liabilities, SEK 10,102 million (7,477) refers to bank financing and SEK 1,015 million (500) to covered bonds. The covered bonds were issued through the joint-owned company Svensk FastighetsFinansiering AB (SFF). At the end of the period the loan-to-value ratio in the Group was 59.1 per cent (61.4). The average annual interest rate, including the cost of derivatives and loan commitments, was 1.6 per cent (2.6) and the interest coverage ratio at 31 March was 5.2 times (3.1).

DERIVATIVES

Out of the Group's total interest-bearing liabilities, SEK 600 million (4,200) has been hedged through derivatives. At 31 March 2017, the market value of the derivative portfolio was SEK -35 million (-116). Financial instruments limit the impact of a change in interest rates on our average borrowing costs. The value of derivatives is always zero at maturity. All financial instruments are measured at fair value and classified at level 2 in accordance with IFRS 13, which means that valuation is based on observable market data (see Note 21 in the Annual Report 2016). Changes in value are recognised in profit or loss.

FIXED-RATE TERMS AND LOAN MATURITIES

The average fixed-rate term was 1.8 years (0.3) and the average loan maturity 2.4 years (2.6). Taking account of the impact of the derivatives portfolio, the average fixed-rate term was 1.9 years (0.7). With a derivatives portfolio of SEK 600 million and loans of SEK 7,197 million, 70 per cent (59) of the Group's total outstanding loans are covered by interest rate hedges.

CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents were SEK 164 million (27) at the end of the period and drawn overdraft facilities were SEK 0 million (0).

»» SENSITIVITY ANALYSIS AS AT 31 MARCH 2017

If market rates rise by 1 per cent

	Fixed-rate term, years	Maturity, years	Average annual interest rate, %	Market value, SEKm	Change in average annual interest rate, %	Change in average annual interest expense, SEKm	Change in market value, SEKm
Loan portfolio, excl. derivatives	1.8	2.4	1.3 ¹	11,117	0.4	+39	
Derivative portfolio	1.4		0.2	-35	-1.0	-6	+9
Loan portfolio, incl. derivatives	1.9	2.4	1.6		0.3	+33	+9

¹ The cost for undrawn credit facilities has been included

»» INTEREST RATE AND DEBT MATURITY STRUCTURE AT 31 MARCH 2017

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm
2017	1,891	1.2	1,158	1,020
2018	2,889	1.1	2,169	2,169
2019	995	1.3	1,865	1,865
2020	5,343	1.4	5,343	5,343
2021	-	-	1,065	720
Drawn credit facilities	11,117	1.3	11,600	11,117
Undrawn credit facilities ²	482	0.0		
Financial instruments	600	0.2		
TOTAL		1.6		

¹ Average annual interest rate refers to the average interest rate based on interest rate terms and current liability at 31 March 2017.

² The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.02 percentage points.



SHARE INFORMATION

SHARE PERFORMANCE

The share price at the end of the period was SEK 44.0 per share (46.9), which equates to a market capitalisation of SEK 5,919 million (4,469) and a return of -6.1 per cent (-12.5) for the past 12 months. If the approved dividend of SEK 2.85 per share is included, the total return on the shares for the period is -1.5 per cent (-8.3). The graph shows share prices for the past 12 months for both Diös and the indexes. The return for OMX Stockholm 30 was 16.3 per cent (-18.2) and for OMX Stockholm Real Estate PI 7.4 per cent (5.0).

At 31 March Diös Fastigheter AB had 14,174 shareholders (11,380). The share of foreign-owned shares was 20.0 per cent (17.4) while the total number of shares during the period increased to 134,512,438 (74,729,134). The largest single shareholder was AB Persson Invest with a 15.4 per cent (15.4) shareholding. The ten largest shareholders accounted for 55.9 per cent (61.2) of the shares and votes.

The 2016 AGM authorised the company to buy back ten per cent of all outstanding shares of the company. No repurchases were made during the period.

