

Diös

Q2

INTERIM REPORT **JANUARY – JUNE 2018**



HIGHLIGHTS OF THE PERIOD

JANUARY–JUNE 2018

- **RENTAL INCOME** INCREASED BY 7 PER CENT TO SEK 887 MILLION (832)
- **PROPERTY MANAGEMENT INCOME** INCREASED BY 4.5 PER CENT AND WAS SEK 421 MILLION (403)
- **UNREALISED CHANGES IN VALUE** OF PROPERTIES WERE SEK 227 MILLION (302) AND UNREALISED CHANGES IN VALUE OF DERIVATIVES WERE SEK 12 MILLION (14)
- **THE PROFIT AFTER TAX** WAS SEK 587 MILLION (581).
- **EARNINGS PER SHARE** WERE SEK 4.34 (4.46)*



3.5%

RENTAL GROWTH,
COMPARABLE PROPERTIES



5.6

INTEREST
COVERAGE RATIO



55.8%

LOAN-TO-VALUE RATIO

NET PROFIT FOR THE PERIOD, SEKm	2018 6 mths Jan-Jun	2,017 6 mths Jan-Jun	2,017 12 mths Jan-Dec
Rental income	887	832	1,700
Operating surplus	545	527	1,080
Property management income	421	403	822
Profit before tax	657	721	1,261
Profit after tax	587	581	1,029
Surplus ratio, %	62	63	64
Occupancy rate, %	91	90	91
Equity/assets ratio, %	34.9	33.3	34.9
Property loan-to-value ratio, %	55.8	58.3	57.1
Equity per share, SEK	52.7	47.9	51.2
EPRA NAV per share, SEK	61.1	56.1	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 Q2

- Diös has signed a letter of intent with Nordic Choice Hotels concerning the construction of a hotel in the Magne block in central Umeå. The hotel will be a full-scale Clarion hotel with around 280 rooms, conference facilities and a sky bar.
- On 28 June, Diös acquired and completed on the Vale 18 property in central Umeå.
- We are leasing about 4,500 square metres to Internationella Engelska Skolan in Luleå.

KNUT ROST, CEO

LOCATION IS KEY

Our property management income continues to improve on the back of increased rental income and efficient property management. Economic occupancy for the period was 91 per cent and the loan-to-value ratio improved to 55.8 per cent.

Earnings growth remains strong. Our property management income increased by 4.5 per cent year on year and the surplus ratio for the period reached 62 per cent. Lettings activity has been high, resulting in a decrease in vacant floor space of 5 percentage points in just three years. We have continued to concentrate our portfolio to centrally located properties in our cities, which will enable us to further optimise the running of the properties and, above all, offer our tenants an unrivalled proposition.

Our latest let, to Internationella Engelska Skolan (International English School) in Luleå at the end of the period, is very important. The opening of the school will increase the attractiveness of the city, create more jobs and breathe new life into the city centre.

We have continued to make use of our development rights, and a very welcome development is the letter of intent that we signed with Nordic Choice Hotels during the period concerning the construction of another new hotel, this time in central Umeå. Umeå is our largest and fastest growing city, where there is a strong need for a new central meeting place. The hotel will raise the profile of the city, attracting more visitors and creating new flows.

The acquisition of the Vale 18 property in central Umeå at the end of the second quarter is strategic in the sense that we now own nearly the whole block. We intend to continue to develop the block by creating further new commercial and residential premises. We are currently at the detailed development plan stage and expect to be able to launch the project in the first half of 2019.



We have been making significant investments in tenant adaptations, committing some SEK 300 million during the period, which shows that demand is strong. Tenants' willingness to pay for the right location, high quality and more efficient premises remains good. Our return on tenant adaptations for the period was 10.3 per cent for completed projects. During the period, we opened our first solar cell facility in Sundsvall, which covers 1,000 square metres. We also ordered 19 new electric cars, which will be delivered in the autumn. We are upgrading our service vehicles to a greener option that will have a positive impact on the urban environment as well as benefiting the drivers.

We are convinced that location is key. Dynamic and attractive environments in central locations will be a success factor. There are many challenges in the retail sector today, but above all a whole host of opportunities. The Swedish retail sector is growing and is now worth nearly SEK 800 billion. New business models and concepts are being developed faster than ever before. For us as a property owner with a strong presence in the city centre, the challenge is to create new environments for consumption that can be remodelled ever more frequently. That's why we are complementing our retail offering with e-commerce concepts, pop-up stores, offices, housing, cafés, restaurants, culture and service. Coupled with our strong cash flow and unique position, our centrally located properties put us in an ideal situation to create attractive premises for continued growth.

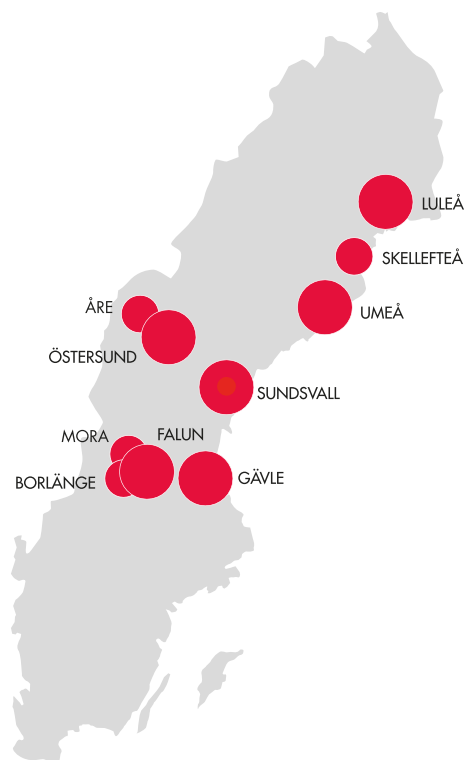


Knut Rost, CEO

WELCOME TO DIÖS

Diös aims to be the market-leading property company in northern Sweden. We own, manage and develop properties in the centre of 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.



