

Diös

Q4

YEAR-END REPORT **JANUARY – DECEMBER 2018**



HIGHLIGHTS OF THE YEAR

JANUARY–DECEMBER 2018

- **RENTAL INCOME** INCREASED BY 5 PER CENT TO SEK 1,810 MILLION (1,719)
- **OUR PROPERTY MANAGEMENT INCOME** INCREASED BY 9 PER CENT TO SEK 894 MILLION (822)
- **UNREALISED CHANGES IN VALUE** OF PROPERTIES WERE SEK 678 MILLION (402) AND UNREALISED CHANGES IN VALUE OF DERIVATIVES WERE SEK 16 MILLION (27)
- **THE PROFIT AFTER TAX** WAS SEK 1,341 MILLION (1,029)
- **EARNINGS PER SHARE** WERE SEK 9.94 (7.78)
- **THE BOARD OF DIRECTORS PROPOSES A DIVIDEND** OF SEK 3.00 PER SHARE (2.90), TO BE EVENLY DISTRIBUTED ON TWO OCCASIONS



37.2%

EQUITY/ASSETS RATIO



5.9

INTEREST COVERAGE RATIO



53.4%

LOAN-TO-VALUE RATIO

NET PROFIT FOR THE PERIOD, SEKm	2018 3 months Oct-Dec	2017 3 months Oct-Dec	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
Income	447	443	1,810	1,719
Operating surplus	283	266	1,140	1,080
Property management income	225	197	894	822
Profit before tax	576	268	1,597	1,261
Profit after tax	451	256	1,341	1,029
Surplus ratio, %	64	61	64	64
Occupancy rate, %	91	91	91	91
Equity/assets ratio, %			37.2	34.9
Property loan-to-value ratio, %			53.4	57.1
Equity per share, SEK			58.3	51.2
EPRA NAV per share, SEK			67.6	59.7

For definitions of key performance indicators, see 27.

* Per share performance measures for 2017 have been affected by the rights issue.



SIGNIFICANT EVENTS Q4

- Diös sells one property in Bräcke. The sale was completed on 9 November.
- Diös acquires three properties in Östersund with a completion date of 14 November. One of the properties consists entirely of development rights.
- Decision was taken that Skellefteå will become a separate business unit from 1 January 2019. Business Area Manager Maria Fjellström is recruited to the new unit.

KNUT ROST, CEO

ACTIVITIES FOR GROWTH

This year's result is good! Profitable investments and a more clear-cut position will enable us to continue to grow.

Our property management income was up by 9 per cent to SEK 894 million, mainly on increased revenue, improved efficiency and reduced interest expenses. We see continued increases in rents in the central areas of our cities. Investments in our existing portfolio are enabling our tenants to grow their businesses, which increases our net operating income and raises the value of our properties. Unrealised changes in value for the year totalled SEK 678 million driven by an increase in net operating income.

We are proud to have achieved our target of a surplus ratio of 64 per cent in a year which saw costs increase due to a cold and snowy winter as well as an unusually warm summer. While new leasing activity has been very strong, a number of major leases were also terminated, which meant that net leasing for the year came in at SEK 10 million (55).

This year as well, the yield on our shares is among the highest in the industry and among listed Swedish companies. The dividend proposed by the Board, SEK 3.00 per share, to be distributed in two payouts, equates to a yield of 5.3 per cent based on the share price at year-end.

Our biggest source of financing is the Nordic banks. Thanks to our financing structure and cash flow, our financing rate is among the lowest in the industry. Our strong cash flow is also evident in our net debt to EBITDA ratio, which improved to 10.5. We expect interest rates to remain low for many years to come. Through profitable investments in our properties and repayment of debt, our loan-to-value ratio has been shrinking continually since 2009 and is now down to 53.4 per cent.

Growth rates and levels of economic activity in our cities have remained high. Although we are probably passed peak growth, we still see a very high level of activity amid new business openings, new peak rents and continued population growth.

The urbanisation trend is set to continue. More people will be living in cities in future in order to benefit from what the city has to offer. New technology and new behaviours will place an ever greater premium on



location and the content of the location. As property owners, we need to understand and respond to these changes by developing attractive places that create flows of people.

A few examples of our activities in 2018 include our transactions in Gävle, where we now have a better and clearer position in the central area of town and where we have deliberately reduced the proportion of industrial properties, the opening of our first solar cell facilities, and the sale of our properties in Ljusdal, which will enable us to further increase our focus on tenants in our selected cities. We have also reduced our retail and industrial space by converting premises into offices and for use by public-sector tenants. With a stronger organisation and better properties in the right locations, we are in a unique position to drive growth and development in a responsible and profitable way.

We want to develop our cities to be even more inspiring places. The goal is to contribute to sustainable urban development for all, which means that we need to take a responsible approach. What we mean is that growth creates growth. We therefore adopt a long-term target of 5 per cent annual growth in property management income per share. I am confident that we will become more profitable if we are able to enable growth for our tenants and the cities where we operate.

Our activities and investments should benefit current as well as future generations. With a clearer focus on generating growth through a long-term and responsible approach, we will drive urban development to create value for our shareholders, our tenants and our cities. By placing the emphasis on relationships and by seeking to understand the future, we are continuing our mission to create Sweden's most inspiring places.

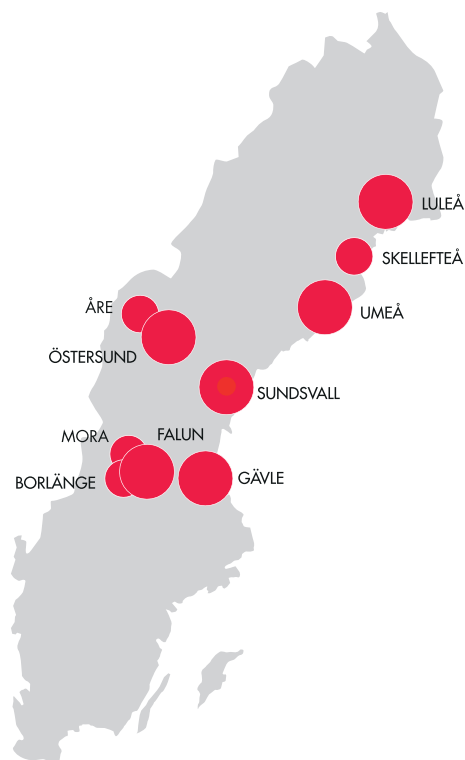


Knut Rost, CEO

WELCOME TO DIÖS

Diös aims to be the market-leading property company in northern Sweden. We own, manage and develop centrally located properties in ten growth cities.

OUR STRATEGY IS URBAN DEVELOPMENT. By developing our properties with attractive meeting places, shops, offices and homes, we enable our tenants, our cities and ourselves to grow. Deals and relationships are the key to continued success. We will meet the needs of tenants through local presence, a high degree of competency and long-term sustainable development.



330

NO. OF
PROPERTIES



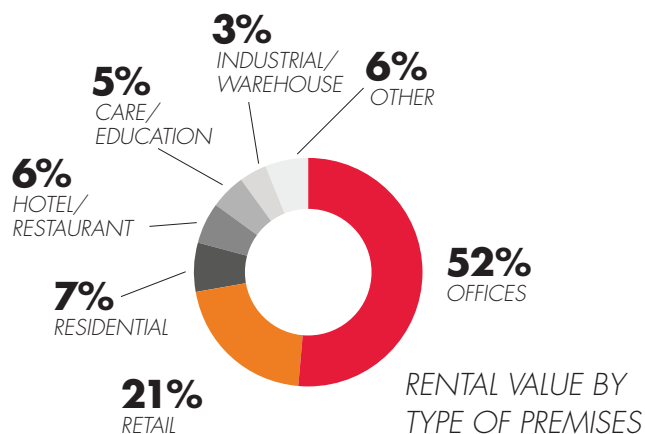
20.8

PROPERTY
VALUE, SEK BN



1,464

LEASABLE
AREA, '000 SQ.M



> Mikael Hedh, Business Area Manager for Dalarna, and Diös' tenant, the Helt Enkelt restaurant, in Mora. Jimmy Sys, owner.