No new changes of ownership were flagged during the period. The ten largest shareholders of Diös Fastigheter AB according to Euroclear Sweden AB are shown 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

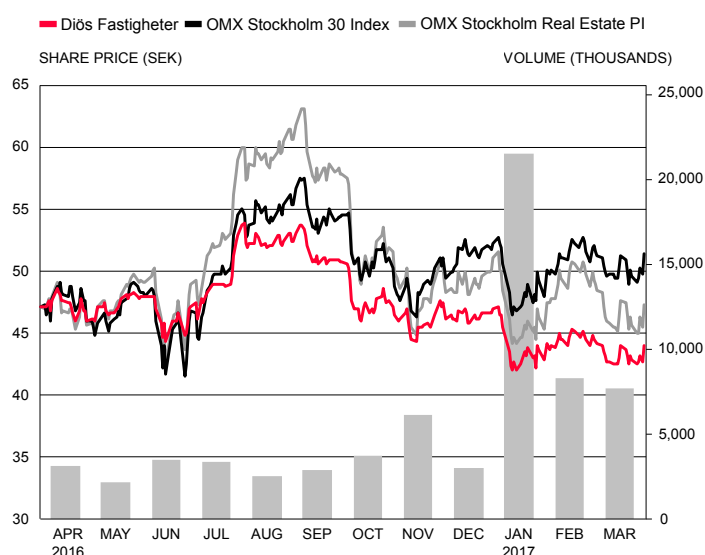
Our target is to generate a return on equity in excess of the risk-free rate plus 6 per cent. The target return for the past 12 months was 5.8 per cent (6.1). The annualised return for the period was 24 per cent (14.8).

Equity at the end of the first quarter was SEK 6,452 million (3,837) and the long-term net asset value, EPRA NAV, was SEK 7,528 million (4,814). On a per share basis, EPRA NAV was SEK 56.0 (50.5), which means that the share price at 31 March represented 79 per cent (93) of long-term NAV. The current net asset value for the period, as expressed by EPRA NNNNAV, was SEK 52.5 (47.7) per share.

EARNINGS

Earnings per share for the period were SEK 2.60 (1.48) while long-term earnings per share, expressed as EPRA EPS, were SEK 1.27 (1.19). Designed to show a company's long-term earnings capacity per share, EPRA EPS is calculated as property management income less 22 per cent corporation tax attributable to property management income less minority's share of earnings.

SHARE PRICE PERFORMANCE



LARGEST SHAREHOLDERS

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	5,505,439	4.1
Handelsbankens Fonder	3,081,490	2.3
Fourth AP Fund	2,894,541	2.2
SEB Investment Management	2,826,131	2.1
Staffan Rasjö	2,275,211	1.7
Ssb Client Omnibus Ac Om07 (15 pct)	2,182,799	1.6
Total, largest shareholders	75,231,983	55.9
Other shareholders	59,280,455	44.1
TOTAL	134,512,438	100.0



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

OTHER DISCLOSURES

»»» EMPLOYEES AND ORGANISATION

The number of employees on 31 March 2017 was 146 (146), of whom 61 were women (55). Most of the employees, 97 individuals (104), work in our business areas. A change in 2017 is that we have established a seventh business area, Retail, where we have brought together our shopping centre and retail properties. As a result of the major acquisition of properties in Luleå, Umeå and Sundsvall and the establishment of our new business area, we are currently in a recruitment phase with the aim of strengthening our business-driving roles in lettings and property management as well as our operations 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 46 million (34) and post-tax profit was SEK 4 million (303). Profit after tax includes dividends from Group companies in the amount of SEK 0 million (300). Net sales refer chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents were SEK 150 million (4) at 31 March 2017 and drawn overdraft facilities were SEK 0 million (0). External interest-bearing liabilities, excluding overdraft facilities, amounted to SEK 3,533 million (2,478). The average annual interest rate based on the situation at 31 March 2017 was 1.2 per cent (0.9). The parent company prepares its financial reports in compliance with RFR 2 Accounting for Legal Entities.

»»» OPPORTUNITIES AND RISKS

Diös Fastigheters' principal risks and uncertainties are described in the 2016 annual report on pages 52-54¹. 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 14 February the Riksbank decided to keep its repo rate unchanged at -0.5 per cent and it is still more likely that the repo rate will be lowered rather than raised in the short term. The central bank has continued to purchase government bonds in accordance with its previous decision, with the aim of stabilising inflation at around 2 per cent.