338

NO. OF PROPERTIES



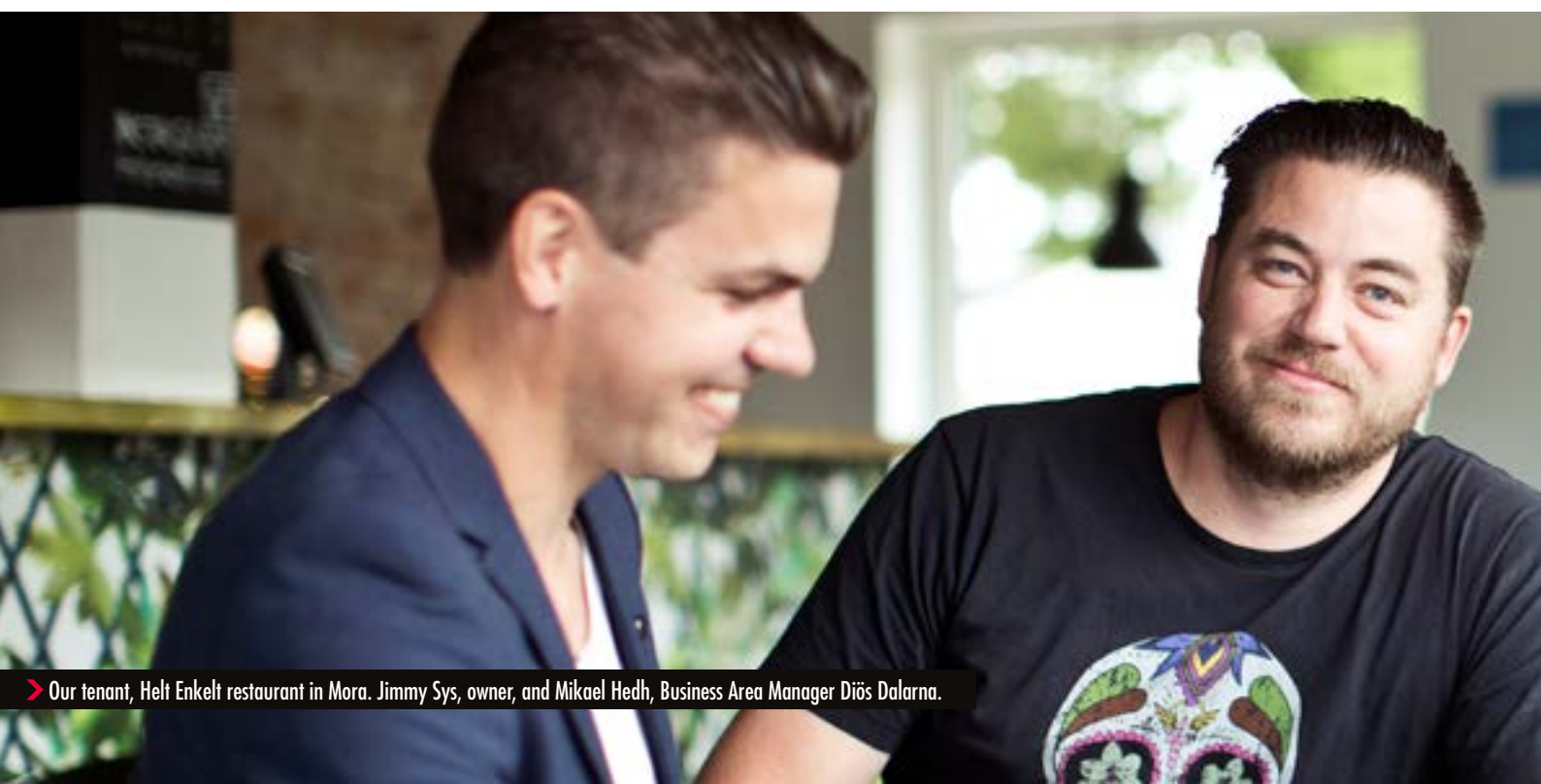
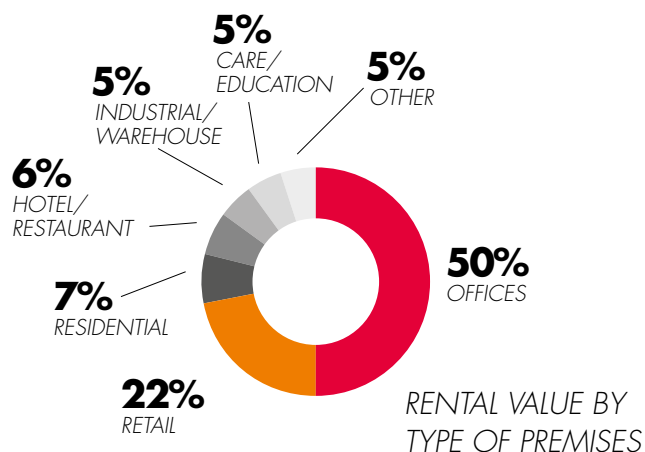
20.1

PROPERTY VALUE, SEK BN



1,537

LEASABLE AREA, '000 SQ.M



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



RELATIONSHIPS AND DEALS

Without good relationships, it is impossible create long-term, profitable business deals.

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 have changed their behaviour in terms of how they shop, 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, SEK M

INCOME STATEMENT	2018 3 mths April-June	2017 3 mths April-June	2018 6 mths Jan-Jun	2017 6 mths Jan-Jun	2017 12 mths Jan-Dec
Rental income	442	432	887	832	1,700
Other property management income	4	3	9	8	19
Property costs	-151	-149	-351	-313	-639
Operating surplus	295	286	545	527	1,080
Central administration	-18	-15	-35	-36	-73
Net financial items	-43	-47	-89	-88	-185
Property management income	234	224	421	403	822
Change in value, properties	118	94	224	304	412
Change in value, interest rate derivatives	6	5	12	14	27
Profit before tax	358	323	657	721	1,261
Current tax	-22	-9	-39	-17	-43
Deferred tax	22	-59	-31	-123	-189
Profit after tax	358	255	587	581	1,029
Profit attributable to shareholders of the parent company	-355	253	584	578	1,027
Profit attributable to non-controlling interests	3	2	3	3	2
Total	358	255	587	581	1,029
STATEMENT OF COMPREHENSIVE INCOME					
Profit after tax	358	255	587	581	1,029
Comprehensive income for the period	358	255	587	581	1,029
Comprehensive income attributable to shareholders of the parent company	-355	253	584	578	1,027
Comprehensive income attributable to non-controlling interests	3	2	3	3	2
Total	358	255	587	581	1,029
Earnings per share, SEK	2.64	1.88	4.34	4.46	7.78
Number of shares at end of period ('000)	134,512	134,512	134,512	134,512	134,512
Average number of shares ('000)	134,512	134,512	134,512	129,528	132,041
Number of treasury shares at end of period	0	0	0	0	0
Average number of treasury shares	0	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-JUNE 2018