RELATIONSHIPS AND DEALS

Strong relationships lead to business success.

Our employees know that long-term business is all about uncomplicated meetings, availability and decisiveness. We have in-depth knowledge of local areas and are courageous. It means that we can and do make a difference. Our business area managers lead the local teams with the goal of creating sustainable urban development.

Swedes are changing their behaviour in terms of how they consume, experience, work and socialise. E-trade developments, new logistics opportunities and types of office environments, and the need for attractive venues in city centres are creating new conditions and opportunities for us to develop our priority cities. The company's strong cash flow makes it possible to invest in and develop attractive venues at city centres, where the flow and activity level of people is high. We're convinced that the challenge lies in making city centres more attractive, by changing the offering and perhaps above all, creating more inspiring environments.

Long-term relationships are built on trust. We strive to have a reputation of honesty, expertise and professionalism in everything we do. We run our business on a foundation of high business ethics and zero tolerance to corruption. Our code of conduct is based on the ten principles of the UN Global Compact.

WELCOME TO OUR CITIES!



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.

INCOME STATEMENT

»»» CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEKM

INCOME STATEMENT	2018 3 mths Oct-Dec	2017 3 mths Oct-Dec	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
Rental income	357	345	1,436	1,376
Service income	90	98	374	343
Total income	447	443	1,810	1,719
Property costs	-164	-177	-670	-639
Operating surplus	283	266	1,140	1,080
Central administration	-19	-21	-71	-73
Net financial items	-39	-48	-175	-185
Property management income	225	197	894	822
Change in value, properties	351	65	687	412
Change in value, interest rate derivatives	0	6	16	27
Profit before tax	576	268	1,597	1,261
Current tax	-13	-16	-90	-43
Deferred tax	-112	4	-166	-189
Profit after tax	451	256	1,341	1,029
Profit attributable to shareholders of the parent company	451	257	1,338	1,027
Profit attributable to non-controlling interests	0	-1	3	2
Total	451	256	1,341	1,029
STATEMENT OF COMPREHENSIVE INCOME				
Profit after tax	451	256	1,341	1,029
Comprehensive income for the period	451	256	1,341	1,029
Comprehensive income attributable to shareholders of the parent company	451	257	1,338	1,027
Comprehensive income attributable to non-controlling interests	0	-1	3	2
Total	451	256	1,341	1,029
Earnings per share, SEK	3.35	1.91	9.94	7.78
Number of shares at end of period ('000)	134,512	134,512	134,512	134,512
Average number of shares ('000)	134,512	134,512	134,512	132,041
Number of treasury shares at end of period	0	0	0	0
Average number of treasury shares	0	0	0	0

Historical data for the number of shares has been restated to factor in the effect of bonus issues (i.e. the value of the subscription rights) in issues of new shares, and has been used in all 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.

Accounting principles are presented on page 21.

EARNINGS

JANUARY–DECEMBER 2018

PROPERTY MANAGEMENT INCOME

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 894 million (822). This is an increase of 9 per cent compared with the previous year. For comparable properties, our property management income increased by 3,8 per cent year on year.

REVENUE

Income for the reporting period was SEK 1,810 million (1,719), representing a 91 per cent (91) economic occupancy rate. For comparable properties, contracted rental income increased by 3 percent year on year. Other property management income totalled SEK 39 million (19) and consisted mainly of costs for work in leased premises that are passed on to tenants. Other property management income for the year includes a non-recurring payment attributable to property acquisitions in previous years.

REVENUE GROWTH

	2018 Jan-Dec	2017 Jan-Dec	Change %
Comparable properties	1,677	1,628	3.0
Acquired properties	63	0	
Sold properties	31	72	
Contracted rental income	1,771	1,700	
Other property management income	39	19	
Income	1,810	1,719	

PROPERTY COSTS

Total property costs were SEK 670 million (639). Winter-related costs increased by SEK 25 million compared with the same period last year and are attributable to the cold and snowy winter. Of total property costs, SEK 13 million (9) refers to work in leased premises for which the costs are passed on to tenants.

OPERATING SURPLUS

The operating surplus was SEK 1,140 million (1,080), representing a surplus ratio of 64 per cent (64). For comparable properties, our operating surplus increased by 3.1 per cent compared with the previous year.

CENTRAL ADMINISTRATION

The central administration expense was SEK 71 million (73). For 2017, this includes a non-recurring item of SEK 4 million, which refers to restructuring costs incurred in connection with acquisitions. Central administration includes costs for Group-wide functions such as senior management, IT, annual reports, auditors' fees, legal advice and so on.

NET FINANCIAL ITEMS

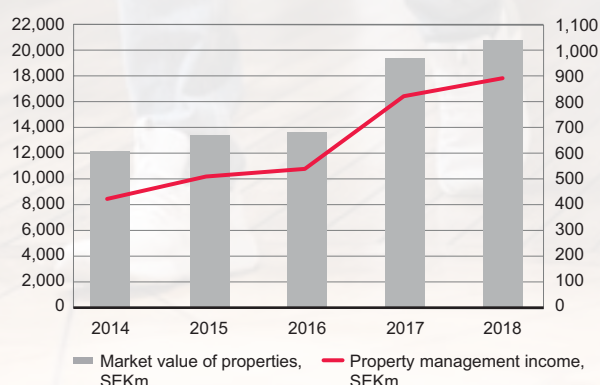
Net financial items for the year totalled SEK -175 million (-185). The interest costs for the year, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.6 per cent (1.9).

CHANGES IN VALUE, PROPERTIES

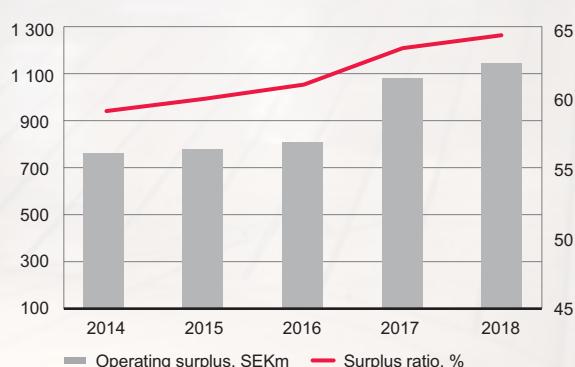
The average valuation yield at the end of the year was 5.97 per cent (6.08). At portfolio level, this represents a change of -0.11 percentage points since year-end. The positive value change of SEK 678 million (402) is mainly attributable to a higher net operating income. The change in value represented 3.3 per cent (2.1) of market value. Last year's unrealised value changes were positively impacted by a one-off effect of a discount on deferred tax in connection with property transactions. The market value was SEK 20,802 million (19,457) on 31 December.

During the year, 20 properties (15) were sold, resulting in a realised change in value of SEK 9 million (10). 11 properties (40) 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 16 million (27), 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 1,597 million (1,261). The improvement in earnings is mainly due to higher property values and increased revenue.

PROFIT AFTER TAX

The profit after tax was SEK 1,341 million (1,029). The current tax expense is SEK -90 million (-43) and is mainly attributable to tax in subsidiaries which are not permitted to offset losses against Group profits, and to tax arising from property transactions in trading partnerships and limited partnerships. Deferred tax was SEK -166 million (-189) after a positive effect of SEK 75 million from restatement of deferred tax after the corporate tax rate was changed from 22 per cent to 20.6 per cent.

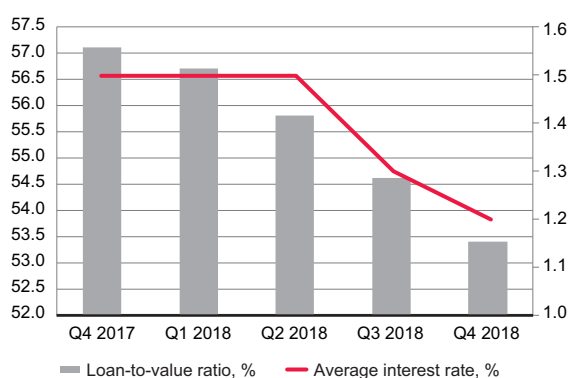
FOURTH QUARTER 2018

Property management income for the fourth quarter, i.e. income excluding changes in value and tax, was SEK 225 million (197). The operating surplus was SEK 283 million (266), representing a surplus ratio of 64 per cent (61).