According to the March 2017 edition of Swedish Economy published by the National Institute of Economic Research, the current strong economic activity in Sweden is set to strengthen further. A stable recovery

is taking place in the global economy, providing a boost to Swedish exporters, which will act as engines of growth for the Swedish economy over the next few years.

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 the yield levels in the market valuation of our properties and our property values. These combined 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 PRINCIPLES

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 Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting principles applied in preparing the interim report are consistent with the accounting principles applied in preparing the consolidated financial statements and annual report for 2016¹, Note 1. New and amended standards which entered into force on 1 January 2017 have not had any material impact on the Group's financial statements.

All property-related transactions during the period have been recognised based on calculations of the preliminary consideration. The calculation of the final consideration will be completed in the second quarter of 2017.

»»» 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 months Jan-Mar	2016 3 months Jan-Mar	2016 12 months Jan-Dec
INCOME STATEMENT			
Rental income	400	331	1,323
Other property management income	5	4	17
Property costs	-164	-148	-534
Operating surplus	241	187	806
Central administration	-21	-16	-63
Net financial items	-41	-52	-204
Property management income	179	119	539
Change in value of properties	210	1	327
Change in value of interest rate derivatives	9	19	91
Profit before tax	398	139	957
CURRENT TAX	-8	-4	111
DEFERRED TAX	-64	8	-136
Profit after tax	326	143	832
Profit attributable to shareholders of the parent company	325	141	825
Profit attributable to non-controlling interests	1	2	7
Total	326	143	832
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax	326	143	832
Comprehensive income for the period	326	143	832
Comprehensive income attributable to shareholders of the parent company	325	141	825
Comprehensive income attributable to non-controlling interests	1	2	7
Total	326	143	832
Earnings per share after tax, SEK	2.60	1.48	8.66
Number of shares at end of period, thousands	134,512	95,290	95,290
Average number of shares, thousands	124,489	95,290	95,290
Number of treasury shares at end of period	0	0	0
Average number of treasury shares	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

ASSETS	2017 31 Mar	2016 31 Mar	2016 31 Dec
Non-current assets			
Investment properties	18,811	13,001	13,683
Other property, plant and equipment	5	4	3
Intangible non-current assets	2	3	2
Non-current financial assets	40	44	36
Total non-current assets	18,858	13,052	13,724
Current assets			
Current receivables	238	175	196
Cash and cash equivalents	164	27	-
Total current assets	402	202	196
TOTAL ASSETS	19,260	13,254	13,920
EQUITY AND LIABILITIES			
Equity	6,452	3,837	4,313
Deferred tax liability	1,073	867	1,009
Provisions	9	9	9
Interest-bearing liabilities	11,117	7,977	8,013
Overdraft facilities	-	-	15
Current liabilities	609	564	561
TOTAL LIABILITIES AND EQUITY	19,260	13,254	13,920

CONDENSED STATEMENT OF CHANGES IN EQUITY, SEK M

	Equity	Attributable to shareholders of the parent	Attributable to minority interests
Equity at 31 Dec 2015	3,694	3,658	36
<i>Profit for the period after tax</i>	143	141	2
Comprehensive income for the period	143	141	2
Equity at 31 Mar 2016	3,837	3,799	38
<i>Profit for the period after tax</i>	689	684	5
Comprehensive income for the period	689	684	5
<i>Cash dividend</i>	-213	-213	0
Equity at 31/12/2016	4,313	4,270	43
<i>Profit for the period after tax</i>	326	325	1
Comprehensive income for the period	326	325	1
<i>New issue</i>	1,853	1,853	-
<i>Issue costs</i>	-51	-51	-
<i>Tax effect of issue costs</i>	11	11	-
Equity at 31/03/2017	6,452	6,408	44



CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEKM

	2017 3 months Jan-Mar	2016 3 months Jan-Mar	2016 12 months Jan-Dec
OPERATING ACTIVITIES			
Operating surplus	241	187	806
Central administration	-21	-16	-63
Reversal of depreciation, amortisation and impairment	0	0	5
Interest received	1	0	1
Interest paid	-67	-75	-184
Tax paid	-8	-4	-26
Operating cash flows before change in working capital	146	92	539
Changes in working capital			
Decrease (+)/increase (-) in receivables	-6	-71	-92
Decrease (-)/increase (+) in current liabilities	-68	3	35
Total change in working capital	-74	-68	-57
Operating cash flow	72	24	482
INVESTING ACTIVITIES			
Investments in new builds, conversions and extensions	-148	-144	-452
Acquisition of properties	-2,316	-79	-136
Sale of properties	-	617	641
Other property, plant and equipment	-1	-	-
Other non-current financial assets	-1	-30	-26
Cash flow from investing activities	-2,466	364	27
FINANCING ACTIVITIES			
Dividends paid	-	-	-213
New issue	1,802	-	-
New borrowing, interest-bearing liabilities	3,124	263	370
Repayment, interest-bearing liabilities	-2,353	-397	-454
Change in overdraft facility	-15	-227	-212
Cash flow from financing activities	2,558	-361	-509
Cash flow for the period	164	27	0
Cash and cash equivalents at beginning of period	0	0	0
Cash and cash equivalents at end of period	164	27	0



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

»»» PROPERTY PORTFOLIO AT 31 MARCH 2017

Diös owned 348 properties in 10 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,579,567 square metres and the economic occupancy rate, based on concluded leases at 31 March, 90 per cent. Diös invested SEK 155 million in new builds, conversions and extensions over the period. In terms of value, the largest share of the portfolio is located in Västerbotten, Retail and Jämtland. The total market value of the properties was SEK 18,811 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Retail	Dalarna	Gävleborg	Väster-norrland	Jämtland	Väster-botten	Norr-botten	Diös Group
Rental income	65	53	44	46	71	72	50	400
Other income	0	2	0	0	1	0	1	5
Repair and maintenance	-1	-2	-2	-1	-2	-3	-2	-13
Tariff-based costs	-9	-9	-7	-8	-14	-12	-5	-64
Property tax	-5	-2	-2	-2	-3	-4	-3	-21
Other property costs	-12	-5	-6	-5	-7	-7	-5	-47
Property management	-3	-3	-2	-3	-4	-3	-2	-19
Operating surplus	36	34	26	26	42	44	33	241
Undistributed items								
Central administration	-	-	-	-	-	-	-	-21
Net financial items	-	-	-	-	-	-	-	-41
Property management income	-	-	-	-	-	-	-	179
CHANGES IN VALUE								
Property, realised	-	-	-	-	-	-	-	0
Property, unrealised	30	2	44	40	19	60	15	210
Interest rate derivatives	-	-	-	-	-	-	-	9
Profit before tax	-	-	-	-	-	-	-	398
Current tax	-	-	-	-	-	-	-	-8
Deferred tax	-	-	-	-	-	-	-	-64
Non-controlling interests	-	-	-	-	-	-	-	-1
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	-	325
Leasable area, sq.m	169,240	224,594	235,862	196,991	289,336	298,753	164,790	1,579,567
Rental value	72	59	50	54	78	80	53	446
Economic occupancy rate, %	91	90	88	85	90	90	93	90
Surplus ratio, %	55	65	59	57	59	60	67	60
Changes 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	1,065	-	-	1,016	-	1,505	1,177	4,763
Investments in new builds, conversions and extensions	21	22	10	23	33	35	11	155
Sales	-	-	-	-	-	-	-	-
Unrealised changes in value	30	2	44	40	19	60	15	210
Property portfolio, 31 March 2017	3,158	2,027	1,810	2,476	2,828	3,819	2,693	18,811

Columns/rows may not add up due to rounding.