PROPERTY MANAGEMENT INCOME

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 421 million (403). In comparable properties, increased winter-related costs resulted in a decrease in property management income of 1.5 per cent compared with the previous year.

RENTAL INCOME AND OTHER INCOME

The rental income for the reporting period was SEK 887 million (832), representing a 91 per cent (90) economic occupancy rate. For comparable properties, rental income increased by 3.5 per cent year on year. Other property management income totalled SEK 9 million (8) and consisted mainly of costs for work in leased premises that are passed on to tenants.

RENTAL INCOME GROWTH

	2018 Jan-Jun	2017 Jan-Jun	Change %
Comparable properties	840	812	3.5
Acquired properties	44	0	
Sold properties	3	20	
Rental income	887	832	

PROPERTY COSTS

Total property costs were SEK 351 million (313). 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 6 million (4) refers to work in leased premises for which the costs are passed on to tenants.

OPERATING SURPLUS

The operating surplus was SEK 545 million (527), representing a surplus ratio of 62 per cent (63). The lower surplus ratio is mainly due to increased winter-related property costs. For comparable properties, our operating surplus increased by 1.1 per cent compared with the previous year.

CENTRAL ADMINISTRATION

The central administration expense was SEK 35 million (36). 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

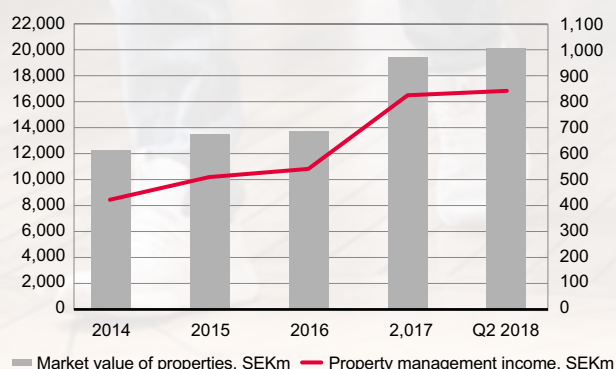
Net financial items for the period were SEK -89 million (-88). The interest costs for the period, including costs for interest rate derivatives and loan commitments, represent borrowings at an average annual interest rate of 1.5 per cent (1.8).

CHANGES IN VALUE, PROPERTIES

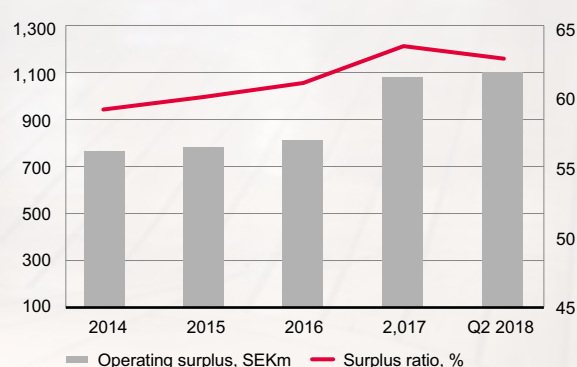
The average valuation yield at the end of the period was 6.03 per cent (6.11). At portfolio level, this represents a decrease of 0.05 percentage points since year-end. The positive value change of SEK 227 million (302) is mainly attributable to a higher net operating income. The change in value represented 1.1 per cent (1.6) 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. At 30 June, the market value was SEK 20,060 million (19,027).

During the period, 4 properties (1) were sold, resulting in a realised change in value of SEK -3 million (2). Three properties (33) 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 Q2 2018 are on a rolling 12-month basis.

CHANGES IN VALUE, DERIVATIVES

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

During the period, unrealised changes in value on derivatives totalled SEK 12 million (14), 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 657 million (721). The change in profit primarily results from lower unrealised value changes for properties and higher winter-related costs.

PROFIT AFTER TAX

The profit after tax was SEK 587 million (581). Current tax totalled SEK -39 million (-17). This is mainly attributable to tax in subsidiaries which do not have the right to offset losses against Group contributions. Deferred tax was SEK -31 million (-123) after a positive effect of SEK 75 million from restatement of deferred tax.

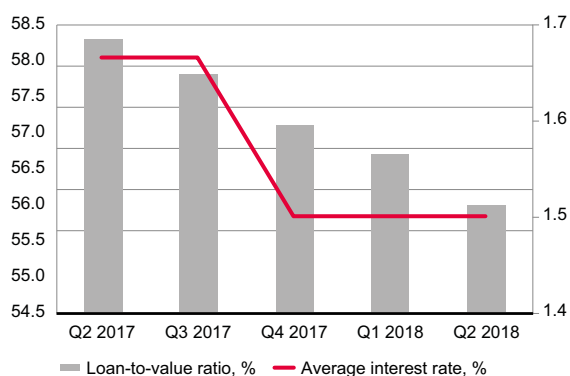
SECOND QUARTER OF 2018

Property management income for the second quarter, i.e. income excluding changes in value and tax, was SEK 234 million (224). The operating surplus was SEK 295 million (286), representing a surplus ratio of 67 per cent (66).

- Rental income for the second quarter was SEK 442 million (432), representing an economic occupancy rate of 91 per cent (91).
- Total property costs were SEK 151 million (149).