- Total rental income for the fourth quarter was SEK 447 million (443), representing an economic occupancy rate of 91 per cent (91).
- Total property costs were SEK 164 million (177).

Net financial items for the fourth quarter were SEK -39 million (-48). The profit before tax was SEK 576 million (268), with changes in the value of properties having a positive impact of SEK 351 million (65). Earnings after tax were SEK 451 million (256), of which deferred tax had an impact on earnings of SEK -112 million (-4). Current tax was SEK -13 million (-16).

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



➤➤➤ TAX

The nominal corporate tax rate in Sweden is 22 per cent. Thanks 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.

The remaining tax losses are estimated at SEK 0 million (21). The Group also has untaxed reserves of SEK 245 million (123). The fair value of the properties exceeds their tax base by SEK 6,288 million (5,339), less deferred tax relating to asset acquisitions. The tax liability has been calculated based on the tax rate applying at the time when the tax consequence is expected to arise.

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.

TAX CALCULATION FOR THE PERIOD

SEKm	Effective tax
Property management income	894
Tax adjustments	31
Taxable property management income	925
Sale of properties	-97
Change in value, properties	678
Taxable profit	1,506
Tax for the year	331
Restatement of deferred tax ¹	-75
Tax for the period as per income statement	256

¹ The deferred tax liability has been restated according to new tax rules, see below. The deferred tax liability on the difference between the tax base and fair value of the properties has been calculated based on the tax rate applying at the time when the deferred tax liability is expected to be settled. No other items have been restated.

NEW TAX RULES

On 14 June 2018, the Swedish parliament adopted a new law on limitation of interest deductibility for businesses, which becomes effective on 1 January 2019. The new law restricts the right to deduct interest expenses while gradually lowering the income tax rate from 22 per cent currently to 20.6 per cent. As at 30 June 2018, Diös restated its deferred tax liability in accordance with the new tax rates, which had a positive one-off effect of SEK 75 million during the period. In view of Diös' strong cash flow and the prevailing historically low interest rates, the new law will have a minor impact on tax paid, but if interest rates were to rise it would have a negative impact (assuming cash flow remains unchanged).

OUR TENANTS

TENANTS

Our tenant base is well diversified geographically and in terms of industry. The number of commercial leases was 3,007 (3,071). The number of residential leases was 1,635 (1,643). The ten largest tenants represent 16.1 per cent (15.8) of Diös' total contracted rental income. At 31 December, 26 per cent of contracted rental income came from tenants engaged in activities on behalf of the central government, county councils or local authorities.

NET LEASING

Net leasing was SEK 10 million (55) for the year as a whole and SEK 1 million (32) for the fourth quarter. Noteworthy lets in 2018 included the contracts with Luleå Municipality in Rättan 18, Luleå, Swedbank in Sirius 25, Skellefteå, Olearys in Lyckan 6, Sundsvall and ÅF AB in Norr 31:9, Gävle.

CONTRACT TERM

The average contract term for commercial premises at 31 December is 3.2 years (3.6).

VACANCIES

Vacancies remained unchanged in the fourth quarter, with economic vacancies standing at 8 per cent (9) and physical vacancies at 13 per cent (14) 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 year, excluding discounts, was 8 per cent (8).

OUR LARGEST TENANTS

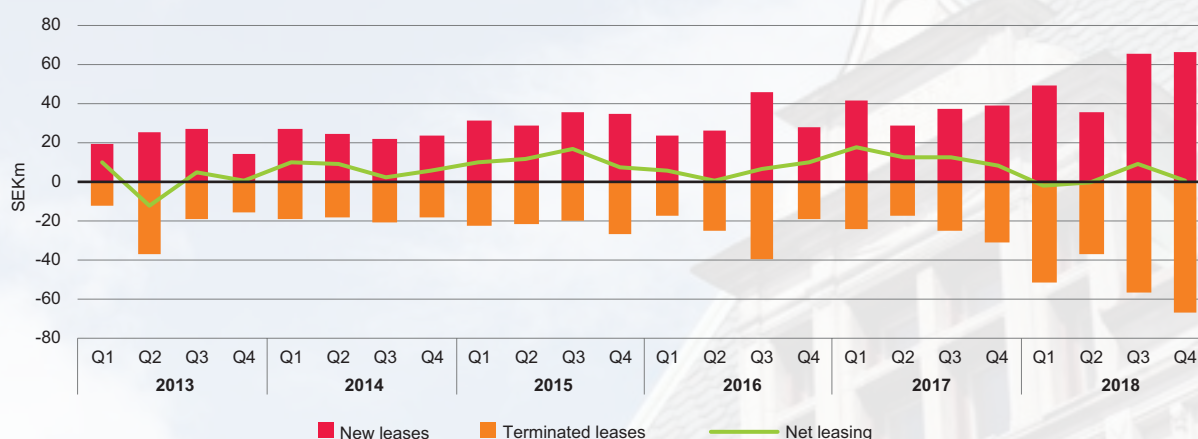
TENANTS AT 31 DEC 2018	No. of contracts	Annual contract value, SEK '000	Average contract term, years
Swedish Transport Administration	31	63,548	1.5
Municipality of Östersund	119	37,637	2.6
Swedish Public Employment Service	39	32,161	2.2
Swedbank AB	11	23,022	3.6
Åhléns AB	5	22,799	4.2
Swedish Social Insurance Agency	24	22,696	3.3
Swedish Migration Board	17	22,318	2.5
Folksam ömsesidig sakförsäkring	43	20,437	4.1
Municipality of Falun	7	20,251	1.9
Telia Sverige AB	24	20,219	10.0
Total, largest tenants	320	285,088	3.1

LEASES AND MATURITIES

	Number contract	Contract value SEKm	Share of value, %
Leases for premises, maturity year			
2019	919	279	16
2020	824	339	19
2021	655	357	20
2022	348	196	11
2023+	261	416	23
Total	3,007	1,587	89
Residential	1,635	125	7
Other leases ¹	4,128	63	4
TOTAL	8,770	1,775	100

¹ Other leases refer mainly to garage and parking spaces.

NET LEASING





BALANCE SHEET AND EQUITY

»»» CONDENSED CONSOLIDATED BALANCE SHEET, SEK M

	2018 31 Dec	2017 31 Dec
ASSETS		
Investment properties	20,802	19,457
Other non-current assets	54	46
Current receivables	201	173
Cash and cash equivalents	-	32
TOTAL ASSETS	21,057	19,708
EQUITY AND LIABILITIES		
Equity	7,839	6,887
Deferred tax liability	1,353	1,197
Provisions	9	9
Interest-bearing liabilities	11,099	11,104
Overdraft facilities	198	-
Current liabilities	559	511
TOTAL EQUITY AND LIABILITIES	21,057	19,708

»»» CONDENSED STATEMENT OF CHANGES IN EQUITY, SEK M

	Equity	Attributable to shareholders of the parent	Attributable to minority interests
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
<i>Profit for the period after tax</i>	1,341	1,338	3
Comprehensive income for the period	1,341	1,338	3
<i>Dividend</i>	-390	-390	-
Equity, 31 Dec 2018	7,839	7,790	49



> The Tonka Bistro café tenant in the MVG shopping centre, Umeå. Viktor Löfgren, part-owner of Tonka, and Madelene Thiger, Shopping Centre Manager Diös.

OUR PROPERTIES

PROPERTY PORTFOLIO

The property portfolio is concentrated to central locations in ten priority cities in northern Sweden. The portfolio is well diversified, consisting mainly of residential, office and retail properties. 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.

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 a structured 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 15,124 million, and 115 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. The remaining portion is valued internally. 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 internally with assistance from Savills. All property valuations are based on a number of assumptions about the future and the market. Savills' calculations thus have an uncertainty range of +/-7.5 per cent. For Diös, this translates into a value range of SEK 19,241-22,362 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.