▶▶▶ PROPERTY PORTFOLIO AT 31 MARCH 2016

Diös owned 313 properties in 10 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,352,362 square metres and the economic occupancy rate, based on concluded leases at 31 March, 90 per cent. Diös invested SEK 105 million in new builds, conversions and extensions over the period. In terms of value, the largest share of the portfolio is located in Jämtland, Västerbotten and Retail. The total market value of the properties was SEK 13,001 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Retail	Dalarna	Gävleborg	Väster-norrand	Jämtland	Väster-botten	Norr-botten	Diös Group
Rental income	50	52	42	35	65	54	32	331
Other income	1	1	0	1	0	0	1	4
Repair and maintenance	-1	-4	-3	-2	-3	-3	-2	-18
Tariff-based costs	-7	-9	-7	-7	-14	-10	-4	-58
Property tax	-3	-2	-2	-2	-3	-3	-2	-16
Other property costs	-9	-5	-4	-6	-6	-6	-3	-39
Property management	-2	-2	-2	-2	-4	-3	-2	-17
Operating surplus	29	30	25	19	34	30	20	187
Undistributed items								
Central administration	-	-	-	-	-	-	-	-16
Net financial items	-	-	-	-	-	-	-	-52
Property management income	-	-	-	-	-	-	-	119
CHANGES IN VALUE								
Property, realised	-	-	-	-3	-3	-3	-	-9
Property, unrealised	-35	11	1	6	5	14	8	10
Interest rate derivatives	-	-	-	-	-	-	-	19
Profit before tax	-	-	-	-	-	-	-	139
Current tax	-	-	-	-	-	-	-	-4
Deferred tax	-	-	-	-	-	-	-	8
Non-controlling interests	-	-	-	-	-	-	-	-2
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	-	141
Leasable area, sq.m	123,260	224,594	235,862	147,806	284,360	226,119	110,360	1,352,362
Rental value	55	58	48	43	73	59	35	371
Economic occupancy rate, %	90	90	88	82	89	91	92	89
Surplus ratio, %	58	59	58	53	53	56	61	57

Changes in property portfolio

Property portfolio, 1 January 2016	2071	1,938	1,663	1,632	2,712	2,046	1,319	13,381
Acquisitions	-	-	-	-	81	68	-	149
Investments in new builds, conversions and extensions	12	15	6	11	20	23	17	105
Sales	-	-	-	-324	-256	-64	-	-644
Unrealised changes in value	-35	11	1	6	5	14	8	10
Property portfolio, 31 March 2016	2049	1,964	1,669	1,324	2,562	2,087	1,345	13,001

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 Jan-Mar	2016 3 months Jan-Mar	2016 12 months Jan-Dec
Number of shares at end of period, thousands (<i>balance sheet KPIs</i>)*	134,512	95,290	95,290
Average number of shares, thousands (<i>income statement KPIs</i>)*	124,489	95,290	95,290

* 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.

EARNINGS

The company governs its operations based partly on the objective of generating capital growth by increasing the surplus ratio and thereby the operating cash flow, i.e. increased income from property management. The target for the year is a surplus ratio in excess of 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 presents the alternative performance indicators property management income, EPRA earnings and surplus ratio, as these are deemed to be relevant for investors and analysts, and provide additional information on the company's operating results. The indicators provide a picture which excludes factors that are partly beyond the control of the company, such as changes in the value of properties and derivatives.

	2017 3 months Jan-Mar	2016 3 months Jan-Mar	2016 12 months Jan-Dec
Property management income			
Profit before tax	398	139	957
Reversal			
Change in value of property	-210	-1	-327
Change in value of derivatives	-9	-19	-91
Property management income	179	119	539
EPRA earnings (property management income after tax)			
Property management income	179	119	539
Reversal current tax, property management income	-20	-4	-42
Non-controlling interests' share of earnings	-1	-2	-7
EPRA earnings / EPRA EPS	158	113	490
EPRA earnings / EPRA EPS per share	1.27	1.19	5.14
SURPLUS RATIO			
Operating surplus as per income statement	241	187	806
Rental income as per income statement	400	331	1,323
Surplus ratio, %	60	57	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 as per the balance sheet after adjusting for the market value of the deferred tax liability. EPRA NAV and EPRA NNAV are designed to show the size of equity in the company in the event of a liquidation in the short term and long term. These performance indicators can be assessed against the current share price to show how the company's shares are valued in relation to equity.