Net financial items for the second quarter were SEK -43 million (-47). The profit before tax was SEK 358 million (323), with changes in the value of properties having a positive impact of SEK 118 million (94) and changes in the value of interest rate derivatives adding SEK 6 million (5). The profit after tax was SEK 358 million (255). Deferred tax had a positive impact on earnings of SEK 22 million (-59) as a result of a SEK 75 million restatement of deferred tax. Current tax was SEK -22 million (-9).

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. Tax paid arises from the fact that some subsidiaries are not able to avail themselves of the tax benefits of group contributions.

The remaining tax losses are estimated at SEK 10 million (78). The Group also has untaxed reserves of SEK 181 million (118). The fair value of the properties exceeds their tax base by SEK 5,704 million (5,108). The tax liability has been calculated based on the tax rate applying at the time when the tax consequence is expected to arise. The tax on the net balance of these items less the deferred tax attributable to asset purchases has been recognised as a deferred tax liability.

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	Basis for current tax	Basis for deferred tax
Property management income	421	
Tax-deductible		
depreciation and amortisation	-113	113
conversion projects	-44	44
Other tax adjustments	-77	109
Taxable property management income	187	266
Income tax at 22% if tax losses are not used	41	
Sale of properties	2	-21
Change in value, properties	0	226
Taxable profit before tax losses	189	471
Tax losses, opening balance	-21	21
Tax losses, closing balance	10	-10
Taxable profit	178	482
Tax for the period	39	106
Restatement of deferred tax ¹	-	-75
Tax for the period as per income statement	39	31

¹ The deferred tax liability has been restated as follows: 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 3,052 (3,045). The number of residential leases was 1,632 (1,896). The ten largest tenants represent 15.6 per cent (15.7) of Diös' total rental income.

NET LEASING

Net leasing for the period was SEK -2 million (32). The reduction during the period is due to a small number of major terminated leases. Noteworthy lets during the period included the contracts with Internationella Engelska Skolan in Stören 17, Luleå, and ÅF AB in Norr 31:9, Gävle.

CONTRACT TERM

The average contract term commercial premises at 30 June was 3.5 years (3.6).

VACANCIES

At 30 June, the economic vacancy rate stood at 8 per cent (9) while physical vacancies were 13 per cent (14). Economic vacancies are highest in office and retail premises while physical vacancies are highest in office and industrial premises. The economic vacancy rate for the period, excluding discounts, was 8 per cent (9).

OUR LARGEST TENANTS

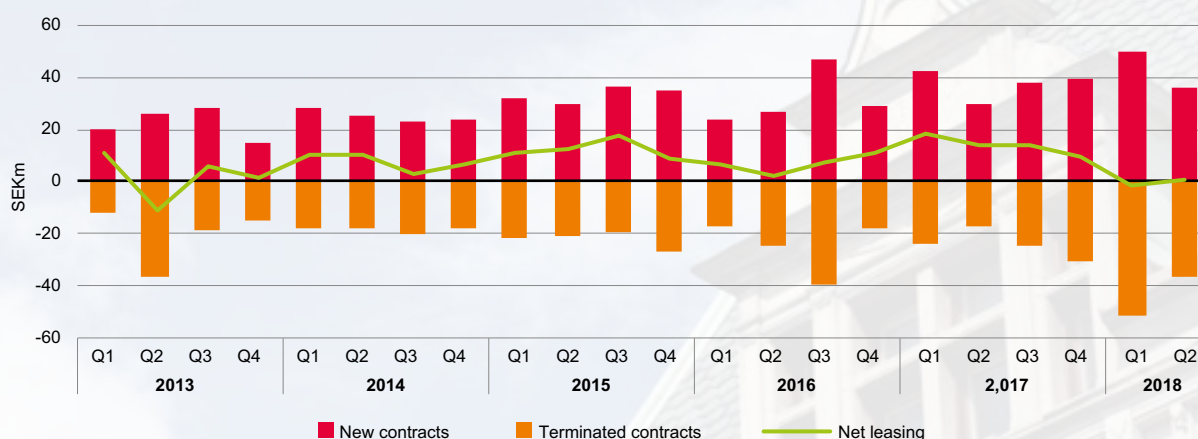
TENANTS AT 30 JUNE 2018	No. of contracts	Annual contract value, SEK '000	Average contract term, years
Swedish Transport Administration	30	63,533	2.1
Municipality of Östersund	110	37,589	2.5
Swedish Public Employment Service	38	32,155	2.6
Swedbank AB	11	23,038	4.7
Åhléns AB	5	22,799	5.1
Telia Sverige AB	26	20,643	10.2
Folksam Ömsesidig Sakförsäkring	44	20,443	5.3
Swedish Police Authority	34	20,014	3.2
Swedish Social Insurance Agency	21	18,437	3.1
Municipality of Falun	6	17,920	2.0
Total, largest tenants	325	276,571	3.6

LEASES AND MATURITIES

	Number contract	Contract value SEKm	Share of value, %
Commercial, maturity			
2018	459	104	6
2019	893	311	17
2020	725	340	19
2021	616	353	20
2022+	359	482	27
Total	3,052	1,590	89
Residential	1,632	125	7
Other leases ¹	4,133	63	4
TOTAL	8,817	1,778	100

¹ Other leases refer mainly to garage and parking spaces.

NET LEASING





BALANCE SHEET AND EQUITY

»»» CONDENSED CONSOLIDATED BALANCE SHEET, SEK M

	2018 30 Jun	2017 30 Jun	2017 31 Dec
ASSETS			
Investment properties	20,060	19,027	19,457
Other non-current assets	53	46	46
Current receivables	212	244	173
Cash and cash equivalents	-	-	32
TOTAL ASSETS	20,325	19,317	19,708
EQUITY AND LIABILITIES			
Equity	7,084	6,438	6,887
Deferred tax liability	1,217	1,133	1,197
Provisions	9	9	9
Interest-bearing liabilities	11,190	11,095	11,104
Overdraft facilities	46	48	-
Current liabilities	779	594	511
TOTAL EQUITY AND LIABILITIES	20,325	19,317	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>	581	578	3
Comprehensive income for the period	581	578	3
<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, 30 Jun 2017	6,438	6,392	46
<i>Profit for the period after tax</i>	448	449	-1
Comprehensive income for the period	448	449	-1
Equity, 31 Dec 2017	6,887	6,841	45
<i>Profit for the period after tax</i>	587	584	3
Comprehensive income for the period	587	584	3
<i>Dividend</i>	-390	-390	-
Equity, 30 Jun 2018	7,084	7,035	48



> Residential tenant Eva Bergström at the Hälsan 6 property in Sundsvall with Catrin Engberg, residential letting agent.