CHANGE IN PROPERTY VALUE

	2018		2017	
	SEKm	Number	SEKm	Number
Property portfolio, 1 January	19,457	339	13,683	314
Acquisitions	420	11	5,094	40
Investments in new builds, extensions and conversions	677		505	
Sales	-441	-20	-227	-15
Unrealised changes in value	678		402	
Reclassifications	10		-	
Value of property portfolio, 31 Dec	20,802	330	19,457	339

VALUATION ASSUMPTIONS

	31 Dec 2018					31 Dec 2017				
	Office	Retail	Residential	Industrial/warehouse	Other	Office	Retail	Residential	Industrial/warehouse	Other
Yield for assessing residual value ¹ , %	6.8-5.6	6.8-5.9	5.3-4.7	8.3-7.0	7.0-6.1	7.0-5.7	6.8-6.0	5.3-4.7	8.1-7.0	7.0-6.0
Cost of capital for discounting to present value, %	8.0	8.1	7.2	9.9	8.7	8.1	8.2	7.4	9.8	8.6
Long-term vacancy, %	5.0	3.7	1.7	14.3	6.1	5.0	3.7	1.8	12.0	5.5

¹ From lower to upper quartiles in the portfolio.

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

CHANGES IN VALUE

Unrealised changes in value for the year totalled SEK 678 million (402) and were due to mainly higher net operating income.

UNREALISED CHANGES IN VALUE

	31 Dec 2018	
	SEKm	%
Change in net operating income, etc.	549	81
Change in required rate of return	129	19
Total	678	100

CHANGES IN THE PORTFOLIO

One part of our strategy is to continuously strive to concentrate our property portfolio to central locations in our priority cities. In the fourth quarter, Diös completed on the purchase of three properties in Östersund and sold and vacated one property in Bräcke.

LIST OF PROPERTY TRANSACTIONS JAN-DEC 2018

Acquired and completed

Property	Quarter	City	Area, sq.m	Price, SEKm
Polaris 39	1	Skellefteå	3,209	
Idun 10	1	Skellefteå	2,157	
Vale 18	2	Umeå	3,272	
Portfolio of 4 properties	3	Gävle	12,230	
Norr 36:2	3	Gävle	1,173	
Portfolio of 3 properties	4	Östersund	12,002	
Total			34,043	420

Sold and vacated

Property	Quarter	City	Area, sq.m	Price, SEKm
Portfolio of 4 properties	1	Ljusdal	24,007	
Fisken 5	3	Malung	2,781	
Portfolio of 13 properties	3	Gävle	80,147	
Hemsta 12:17	3	Gävle	3,425	
Bräcke 4:4	4	Bräcke	12,000	
Total			122,360	450



»»» INVESTMENTS

We are continuously investing in our portfolio to improve, adapt and improve the efficiency of our premises for our tenants. New builds, conversions and extensions added SEK 677 million (505) to the value of Diös' property portfolio for the year.

IMPROVEMENTS

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 677 million (505) was invested in 799 projects (662). At the end of the year, 29 major¹ improvement projects were ongoing, with a remaining investment volume of SEK 262 million and a total investment volume of SEK 571 million. In the fourth quarter, decisions were taken on 127 new investments. The return on completed investments for the year was 8.0 per cent on the invested amount while the return on our ongoing projects was 6.8 per cent.

¹Initial investment volume > SEK 4 million.

NEW BUILDS

Our existing and potential development rights cover a gross area of over 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 estimated investment volume of around SEK 4,000 million.

The Falan 20 residential property project is ongoing and is expected to be completed in spring 2019. The Riverside hotel project in Sundsvall has been initiated, with preparatory work underway on the underground car park on which the hotel will stand. Construction is scheduled to begin in March 2019. Construction of the hotel project on the Magne 4 property in Umeå is expected to commence in the first half of 2019.

»»» ENERGY USE AND CARBON DIOXIDE EMISSIONS

	Unit	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
Heating ¹	kWh/sq.m	84.1	87.5
District cooling ²	kWh/sq.m	15.2	10.5
Electricity ³	kWh/sq.m	58.1	58.9
Carbon dioxide, total ⁴	g CO ₂ /kWh	25.5	25.4
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.

Through a stronger emphasis on energy optimisation and clearly defined technical strategies for our properties, we achieved our annual target of reducing energy consumption by 3 per cent. This despite an unusually hot summer, which led to high demand for district cooling and electricity. Overall heat use was down significantly, by 4 per cent, while electricity use was down 1 per cent for the full year. The target for 2019 is to reduce energy consumption by 3 per cent.

To lower the environmental impact, we only purchase origin-labelled electricity and we can now see that 98 per cent of our energy use comes from renewable sources.

»»» CERTIFICATIONS

In the fourth quarter, eight new properties were environmentally certified. We now have 23 properties certified under the Miljöbyggnad, BREEAM In-Use and Greenbuilding standards, which represents 11 per cent of the total area of the property portfolio. Our target for 2019 for is to certify 16 properties under the BREEAM In-Use environmental certification standard.



» Visualisation of Riverside, Sundsvall.

FINANCING

CAPITAL STRUCTURE

At 31 December 2018, 37 per cent (35) of Diös' total assets of SEK 21,057 million were financed through equity, 53 per cent (56) through debt and 10 per cent (9) through other capital. Interest-bearing liabilities comprise bank financing, covered bonds and commercial paper.

EQUITY

Equity at 31 December 2018 was SEK 7,839 million (6,887). The equity/assets ratio was 37.2 per cent (34.9), which exceeds the target of 30 per cent.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities in the Group were SEK 11,099 million (11,104). Of total interest-bearing liabilities, SEK 8,769 million (9,298) refers to bank financing, SEK 1,240 million (1,206) to covered bonds and SEK 1,090 million (600) to commercial paper. At the end of the period, the loan-to-value ratio in the Group was 53.4 per cent (57.1). The average annual interest rate, including the cost of derivatives and loan commitments, was 1.2 per cent (1.5) and the interest coverage ratio for the year was 5.9 times (3.5).

DERIVATIVES

Out of the Group's total interest-bearing liabilities, SEK 4,000 million (4,600) has been hedged through derivatives. At 31 December 2018, the market value of the derivative portfolio was SEK -0.5 million (-16). The financial instruments limit the impact of changes in interest rates on our average borrowing cost. The value of derivatives is always

zero at maturity. 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 2017). Changes in value are recognised through profit or loss.

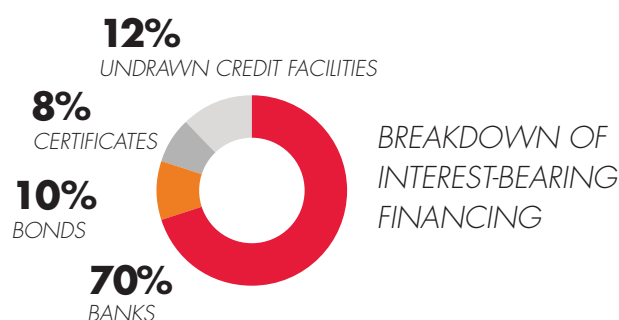
SENSITIVITY ANALYSIS	If market interest rates increase by 1 percentage point		
	Change in average annual interest rate, %	Change in average annual interest cost, SEKm	Change in market value, SEKm
AT 31 DEC 2018			
Loan portfolio excl. derivatives	0.3	+38	
Derivatives portfolio	0.0	0	+1
Loan portfolio incl. derivatives	0.3	+38	+1

FIXED-RATE TERMS AND LOAN MATURITIES

The average fixed-rate term, including derivatives, was 1.4 years (1.4) and the average loan maturity 2.0 years (2.4). Of the Group's outstanding loans, SEK 7,327 million (7,965) is subject to fixed interest rates.

CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the year were SEK 0 million (32) and drawn overdraft facilities were SEK 198 million (0). The agreed limit on the overdraft facility was SEK 600 million (600).