	2017 3 months Jan-Mar	2016 3 months Jan-Mar	2016 12 months Jan-Dec
Net asset value			
Equity as per balance sheet	6,452	3,837	4,313
Equity held by non-controlling interest	-44	-38	-43
Reversal as per balance sheet			
Fair value of financial instruments	35	116	43
Deferred tax on temporary differences	1,085	899	1,023
EPRA NAV (long-term net asset value)	7,528	4,814	5,336
EPRA NAV (long-term net asset value) per share, SEK	56.0	50.5	56.0
Deductions			
Fair value of financial instruments	-35	-116	-43
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-727	-155	-180
EPRA NNAV (short-term net asset value)	7,066	4,543	5,113
EPRA NNAV (short-term net asset value) per share, SEK	52.5	47.7	53.7

¹ Estimated actual deferred tax has been calculated at approx. four per cent based on a discount rate of three per cent. The calculation is based on the assumption that the property portfolio will be realised over a period of 50 years, with 10 per cent of the portfolio being sold directly subject to a nominal tax rate of 22 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of 6 per cent. The use of tax loss carry-forwards is taken into account for the first two years.



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 Jan-Mar	2016 3 months Jan-Mar	2016 12 months Jan-Dec
Loan-to-value ratio			
Interest-bearing liabilities	11,117	7,977	8,013
Investment properties	18,811	13,001	13,683
Loan-to-value ratio, %	59.1	61.4	58.6
Equity/assets ratio			
Equity	6,452	3,837	4,313
Total assets	19,260	13,254	13,920
Equity/assets ratio, %	33.5	29.0	31.0
Interest coverage ratio			
Property management income	179	119	539
Reversal			
Net financial items	41	52	204
Total	220	171	743
Financial costs	43	53	206
Interest coverage ratio	5.2	3.1	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 key ratios show the company's earnings and profitability, the distribution of equity per share and the company's ability to meet its obligations and pay dividends to the shareholders. These alternative key ratios supplement the picture of Diös' financial performance and give investors and analysts a better understanding of the company's return and results. The yield shows earnings from the properties in relation to their market value. It thus shows the profitability of the properties and is deemed to provide additional information to investors and analysts on the risk in the property portfolio. The debt/equity ratio, which shows the ratio of interest-bearing liabilities to equity, is presented to further illustrate Diös' financial situation. The measure gives investors and analysts a further basis on which to assess the company's financial stability.

	2017 3 months Jan-Mar	2016 3 months Jan-Mar	2016 12 months Jan-Dec
Return on equity, %	6.0	3.7	6.4
Operating surplus, SEKm	241	187	806
Yield, %	1.3	1.4	5.9
Equity per share, SEK	48.0	40.3	45.3
Rental income, SEKm	400	331	1,323
Cash flow per share, SEK			
Profit before tax	398	139	957
Reversal unrealised change in value			
Properties	-210	-1	-337
Derivatives	-9	-19	-91
Depreciation	0	1	2
Current tax	-8	-4	-26
Total	171	116	504
Average number of shares, thousands	124,489	95,290	95,290
Cash flow per share, SEK	1.37	1.22	5.29
Earnings per share, SEK	2.60	1.48	8.66
Debt/equity ratio, times	1.7	2.1	1.9

OTHER INFORMATION

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

	2017 3 mths Jan-Mar	2016 3 mths Jan-Mar	2016 12 months Jan-Dec
Rental value, SEKm	446	371	1,478
Economic occupancy rate, %	90	89	90
Number of properties at end of period	348	313	314
Leasable area at end of period, sq.m	1,579,567	1,352,362	1,353,525
Market value of properties, SEKm	18,811	13,001	13,683



»»» TARGETS

OPERATIONAL TARGETS	Target 2017	Outcome Q1 2017
Economic occupancy rate, %	92	90
Surplus ratio, %	63	60
Energy use, %	-4	-1
Employee satisfaction index	76	-
Customer satisfaction index	70	-

FINANCIAL TARGETS	Target 2017	Outcome Q1 2017
Return on equity, %	Risk-free rate ¹ + 6%	24 ²
Distribution of profit for the year ³	~50	-
Loan-to-value ratio, %	<60	59.1
Equity/assets ratio, %	>30	33.5