OUR PROPERTIES

PROPERTY PORTFOLIO

The property portfolio is concentrated to central locations in ten priority cities in northern Sweden. Diös has a well diversified portfolio of residential, office, retail and industrial 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 15,085 million, and 120 properties. The valuation method requires that an external valuation of the entire main portfolio be made each year. The external valuation is made by valuation consultants Savills, who assess 25 per cent of the main portfolio each quarter. All properties in the main portfolio are also physically inspected by Savills within a three-year period. In addition to the regular inspections, physical visits are also made after major changes. Properties in the secondary portfolio are valued with the help of Savills. All property valuations are based on a number of assumptions about the future and the market. Savills' calculations thus have an uncertainty range of +/-7.5 per cent. For Diös, this translates into a value range of SEK 18,555-21,565 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		2,017	
	SEKm	Number	SEKm	Number
Property portfolio, 1 January	19,457	339	13,683	315
Acquisitions	138	3	4,753	33
Investments in new builds, extensions and conversions	298		290	
Sales	-69	-4	-2	-1
Unrealised changes in value	227		302	
Reclassifications	10		-	
Value of property portfolio, 30 June	20,060	338	19,027	347

CHANGES IN VALUE

Unrealised changes in value for the period totalled SEK 227 million (302) and were due to higher net operating income and lower required rates of return.

UNREALISED CHANGES IN VALUE

	30 Jun 2018	
	SEKm	%
Change in net operating income	149	66
Change in required rate of return	59	26
Capex	19	8
Total	227	100

CHANGES IN THE PORTFOLIO

Our strategy is to continuously strive to concentrate our property portfolio to central locations in our priority localities. In the second quarter, Diös completed on the Vale 18 property in Umeå.

LIST OF PROPERTY TRANSACTIONS JAN-JUN 2018

Acquired

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	
Total			8,638	138

Divested

Property	Quarter	City	Area, sq.m	Price, SEKm
Norrkämsta 16:3	1	Ljusdal	15,997	
Norrkämsta 17:2	1	Ljusdal	2,300	
Östernäs 14:4	1	Ljusdal	1,695	
Tälle 23:8	1	Ljusdal	4,015	
Total			24,007	67

VALUATION ASSUMPTIONS

	30 Jun 2018					30 Jun 2017				
	Office	Retail	Residential	Industrial/warehouse	Other	Office	Retail	Residential	Industrial/warehouse	Other
Yield for assessing residual value ¹ , %	7.0-5.6	6.8-5.9	5.3-4.7	8.0-7.0	7.0-6.0	7.0-5.7	6.9-6.0	5.5-4.7	8.0-7.3	7.0-6.2
Cost of capital for discounting to present value, %	8.1	8.2	7.3	9.8	8.7	8.1	8.2	7.4	9.8	8.8
Long-term vacancy, %	5.0	3.7	1.8	12.0	5.9	5.0	3.5	1.7	11.5	6.0

¹ From lower to upper quartiles in the portfolio.

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



»»» 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 298 million (290) to the value of Diös' property portfolio for the period.

PROPERTY DEVELOPMENT

Our investments in our existing portfolio comprise conversions and extensions as well as energy-saving measures. The investments must result in a higher occupancy rate, increased customer satisfaction, lower costs and a reduced impact on the environment. During the period, SEK 298 million (290) was invested in 564 projects (522). At the end of the period, 17 major¹ development projects were ongoing, with a remaining investment volume of SEK 222 million and a total investment volume of SEK 888 million. During the period, 82 new project investments were approved. The return on completed investments for the period was 10.3 per cent on the invested amount while the return on our ongoing projects was 6.0 per cent.

¹Initial investment volume > SEK 4 million.

PROJECTS

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 potential future investment volume of around SEK 4,000 million.

Project starts for Diös' own development rights during the period were concentrated to the Falan 20 residential property in Falun. The Riverside hotel project in Sundsvall is expected to commence in the second half of 2018 and the Thule hotel project in Umeå in the first half of 2019.

»»» ENERGY USE AND CARBON DIOXIDE EMISSIONS

	Unit	2018 6 mths Jan-Jun	2017 6 mths Jan-Jun
Heating ¹	kWh/sq.m	50.2	50.4
District cooling ²	kWh/sq.m	7.5	7.2
Electricity ³	kWh/sq.m	30.0	30.0
Carbon dioxide, total ⁴	g CO ₂ /kWh	26.3	26.1
Water	m ³ /sq.m	0.2	0.2

¹ Heating has been adjusted to a normal year.

² District cooling does not include self-produced cooling.

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

⁴ Carbon dioxide from electricity and heating.

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

Total energy use decreased by 0.2 per cent compared with the same period the year before. For the full-year 2018, our aim is to achieve a decrease in energy use of 3 per cent, which will be possible by increasing our energy optimisation efforts and further developing our technology strategies. Use of district cooling is increasing as we replace cooling machine solutions with district cooling solutions, and thus cut electricity and refrigerant use. In addition, more properties are installing district cooling. 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

During the period, two properties were certified under the BREEAM In-Use standard, Hunden 15 in Luleå and Hugin 4 in Umeå. We now have 16 properties certified under the Miljöbyggnad, BREEAM In-Use and Greenbuilding standards.



FINANCING

CAPITAL STRUCTURE

At 30 June 2018, 35 per cent (33) of Diös' total assets of SEK 20,325 million was funded through equity, 55 per cent (57) through debt securities and 10 per cent (10) through other capital. Interest-bearing liabilities comprise bank financing, covered bonds and commercial paper.