»»» INTEREST RATE AND DEBT MATURITY STRUCTURE AT 31 DECEMBER 2018

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm
2019	3,508	0.9	2,418	2,418
2020	7,371	1.3	6,109	5,609
2021	220	0.4	220	220
2022	-	-	3,135	2,155
2027	-	-	697	697
Drawn credit facilities	11,099	1.1	12,579	11,099
Unutilised credit facilities ²	1,480	0.1		
Financial instruments	4,000	0.0		
TOTAL		1.2		

¹ Average annual interest rate refers to the average interest rate based on interest rate terms and the outstanding liability as at 31 December 2018.

² The cost of unused credit facilities affects the average annual interest rate by 0.05 percentage points.



CASH FLOW

CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEK M

	2018 3 mths Oct-Dec	2017 3 mths Oct-Dec	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
OPERATING ACTIVITIES				
Operating surplus	283	266	1,140	1,080
Central administration	-19	-21	-71	-73
Reversal of depreciation, amortisation and impairment	1	0	2	2
Interest received	3	2	8	4
Interest paid	-55	-65	-185	-219
Tax paid	-13	-16	-90	-43
Operating cash flow before changes in working capital	200	166	804	751
Changes in working capital				
Decrease (+)/increase (-) in receivables	20	93	-35	82
Decrease (-)/increase (+) in current liabilities	-14	-53	31	-142
Total changes in working capital	6	40	-4	-60
Operating cash flow	206	206	800	691
INVESTING ACTIVITIES				
Investments in new builds, conversions and extensions	-157	-117	-557	-502
Acquisition of properties	-87	-90	-371	-2,581
Sale of properties	5	88	443	240
Other financial assets	-2	-	-10	-
Cash flow from investing activities	-241	-119	-495	-2,843
FINANCING ACTIVITIES				
Dividends paid	-195	-	-390	-269
Issue of new shares	-	-	-	1,802
New borrowing, interest-bearing liabilities	100	34	312	3,168
Repayment and redemption of interest-bearing liabilities	-67	-108	-457	-2,502
Change in overdraft facility	197	-	198	-15
Cash flow from financing activities	35	-74	-337	2,184
Cash flow for the period	0	13	-32	32
Cash and cash equivalents at beginning of period	0	19	32	0
Cash and cash equivalents at end of period	0	32	0	32



REPORTING PER BUSINESS UNIT AT 31 DECEMBER

Amounts are expressed in millions of Swedish kronor unless otherwise indicated.

2018

By Business unit	Dalarna	Gävle	Sundsvall	Åre/Östersund	Skellefteå/Umeå	Luleå	the Group
Rental income	221	152	227	246	322	267	1,435
Service income							
Tariff-based operations	42	20	38	51	47	32	230
Care and upkeep	20	15	26	32	24	27	144
Repair and maintenance	-13	-7	-13	-14	-16	-12	-75
Tariff-based costs	-39	-20	-36	-50	-44	-30	-219
Property tax	-12	-10	-14	-15	-20	-18	-89
Other property costs	-31	-24	-38	-41	-37	-40	-211
Property management	-13	-9	-12	-15	-14	-12	-75
Operating surplus	176	117	178	194	261	214	1,140
Central administration/net financial items	-	-	-	-	-	-	-246
Property management income	-	-	-	-	-	-	894
Property, realised	0	9	-	0	-	-	9
Property, unrealised	34	61	95	93	263	132	678
Interest rate derivatives	-	-	-	-	-	-	16
Profit before tax	-	-	-	-	-	-	1,597
Leasable area, sq.m	263,901	146,523	233,490	304,513	309,955	205,440	1,463,822
Rental value	304	207	325	356	414	330	1,936
Economic occupancy rate, %	91	90	88	92	93	95	91
Surplus ratio, %	63	63	62	60	68	69	64

2017

By Business unit	Dalarna	Gävle	Sundsvall	Åre/Östersund	Skellefteå/Umeå	Luleå	the Group
Rental income	224	152	209	242	296	251	1,375
Service income							
Tariff-based operations	42	25	36	49	44	29	225
Care and upkeep	16	13	20	26	22	22	118
Repair and maintenance	-13	-10	-12	-16	-17	-10	-77
Tariff-based costs	-38	-24	-35	-48	-43	-27	-216
Property tax	-12	-11	-14	-15	-18	-17	-86
Other property costs	-28	-20	-30	-35	-32	-34	-180
Property management	-13	-10	-16	-14	-13	-13	-80
Operating surplus	172	129	166	185	227	201	1,080
Central administration/Net financial items	-	-	-	-	-	-	-258
Property management income	-	-	-	-	-	-	822
Property, realised	-	-1	1	-	10	-	10
Property, unrealised	-46	79	94	138	86	50	402
Interest rate derivatives	-	-	-	-	-	-	27
Profit before tax	-	-	-	-	-	-	1,261
Leasable area, sq.m	266,682	240,699	233,490	304,511	301,702	205,440	1,552,524
Rental value	302	225	312	342	381	313	1,875
Economic occupancy rate, %	90	89	87	91	91	95	91
Surplus ratio, %	64	65	61	59	65	68	64

Columns/rows may not add up due to rounding.

»» PROPERTY PORTFOLIO AT 31 DECEMBER

	Dalarna		Gävle		Sundsvall		Äre/ Östersund		Skellefteå/ Umeå		Luleå		the Group	
SEKm	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Property portfolio, 1 January	2,647	2,576	2,046	1,978	3,234	2,033	3,258	3,025	4,494	2,219	3,777	1,852	19,457	13,683
Acquisitions	-	1	196	-	-	1,047	86	-	138	2,240	-	1,806	420	5,094
Investments in new builds, extensions and conversions	135	116	86	44	93	92	124	95	96	89	143	69	677	505
Sales	-15	-	-418	-55	-	-32	-8	-	-	-140	-	-	-441	-227
Reclassifications	2	-	0	-	3	-	1	-	2	-	1	-	10	-
Unrealised changes in value	34	-46	61	79	95	94	93	138	263	86	132	50	678	402
Property portfolio, 31 December	2,805	2,647	1,971	2,046	3,424	3,234	3,554	3,258	4,994	4,494	4,053	3,777	20,802	19,457

FINANCIAL KPIS

The interim report presents non-IFRS performance measures. We consider that these measures provide valuable additional information for investors, analysts and the company's management, as they enable the evaluation of relevant trends and the company's performance. As not all companies calculate financial measures in the same way, these are not always comparable with the measures used by other companies. These financial measures should therefore not be viewed as substitutes for IFRS-defined measures. The following table presents non-IFRS measures unless otherwise stated. Definitions of these measures are found on page 27.

Figures refer to SEK million unless otherwise indicated.

	2018 3 mths Oct-Dec	2017 3 mths Oct-Dec	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
Number of shares at end of period, thousands <i>(balance sheet KPIS)¹</i>	134,512	134,512	134,512	134,512
Average number of shares, thousands <i>(income statement-related key ratios)¹</i>	134,512	134,512	134,512	132,041

¹ Historical data for the number of shares has been restated to factor in the effect of bonus issues (i.e. the value of the subscription rights) in issues of new shares, and has been used in all 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 operations are governed based partly on the objective of generating capital growth by increasing the surplus ratio and thereby the cash flow from operating activities, i.e. increased income from property management. We also report the alternative performance indicators property management income and EPRA earnings, as these are deemed to be relevant for investors and analysts, and provide additional information on the company's operating results. The indicators provide a picture which excludes factors that are partly beyond our control, such as changes in the value of properties and derivatives.