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 the start of the period	-	-	10,000	100,000	10.00
21/06/2005	Split	990,000	-	1,000,000	100,000	0.10
21/06/2005	New issue	1,489,903	148,990	2,489,903	248,990	0.10
14/09/2005	Non-cash issue	1,503,760	150,376	3,993,663	399,366	0.10
02/01/2006	Bonus issue	-	39,537,264	3,993,663	39,936,630	10.00
02/01/2006	Split	15,974,652	-	19,968,315	39,936,630	2.00
18/05/2006	New issue	8,333,400	16,666,800	28,301,715	56,603,430	2.00
11/07/2006	Non-cash issue	5,000,000	10,000,000	33,301,715	66,603,430	2.00
19/04/2007	Non-cash issue	666,250	1,332,500	33,967,965	67,935,930	2.00
29/10/2010	Non-cash issue	99,729	199,458	34,067,694	68,135,388	2.00
14/12/2010	New issue	3,285,466	6,570,332	37,353,160	74,705,720	2.00
17/12/2010	New issue	11,407	22,814	37,364,567	74,728,534	2.00
05/12/2011	New issue	22,854,136	45,708,272	60,218,703	120,436,806	2.00
14/12/2011	New issue	14,510,431	29,020,862	74,729,134	149,457,668	2.00
27/01/2017	New issue	59,629,748	119,259,496	134,358,882	268,717,164	2.00
31/01/2017	New issue	153,556	307,112	134,512,438	269,024,276	2.00



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

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

	2017 3 months Jan-Mar	2016 3 months Jan-Mar	2016 12 months Jan-Dec
INCOME STATEMENT			
Net sales	46	34	137
Gross profit	46	34	137
Central administration	-60	-45	-178
Operating profit	-14	-11	-41
Income from interests in Group companies	0	300	300
Financial income	59	64	236
Financial costs	-41	-50	-184
Profit after financial items	4	303	311
CURRENT TAX	-	-	-
Profit after tax	4	303	311
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax	4	303	311
Comprehensive income for the year	4	303	311

»»» CONDENSED PARENT COMPANY BALANCE SHEET, SEK M

	2017 31 Mar	2016 31 Mar	2016 31 Dec
ASSETS			
Projects in progress	-	1	-
Intangible non-current assets	2	3	3
Machinery and equipment	1	2	1
Interests in Group companies	2,124	171	270
Non-current receivables from Group companies	8,924	8,136	7,447
Total non-current assets	11,051	8,313	7,721
Current receivables from Group companies	1,646	555	1,272
Other current receivables	20	25	24
Cash and cash equivalents	150	4	-
Total current assets	1,816	584	1,296
TOTAL ASSETS	12,867	8,897	9,017
EQUITY AND LIABILITIES			
Equity	2,934	1,332	1,127
Non-current liabilities to credit institutions	3,533	2,478	2,145
Non-current liabilities to Group companies	4,536	3,848	3,633
Current liabilities to credit institutions	-	-	-
Current liabilities to Group companies	1,831	1,181	2,059
Overdraft facilities	-	-	17
Trade payables	4	3	2
Other current liabilities	29	55	34
Total current liabilities	1,864	1,239	2,112
TOTAL LIABILITIES AND EQUITY	12,867	8,897	9,017



»»» FINANCIAL CALENDAR

Q2 Interim report January–June 2017

7 July 2017

Q3 Interim report January–September 2017

25 October 2017

»»» EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the reporting date.

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. This interim report 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, 26 April 2017

Bob Persson
Chairman

Maud Olofsson
Board member

Ragnhild Backman
Board member

Svante Paulsson
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 divided by average equity. Average equity is calculated 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 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

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

ECONOMIC VACANCY RATE

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

EPRA EPS

Property management income less nominal tax attributable to property management income, divided by average number of shares. Taxable property management income refers to property management income less, inter alia, tax-deductible depreciation and amortisation and conversion projects.

EPRA NAV/LONG-TERM NET ASSET VALUE PER SHARE

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

EPRA NNAV/CURRENT NET ASSET VALUE PER SHARE

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

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 withdrawn during the period weighted by the number of days that the shares were outstanding, divided by the total number of days in the period.

RENTAL INCOME

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

RENTAL VALUE

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

CASH FLOW PER SHARE

Profit before tax, adjusted for unrealised changes in value plus depreciation 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. The length of contracts is not taken into account.

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 divided by 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

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