EQUITY

At 30 June 2018, equity was SEK 7,084 million (6,438). The equity/assets ratio was 34.9 per cent (33.3), which exceeds the target of 30 per cent.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities in the Group were SEK 11,190 million (11,095). Of total interest-bearing liabilities, SEK 9,150 million (10,080) refers to bank financing, SEK 1,240 million (1 015) to covered bonds and SEK 800 million (0) to commercial paper. The bonds are issued through the covered MTN programme of a jointly controlled company, Svensk FastighetsFinansiering AB. At the end of the period, the loan-to-value ratio in the Group was 55.8 per cent (58.3). At 30 June, the average annual interest rate, including the cost of derivatives and loan commitments, was 1.5 per cent (1.6) and the interest coverage ratio for the period was 5.6 times (5.5).

DERIVATIVES

Out of the Group's total interest-bearing liabilities, SEK 4,600 million (3,600) has been hedged through derivatives. At 30 June 2018, Diös' derivatives portfolio excluding interest rate caps had a market value of SEK -4 million (-29) and interest rate caps had a market value of SEK 1 million (4). 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

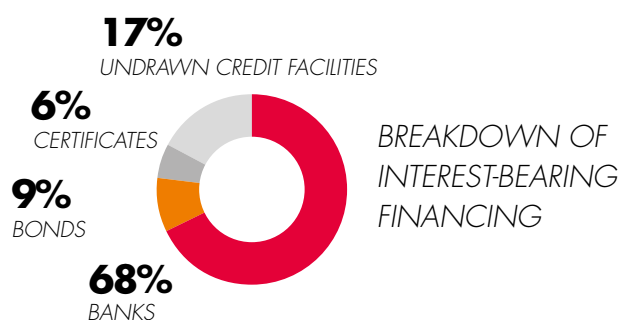
AT 30 JUNE 2018	If market interest rates increase by 1 percentage point		
	Change in average annual interest rate, %	Change in average annual interest cost, SEKm	Change in market value, SEKm
Loan portfolio excl. derivatives	0.3	+28	-
Derivatives portfolio	-1.0	-6	+2
Loan portfolio incl. derivatives	0.2	+22	+2

FIXED-RATE TERMS AND LOAN MATURITIES

The average fixed-rate term including derivatives and the average loan maturity were 1.9 years (1.7) and 2.0 years (2.5), respectively. Of the Group's outstanding loans, SEK 8,410 million (7,197) is subject to fixed interest rates.

CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the period were SEK 0 million (0) and drawn overdraft facilities were SEK 46 million (48). The agreed limit on the overdraft facility was SEK 600 million (600).



INTEREST RATE AND DEBT MATURITY STRUCTURE AT 30 JUNE 2018

Maturity year	Interest rate and margin expiration		Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm
2018	2,849	0.9	1,352	1,352
2019	2,603	1.2	2,431	2,431
2020	5,518	1.4	6,243	5,743
2021	220	0.4	722	220
2022	-	-	1,725	746
2027	-	-	1,000	697
Drawn credit facilities	11,190	1.2	13,473	11,190
Unutilised credit facilities ²	2,291	0.1		
Financial instruments	4,600	0.2		
TOTAL		1.5		

¹ Average annual interest rate refers to the average interest rate based on interest rate terms and the outstanding liability as at 30 June 2018.

² The cost of unused credit facilities affects the average annual interest rate by 0.07 percentage points.



CASH FLOW

CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEK M

	2018 3 mths April-June	2017 3 mths April-June	2018 6 mths Jan-Jun	2017 6 mths Jan-Jun	2017 12 mths Jan-Dec
OPERATING ACTIVITIES					
Operating surplus	295	286	545	527	1,080
Central administration	-18	-15	-35	-36	-73
Reversal of depreciation, amortisation and impairment	1	0	1	0	2
Interest received	1	0	2	1	4
Interest paid	-51	-55	-80	-122	-219
Tax paid	-22	-9	-39	-17	-43
Operating cash flow before changes in working capital	206	207	394	353	751
Changes in working capital					
Decrease (+)/increase (-) in receivables	54	-6	-47	-12	82
Decrease (-)/increase (+) in current liabilities	-35	-30	24	-98	-142
Total changes in working capital	19	-36	-23	-110	-60
Operating cash flow	225	171	371	243	691
INVESTING ACTIVITIES					
Investments in new builds, conversions and extensions	-139	-94	-264	-244	-502
Acquisition of properties	-69	-	-111	-2,316	-2,581
Sale of properties	-	3	55	3	240
Other financial assets	5	-	5	-	-
Cash flow from investing activities	-203	-91	-315	-2,557	-2,843
FINANCING ACTIVITIES					
Dividends paid	-195	-269	-195	-269	-269
Issue of new shares	-	-	-	1,802	1,802
New borrowing, interest-bearing liabilities	37	-	212	3,124	3,168
Repayment and redemption of interest-bearing liabilities	-33	-23	-151	-2,376	-2,502
Change in overdraft facility	46	48	46	33	-15
Cash flow from financing activities	-145	-244	-88	2,314	2,184
Cash flow for the period	-123	-164	-32	0	32
Cash and cash equivalents at beginning of period	123	164	32	0	0
Cash and cash equivalents at end of period	0	0	0	0	32



SEGMENT REPORTING AS AT 30 JUNE

Amounts are expressed in millions of Swedish kronor unless otherwise indicated.
More information available at www.dios.se.