	2018 3 mths Oct-Dec	2017 3 mths Oct-Dec	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
Property management income				
Profit before tax	576	268	1,597	1,261
Reversal				
Change in value, properties	-351	-65	-687	-412
Change in value, derivatives	0	-6	-16	-27
Property management income	225	197	894	822
EPRA earnings (property management income after tax)				
Property management income	225	197	894	822
Reversal, current tax property management income	-13	-11	-77	-88
Minority share of earnings	0	1	-3	-2
EPRA earnings	212	187	814	732
EPRA earnings per share, SEK	1.58	1.39	6.05	5.54

FINANCIAL RISK

Our strategy is urban development. Diös seeks to run its business in a sustainable manner with a stable financial risk. This is expressed in the ambition to ensure that the loan-to-value ratio does not exceed 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 financial stability while the interest coverage ratio is a measure of the ability to pay interest. Net debt to EBITDA shows our ability to generate cash flow in relation to our liabilities. These key ratios are deemed to be relevant for investors and analysts from a financial risk perspective. Our loan-to-value ratio, equity ratio and interest coverage ratio also constitute covenants from the company's lenders and the Board has defined targets for these key ratios, which are used to govern the company's activities.

	2018 3 mths Oct-Dec	2017 3 mths Oct-Dec	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
Loan-to-value ratio				
Interest-bearing liabilities			11,099	11,104
Investment properties			20,802	19,457
Loan-to-value ratio, %			53.4	57.1
Equity/assets ratio				
Equity			7,839	6,887
Total assets			21,057	19,708
Equity/assets ratio, %			37.2	34.9
Interest coverage ratio				
Property management income	225	197	894	822
Reversal				
Financial costs	42	52	183	191
Total	267	249	1,077	1,013
Financial costs	42	52	183	191
Interest coverage ratio, times	6.3	4.8	5.9	5.3
Net debt to EBITDA				
Interest-bearing liabilities as per balance sheet			11,099	11,104
Cash and cash equivalents			0	-32
Overdraft facilities			198	0
Net debt			11,297	11,072
Operating surplus as per income statement			1,140	1,080
Central administration as per income statement			-71	-73
Reversal				
Depreciation and amortisation			2	2
EBITDA			1,071	1,009
Net debt to EBITDA			10.5	11.0



NET ASSET VALUE

Net asset value is the total capital which the company manages on behalf of its owners. Based on this capital, we aim to generate returns and growth while maintaining a low risk. 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 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 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.

	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
Net asset value		
Equity as per balance sheet	7,839	6,887
Minority share of equity	-49	-45
Reversal as per balance sheet		
Fair value of financial instruments	-1	16
Deferred tax on temporary differences	1,299	1,175
EPRA NAV (long-term net asset value)	9,088	8,033
EPRA NAV (long-term net asset value) per share, SEK	67.6	59.7
Deductions		
Fair value of financial instruments	1	-16
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-242	-209
EPRA NNNAV (short-term net asset value)	8,847	7,808
EPRA NNNAV (short-term net asset value) per share, SEK	65.8	58.0

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 ten per cent of the portfolio being sold directly subject to a nominal tax rate of 20.6 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of six per cent. It is expected that it will be possible to use the tax losses during the year.

OTHER KEY RATIOS

Other key ratios refer to a number of measures of return which are used to describe various aspects of the statement of financial position and to give investors and analysts further information about the operations. We report return on equity, equity per share and cash flow per share, as these performance indicators show the company's results and profitability, equity on a per share basis, and the company's ability to fulfil its obligations and pay dividends to the shareholders. These alternative performance indicators supplement the picture given of Diös' financial performance and enable investors and analysts to gain a better understanding of the company's return and results. Yield is a measure of the results generated by the properties in relation to their market value. It shows the profitability of the properties and is considered to provide supplementary information for investors and analysts concerning the risk in the portfolio. The debt/equity ratio is presented in order to supplement the picture of the company's financial situation. It shows the ratio of interest-bearing liabilities to equity. The measure is considered to enhance investors' and analysts' ability to assess our financial stability.

	2018 3 mths Oct-Dec	2017 3 mths Oct-Dec	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
Return on equity, %	5.9	3.8	18.2	18.3
Equity per share, SEK	58.3	51.2	58.3	51.2
Cash flow per share, SEK				
Profit before tax	576	268	1,597	1,261
Reversal				
Unrealised change in value, properties	-351	-67	-678	-402
Unrealised change in value, derivatives	0	-6	-16	-27
Depreciation and amortisation	1	1	2	2
Current tax	-13	-16	-90	-43
Total	213	180	815	791
Average number of shares ('000)	134,512	134,512	134,512	132,041
Cash flow per share, SEK	1.58	1.34	6.05	6.00
Earnings per share, SEK	3.35	1.91	9.94	7.78
Debt/equity ratio, times			1.4	1.6

OTHER INFORMATION

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

	2018 3 mths Oct-Dec	2017 3 mths Oct-Dec	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
Contracted rental income, SEKm	441	437	1,771	1,700
Economic occupancy rate, %	91	91	91	91
Surplus ratio, %	64	61	64	64

EPRA vacancy rate

Estimated market rent for vacant space	154	153
Annualised rental value for the whole portfolio	1,904	1,875
EPRA vacancy rate, %	8.1	8.2

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. Income totalled SEK 164 million (170) and the profit after tax was SEK 602 million (436). Profit after tax includes dividends from Group companies in the amount of SEK 600 million (300) and received Group contributions of SEK 11 million (154). Net sales referred chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents at 31 December 2018 were SEK 0 million (29)

and drawn overdraft facilities were SEK 201 million (0). External interest-bearing liabilities, excluding overdraft facilities, totalled SEK 2,238 million (3,208), of which SEK 1,090 million (600) referred to outstanding commercial paper. The average annual interest rate based on the situation at 31 December 2018 was 1.0 per cent (1.2). The parent company prepares its financial reports in compliance with RFR 2 Financial Reporting for Legal Entities.

»»» CONDENSED PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME, SEKM

	2018 12 mths Jan-Dec	2017 12 mths Jan-Dec
INCOME STATEMENT		
Income	164	170
Gross profit	164	170
Central administration	-204	-214
Operating profit	-40	-44
Income from interests in Group companies	611	454
Financial income	253	218
Financial costs	-222	-192
Profit after financial items	602	436
Current tax	-	-
Profit after tax	602	436
STATEMENT OF COMPREHENSIVE INCOME		
Profit after tax	602	436
Comprehensive income for the year	602	436

»»» CONDENSED PARENT COMPANY BALANCE SHEET, SEKM

	2018 31 Dec	2017 31 Dec
ASSETS		
Investments in Group companies	2,124	2,124
Receivables from Group companies	11,214	11,439
Other assets	21	26
Cash and cash equivalents	-	29
TOTAL ASSETS	13,359	13,618
EQUITY AND LIABILITIES		
Equity	3,307	3,095
Interest-bearing liabilities	2,238	3,208
Liabilities to Group companies	7,579	7,277
Overdraft facilities	201	-
Other liabilities	34	38
TOTAL EQUITY AND LIABILITIES	13,359	13,618

OTHER INFORMATION

EMPLOYEES AND ORGANISATION

The number of employees as at 31 December 2018 was 158 (156), of whom 63 were women (61). The majority of our employees, 104 people (106), work in our business units and the rest at our head office in Östersund. In 2018, we strengthened our organisation by recruiting employees in the areas of urban development, sustainability and projects.

RISKS AND UNCERTAINTIES

Material risks and uncertainties affecting the business include market and business intelligence, the business model, the properties, cash flow, financing and sustainability.

Demand and prices in the Swedish property are influenced by the level of economic activity globally and in Sweden as well as by interest rates.

Our properties are measured at fair value on an ongoing basis, and changes in value are recognised in the income statement. The effects of changes in value affect the income statement and balance sheet and thus also the related performance measures. Any significant negative impact is managed through a diversified portfolio of centrally located properties in growth cities.

SENSITIVITY ANALYSIS, PROPERTY VALUE	Change in property value, %		
	-7.5	0.0	+7.5
Property value, SEKm	19,241	20,802	22,362
Equity/assets ratio, %	32.2	37.2	41.6
Loan-to-value ratio, %	57.7	53.4	49.6

Cash flow consists of income and expenses and is primarily attributable to rent levels, property costs, occupancy rates and interest rates. A change in these items affects cash flow and thus also earnings. Any significant negative impact is managed through a diversified tenant structure, good cost control and active interest rate risk management.