2018

By segment	Dalarna	Gävle	Sundsvall	Äre/Östersund	Skellefteå/Umeå	Luleå	the Group
Rental income	140	98	142	162	191	155	887
Other income	2	0	1	2	2	2	9
Repair and maintenance	-6	-3	-4	-5	-8	-4	-30
Tariff-based costs	-21	-12	-19	-26	-23	-15	-116
Property tax	-6	-5	-7	-7	-10	-9	-44
Other property costs	-16	-14	-23	-23	-20	-24	-120
Property management	-7	-5	-7	-8	-8	-6	-40
Operating surplus	87	60	82	94	124	99	545
Central administration/net financial items	-	-	-	-	-	-	-124
Property management income	-	-	-	-	-	-	421
Property, realised	-	-3	-	-	-	-	-3
Property, unrealised	5	5	30	40	111	36	227
Interest rate derivatives	-	-	-	-	-	-	12
Profit before tax	-	-	-	-	-	-	657
Leasable area, sq.m	266,682	216,692	233,490	304,511	310,340	205,440	1,537,155
Rental value	153	109	161	177	205	164	969
Economic occupancy rate, %	92	90	88	91	93	95	91
Surplus ratio, %	62	61	58	58	65	64	62

2017

By segment	Dalarna	Gävle	Sundsvall	Äre/Östersund	Skellefteå/Umeå	Luleå	the Group
Rental income	133	101	131	156	167	145	832
Other income	3	1	1	1	1	2	8
Repair and maintenance	-5	-4	-5	-6	-8	-5	-33
Tariff-based costs	-19	-13	-18	-25	-21	-13	-109
Property tax	-6	-5	-7	-8	-9	-9	-44
Other property costs	-14	-11	-15	-16	-16	-16	-87
Property management	-7	-5	-8	-8	-6	-6	-40
Operating surplus	86	63	79	95	107	98	527
Central administration/Net financial items	-	-	-	-	-	-	-124
Property management income	-	-	-	-	-	-	403
Property, realised	-	2	-	-	-	-	2
Property, unrealised	-13	49	62	78	92	34	302
Interest rate derivatives	-	-	-	-	-	-	14
Profit before tax	-	-	-	-	-	-	721
Leasable area, sq.m	266,682	250,733	238,402	304,511	313,798	205,440	1,579,567
Rental value	150	114	151	171	183	152	920
Economic occupancy rate, %	89	89	87	91	92	95	90
Surplus ratio, %	64	63	60	61	64	67	63

PROPERTY PORTFOLIO AT 30 JUNE

	Dalarna		Gävle		Sundsvall		Äre/Östersund		Skellefteå/Umeå		Luleå		the Group	
	2018	2,017	2018	2,017	2018	2,017	2018	2,017	2018	2,017	2018	2,017	2018	2,017
Property portfolio, 1 January	2,649	2,576	2,045	1,978	3,234	2,033	3,257	3,025	4,494	2,219	3,778	1,852	19,457	13,683
Acquisitions	-	-	-	-	-	1,044	-	-	138	1,943	-	1,806	138	4,753
Investments in new builds, extensions and conversions	60	58	26	18	41	69	59	53	45	56	67	36	298	290
Sales	-	-	-69	-2	-	-	-	-	-	-	-	-	-69	-2
Reclassifications	2	-	0	-	3	-	1	-	2	-	1	-	10	-
Unrealised changes in value	5	-13	5	49	30	62	40	78	111	92	36	34	227	302
Property portfolio, 30 June	2,715	2,621	2,007	2,043	3,309	3,168	3,356	3,156	4,791	4,311	3,882	3,728	20,060	19,027

Columns/rows may not add up due to rounding.



➤ Erik Wallström, Property Manager, at the office of Diös tenant NCC at Humlan 6 in Luleå.

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 April-June	2017 3 mths April-June	2018 6 mths Jan-Jun	2017 6 mths Jan-Jun	2017 12 mths Jan-Dec
Number of shares at end of period, thousands (<i>balance sheet KPIs</i>) ¹	134,512	134,512	134,512	134,512	134,512
Average number of shares, thousands (<i>income statement-related key ratios</i>) ¹	134,512	134,512	134,512	129,528	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. The target for the year is a surplus ratio in excess of 64 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. We also report 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 our control, such as changes in the value of properties and derivatives.

	2018 3 mths April-June	2017 3 mths April-June	2018 6 mths Jan-Jun	2017 6 mths Jan-Jun	2017 12 mths Jan-Dec
Property management income					
Profit before tax	358	323	657	721	1,261
Reversal					
Change in value, properties	-118	-94	-224	-304	-412
Change in value, derivatives	-6	-5	-12	-14	-27
Property management income	234	224	421	403	822
EPRA earnings (property management income after tax)					
Property management income	234	224	421	403	822
Reversal, current tax property management income	-24	-30	-41	-50	-88
Minority share of earnings	-3	-2	-3	-3	-2
EPRA earnings / EPRA EPS	207	192	377	350	732
EPRA earnings / EPRA EPS per share, SEK	1.54	1.43	2.80	2.70	5.54
SURPLUS RATIO					
Operating surplus as per income statement	295	286	545	527	1,080
Rental income as per income statement	442	432	887	832	1,700
Surplus ratio, %	67	66	62	63	64

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 NNNNAV 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 6 mths Jan-Jun	2017 6 mths Jan-Jun	2017 12 mths Jan-Dec
Net asset value			
Equity as per balance sheet	7,084	6,438	6,887
Minority share of equity	-48	-46	-45
Reversal as per balance sheet			
Fair value of financial instruments	4	29	16
Deferred tax on temporary differences	1,179	1,124	1,175
EPRA NAV (long-term net asset value)	8,219	7,545	8,033
EPRA NAV (long-term net asset value) per share, SEK	61.1	56.1	59.7
Deductions			
Fair value of financial instruments	-4	-29	-16
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-219	-199	-209
EPRA NNNNAV (short-term net asset value)	7,997	7,317	7,808
EPRA NNNNAV (short-term net asset value) per share, SEK	59.5	54.4	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.



FINANCIAL RISK

Our 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 financial stability while the interest coverage ratio is a measure of the 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.