CASH FLOW SENSITIVITY ANALYSIS	Change	Impact on earnings, SEKm ¹
Contracted rental income	+/- 1%	+/-18
ECONOMIC OCCUPANCY RATE	+/- 1 percentage point	+/-19
Property costs	+/- 1%	+/-7
Interest rate on interest-bearing liabilities	+/- 1 percentage point	+/-38

¹ Annualised.

Access to financing is the biggest financial risk and is essential to running a property business. The risk is limited through good relations with banks, access to the capital market, and strong finances and KPIs.

A sustainable business model and sustainable behaviour are essential to creating long-term value. Through good internal control and procedures, we take responsibility for building a sustainable long-term business.

No material changes in the assessment of risks have been made after the publication of the annual report for 2017. For more information on risks and risk management, see Diös' annual report for 2017, pages 59–62.

RELATED-PARTY TRANSACTIONS

There were no significant related party transactions in the period. Those related-party transactions which did occur are deemed to have been concluded on market terms.

ACCOUNTING POLICIES

Diös complies with EU-adopted IFRS standards and the interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The report for the parent company is prepared in accordance with RFR 2 Financial Reporting for Legal Entities and the Swedish Annual Accounts Act. Disclosures under IAS 34 are provided elsewhere in the interim report than in a note. All property-related transactions have been recognised based on calculations of the preliminary consideration. The calculation of the final consideration will be completed in the first quarter of 2019. 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 2017¹, 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 from 1 January 2018. The standard introduces changes in respect of the classification and measurement of financial instruments and liabilities. The new standard contains changes to the principles for hedge accounting and introduces an impairment model that is based on expected credit losses instead of incurred credit losses. The accounting treatment of financial assets and liabilities will not change as a result of the changed principles, and as Diös' credit losses are very small, the transition to the new standard will not have a material impact on the company's financial statements. No comparative figures will be restated.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The transition to IFRS 15 will be applied from 1 January 2018 and refers to the recognition of revenue from contracts with customers. In connection with the introduction of IFRS 15, a review was made of the company's contracts and revenue, as a result of which Diös identified that some parts of the Group had revenue which is covered by IFRS 15. A distinction has therefore been made between rental income (including the passing-on of property tax) and service income, which consists of income from tariff-based operations and income from care and upkeep of properties. Care and upkeep includes technical maintenance of the properties. Diös applies the retroactive method, which means that comparative figures are restated. In the income statement, revenue has therefore been divided into two rows, Rental income and Service income. Sales income from properties is also included. Diös recognises property transactions on the completion date, and IFRS 15 is therefore not deemed to have any impact on these transactions. There is thus no impact on revenue or reported profit, and IFRS 15 will not have any material impact on Diös' financial statements.

¹ The Annual Report 2017 is available at www.dios.se

ACCOUNTING POLICIES CONTINUE ON THE NEXT PAGE



IFRS 16 LEASES

Diös will apply IFRS 16 for the financial year commencing on 1 January 2019 and will not apply the standard retroactively. The accounting treatment for lessors will remain essentially unchanged. For lessees, the standard will have the effect that most leases will be recognised in the balance sheet. For Diös, the main impact will be on the recognition of leasehold contracts and car leases, which will be recognised in the balance sheet and will thus have an impact on total assets. The leasing cost will be recognised as amortisation of the usufruct and as an interest expense, and will thus no longer be included in net operating income. The recognised right-of-use assets will be assigned the same value as the lease liability recognised at 1 January 2019. As Diös has a limited number of contracts, the impact on the financial statements is expected to be limited. As a lessee, Diös has reviewed and assessed the Group's leases, identifying leasehold contracts and car leases as being the most material. In addition to these, only minor leases have been identified, such as leases for office equipment and similar items. The lease liability for leasehold contracts at 1 January 2019 is SEK 35 million and includes a corresponding right-of-use asset. Thereafter, Diös will be recognising the right-of-use asset at fair value, as it is considered to be an investment property. As a result of the transition to IFRS

16, all ground rent costs will be treated as a financial expense, which differs from the current principle, under which these costs are treated as an operating expense that reduces the operating surplus. Property management income will remain unchanged, however. The recognised expense for ground rent in 2018 was SEK 3 million. The lease liability for car leases at 1 January 2019 is SEK 14 million and includes a corresponding right-of-use asset. These will be recognised at the value of the right-of-use asset at the beginning of the period less depreciation and a finance charge, which differs from the current principle, under which this is treated as an operating expense that reduces the operating surplus. The recognised expense for leased vehicles in 2018 was SEK 4 million.

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

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.

SUMMARY OF QUARTERLY RESULTS

	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue, SEKm	447	467	446	450	443	436	435	405
Operating surplus, SEKm	283	312	295	250	266	287	286	241
Property management income, SEKm	225	248	234	187	197	222	224	179
Profit for the period, SEKm	451	303	358	229	256	192	255	326
Surplus ratio, %	64	70	67	61	61	67	66	60
Economic occupancy rate, %	91	91	91	92	91	91	91	90
Return on equity, %	5.9	4.2	5.0	3.3	3.8	2.9	3.9	6.0
Equity/assets ratio, %	37.2	36.1	34.8	35.3	34.9	33.9	33.3	33.5
Property loan-to-value ratio, %	53.4	54.6	55.8	56.7	57.1	57.8	58.3	59.1
Average interest rate at end of period, % ¹	1.2	1.3	1.5	1.5	1.5	1.6	1.6	1.6
Interest coverage ratio, times	6.3	6.0	6.3	4.9	4.8	5.5	5.8	5.2
Property management income per share, SEK	1.67	1.84	1.74	1.38	1.46	1.65	1.67	1.44
Earnings per share after tax, SEK	3.35	2.25	2.64	1.70	1.91	1.43	1.88	2.60
Equity per share, SEK	58.3	54.9	52.7	52.9	51.2	49.3	47.9	48.0
Market price per share, SEK	56.4	56.9	53.8	56.4	55.8	52.0	46.6	44.0

¹ Includes expenses relating to commitment fees and derivatives.

TARGETS

OPERATIONAL AND FINANCIAL TARGETS	Targets 2018	Outcome Jan-Dec 2018	Target 2019
Growth in property management income per share, %	-	7	>5
Economic occupancy rate, %	92	91	not defined
Surplus ratio, %	64	64	65
Energy use, %	-3	-3	-3
Carbon dioxide emissions, %	-2	0	not defined
Environmentally certified properties, % of total	-	11	100 ¹
Employee satisfaction index	76	72	76
Customer satisfaction index	70	62	67
Return on equity, %	>12	18.2	>12
Distribution of profit for the year ² , %	~50	49.7 ³	~50
Loan-to-value ratio, %	<60	53.4	<55
Equity/assets ratio, %	>30	37.2	>35

¹ Long-term target.

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

³ The Board of Directors' proposal.



> David Nygren and Sara Bergh, letting agents at Diös Umeå.

SHARE INFORMATION

SHARE PERFORMANCE

Diös' share price at the end of the year was SEK 56.4 (55.8), which represents a market capitalisation of SEK 7,580 million (7,499), and the return for the past 12 months was 1.1 per cent (-18.5). If the dividend is included, the total return on the shares for the year was 6.5 per cent (23.9). The graph on the next page shows share prices for the past 12 months for both Diös and the indexes. The return on the OMX Stockholm 30 Index was -10.7 per cent (3.9) and the return on the OMX Stockholm Real Estate PI index 9.7 per cent (6.7).

At 31 December, Diös Fastigheter AB had 13,921 shareholders (14 513). The share of foreign-owned shares was 20.6 per cent (21.5) while the total number of shares during the period remained unchanged at 134,512,438 (134,512,438). The single largest shareholder was AB Persson Invest, with 15.4 per cent (15.4) of the shares. The ten largest shareholders accounted for 54.1 per cent (57.4) of the total number of shares and votes.

The Annual General Meeting 2018 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.

During the year, Nordstjernan AB flagged a holding exceeding 10 per cent (call option included) of the total number of shares while Bengtssons Tidnings AB flagged a holding of less than 10 per cent. The ten largest shareholders of Diös Fastigheter AB according to Euroclear Sweden AB are shown in the table above.

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

RETURN AND NET ASSET VALUE

Our goal is to generate a return on equity in excess of the risk-free rate plus 12 per cent. The annual return was 18.2 per cent (18.3). Equity

at the end of the year was SEK 7,839 million (6,887) and the long-term net asset value, EPRA NAV, was SEK 9,088 million (8,033). On a per share basis, EPRA NAV was SEK 67.6 (59.7), which means that the share price at 31 December represented 83 per cent (93) of the long-term net asset value. The net asset value per share for the year, expressed as EPRA NNNAV, was SEK 65.8 (58.0).

EARNINGS

Earnings per share for the year were SEK 9.94 (7.78) while long-term earnings per share, expressed as EPRA EPS, were SEK 6.05 (5.54). 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.

LARGEST SHAREHOLDERS

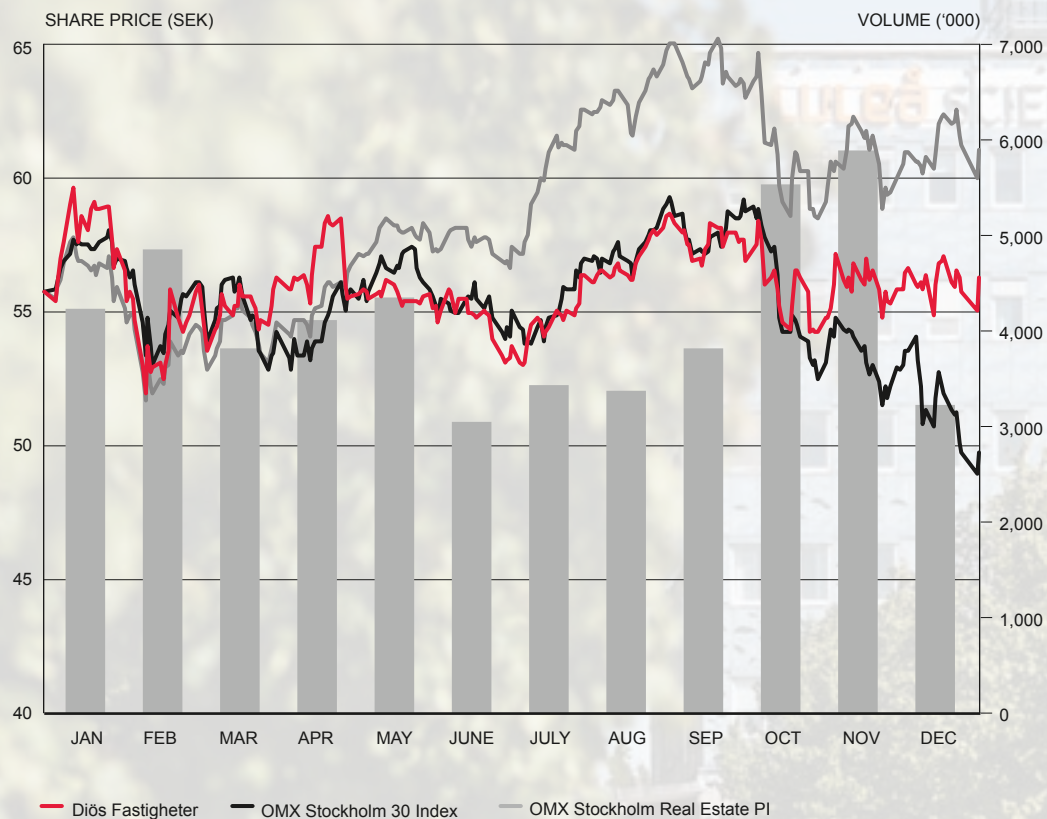
OF DIÖS FASTIGHETER AB AT 31 DECEMBER 2018

SHAREHOLDER	No. of shares	Capital and votes, %
AB Persson Invest	20,699,443	15.4
Backahill Inter AB	14,095,354	10.5
Pensionskassan SHB Försäkringsförening	8,096,827	6.0
Nordstjernan AB	6,787,374	5.0
Bengtssons Tidnings AB	6,787,374	5.0
Handelsbankens Fonder	5,150,000	3.8
Avanza Pension	3,668,020	2.7
SEB Fonder	2,974,759	2.2
Staffan Rasjö	2,355,852	1.8
Thompson, Siegel & Walmsley LLC	2,324,079	1.7
Total, largest shareholders	72,939,082	54.1
Other shareholders	61,573,356	45.9
TOTAL	134,512,438	100.0

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

> SHARE PRICE PERFORMANCE



> THREE REASONS TO INVEST IN DIÖS



DIVERSIFIED PROPERTY PORTFOLIO

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



ATTRACTIVE YIELD

Since 2013, the yield has amounted to 4.8 per cent on average, which is among the highest in the industry. According to the dividend policy, approx. 50 per cent of the profit for the year after tax, excluding unrealised changes in value and deferred tax, should be passed onto the shareholders as a dividend.



VALUE GROWTH THROUGH INCREASED CASH FLOW

Since 2013, the cash flow per share has increased by 69 per cent. This is the result of effective management, energy-saving measures, profitable investments and a tenant-focused organisation.

»»» REVIEW OF THE REPORT

The Board of Directors and the CEO declare that the financial statement gives a true and fair view of the operations, financial position and income of the company and the Group, and describes the principal risks and uncertainties faced by the company and the Group's companies. 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, 14 February 2019

Bob Persson
Chairman

Eva Nygren
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

»»» FINANCIAL CALENDAR

Annual Report 2018	Week 13, 2019
Q1 Interim Report January-March 2019	23 April 2019
Annual General Meeting 2019	23 April 2019
Q2 Interim Report January-June 2019	5 July 2019
Q3 Interim Report January-September 2019	25 October 2019

The Annual Report 2018 will be available at www.dios.se. In early April, the annual report is sent to those Swedish shareholders who have notified that they wish to receive a printed version of the report.

»»» EVENTS AFTER THE REPORTING DATE

In January 2019, Diös acquired three properties in Gävle, Borlänge and Mora. The properties have a total value of SEK 282 million and the completion date is 15 February 2019.

» FOR FURTHER INFORMATION, PLEASE CONTACT:

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This constitutes information which Diös Fastigheter AB is required to publish under the EU's Market Abuse Regulation.
The information was submitted for publication through the above contact person on 14 February 2019, at 7:00 a.m. CET.



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 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.

EBITDA

Operating surplus less central administration after reversal of scheduled depreciation and amortisation. The calculation is made on 12-month rolling basis, unless otherwise stated.

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

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

ECONOMIC VACANCY RATE

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

EPRA EARNINGS

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

EPRA NAV/LONG-TERM NET ASSET VALUE PER SHARE

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

EPRA NNAV/CURRENT NET ASSET VALUE PER SHARE

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

EPRA 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.

CONTRACTED RENTAL INCOME

Rents invoiced for the period less rent losses and rent discounts including service income.

RENTAL VALUE

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

COMPARABLE PROPERTIES

Comparable properties refer to properties which have been owned throughout the period and the whole comparative period. The term is used to highlight growth in rental income, excluding one-off effects resulting from early vacating of properties, and property costs as well as acquired and sold properties.

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 DEBT TO EBITDA

Net debt is calculated as interest-bearing liabilities less cash and cash equivalents plus overdraft facilities. Net debt is then divided by EBITDA.

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.

PROJECT PROPERTY

Refers to a property that is intended to be redeveloped or improved. Divided into the following sub-categories:

NEW BUILDS – land and properties with ongoing new builds or that are undergoing complete redevelopment.

IMPROVEMENT PROPERTY – properties with ongoing or planned conversion or extension work that materially affects the property's operating surplus or standard or changes the use of the premises.

TENANT IMPROVEMENTS – properties undergoing conversion or minor improvements to premises.

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.

SERVICE INCOME

Income from tariff-based operations and income from care and upkeep.

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 contracted rental income for the period.

The definitions have been updated since the previous quarterly report.



DIÖS FASTIGHETER AB (PUBL)

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