	2018 3 mths April-June	2017 3 mths April-June	2018 6 mths Jan-Jun	2017 6 mths Jan-Jun	2017 12 mths Jan-Dec
Loan-to-value ratio					
Interest-bearing liabilities			11,190	11,095	11,104
Investment properties			20,060	19,027	19,457
Loan-to-value ratio, %			55.8	58.3	57.1
Equity/assets ratio					
Equity			7,084	6,438	6,887
Total assets			20,325	19,317	19,708
Equity/assets ratio, %			34.9	33.3	34.9
Interest coverage ratio					
Property management income	234	224	421	403	822
Reversal					
Financial costs	44	47	92	90	191
Total	278	271	513	493	1,013
Financial costs	44	47	92	90	191
Interest coverage ratio, times	6.3	5.8	5.6	5.5	5.3

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 April-June	2017 3 mths April-June	2018 6 mths Jan-Jun	2017 6 mths Jan-Jun	2017 12 mths Jan-Dec
Return on equity, %	5.0	3.9	8.4	10.8	18.3
Equity per share, SEK	52.7	47.9	52.7	47.9	51.2
Rental income, SEKm	442	432	887	832	1,700
Cash flow per share, SEK					
Profit before tax	358	323	657	721	1,261
Reversal					
Unrealised change in value, properties	-118	-93	-227	-302	-402
Unrealised change in value, derivatives	-6	-5	-12	-14	-27
Depreciation and amortisation	0	1	1	1	2
Current tax	-22	-9	-39	-17	-43
Total	212	217	380	389	791
Average number of shares ('000)	134,512	134,512	134,512	129,528	132,041
Cash flow per share, SEK	1.58	1.61	2.83	3.00	6.00
Earnings per share, SEK	2.64	1.88	4.34	4.46	7.78
Debt/equity ratio, times			1.6	1.7	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 April-June	2017 3 mths April-June	2018 6 mths Jan-Jun	2017 6 mths Jan-Jun	2017 12 mths Jan-Dec
Economic occupancy rate, %	91	91	91	90	91
EPRA vacancy rate					
Estimated market rent for vacant space			153	162	153
Annualised rental value for the whole portfolio			1,921	1,885	1,875
EPRA vacancy rate, %			8.0	8.6	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. Sales totalled SEK 88 million (91) and the profit after tax was SEK 604 million (318). Profit after tax includes dividends from Group companies in the amount of SEK 600 million (300). Net sales refer chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents were SEK 0 million (0) at 30 June 2018 and drawn overdraft facilities were SEK

49 million (51). External interest-bearing liabilities, excluding overdraft facilities, totalled SEK 3,306 million (3,530) and outstanding commercial paper totalled SEK 800 million (0). The average annual interest rate at 30 June 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 6 mths Jan-Jun	2,017 6 mths Jan-Jun	2,017 12 mths Jan-Dec
INCOME STATEMENT			
Net revenue	88	91	170
Gross profit	88	91	170
Central administration	-104	-112	-214
Operating profit	-16	-21	-44
Income from interests in Group companies	599	300	454
Financial income	115	143	218
Financial costs	-93	-104	-192
Profit after financial items	605	318	436
Current tax	-1	-	-
Profit after tax	604	318	436
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax	604	318	436
Comprehensive income for the year	604	318	436

CONDENSED PARENT COMPANY BALANCE SHEET, SEKM

	2018 30 June	2,017 30 June	2,017 31 Dec
ASSETS			
Investments in Group companies	2,124	2,124	2,124
Receivables from Group companies	10,809	11,016	11,439
Other assets	25	25	26
Cash and cash equivalents	-	-	29
TOTAL ASSETS	12,958	13,165	13,618
EQUITY AND LIABILITIES			
Equity	3,309	2,978	3,095
Interest-bearing liabilities	3,306	3,530	3,208
Liabilities to Group companies	6,071	6,576	7,277
Overdraft facilities	49	51	-
Other liabilities	223	30	38
TOTAL EQUITY AND LIABILITIES	12,958	13,165	13,618

OTHER INFORMATION

»» EMPLOYEES AND ORGANISATION

The number of employees on 30 March 2018 was 155 (156), of whom 61 were women (64). The majority of Diös' employees, 100 people (107), work in our local business units.

»» 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	18,555	20,060	21,565
Equity/assets ratio, %	29.6	34.9	39.3
Loan-to-value ratio, %	60.3	55.8	51.9

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
Contracted rental income	+/- 1%	+/-17
ECONOMIC OCCUPANCY RATE	+/- 1 percentage point	+/-19
Property costs	+/- 1%	+/-6
Interest rate on interest-bearing liabilities	+/- 1 percentage point	+/-22

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. The accounting principles applied in the interim report are, with the exception of name changes to segments, consistent with the accounting principles applied in preparing the consolidated financial statements and Annual Report for 2017¹, Note 1.

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

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The transition to IFRS 15 is applied from 1 January 2018 and refers to the recognition of revenue from contracts with customers broken down by rental income (including the passing-on of property tax) and service income such as the passing-on of costs for heating, electricity, etc. Revenue mainly comprises rental income, and it is considered that the service provided is subordinate to the lease. All payments are therefore accounted for as rent. The change is not expected to have a material impact on our financial statements and no comparative figures will be restated.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 replaced IAS 39 on 1 January 2018. The standard introduces new principles for the classification of financial assets, hedge accounting and provisions for credit losses. Another change under IFRS 9 is that the principles for provisions for credit losses must be based on an estimate of expected losses. As Diös' credit losses are very small, the transition has not had a material impact on our financial statements and no comparative figures will be restated.

IFRS 16 LEASES

IFRS 16 Leases applies for financial years beginning on 1 January 2019. The accounting treatment for lessors will remain essentially unchanged. For lessees, the standard will have the effect that most leases will be recognised in the balance sheet. For us, 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 operating surplus. As the number of contracts is limited, the impact on the financial statements is not expected to be material.

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



»»» CONT. ACCOUNTING POLICIES

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

	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue, SEKm	446	450	443	436	435	405	337	335
Operating surplus, SEKm	295	250	266	287	286	241	195	212
Property management income, SEKm	234	187	197	222	224	179	132	147
Profit for the period, SEKm	358	229	256	192	255	326	266	229
Surplus ratio, %	67	56	61	67	66	60	59	64
Economic occupancy rate, %	91	92	91	91	91	90	90	90
Return on equity, %	5.0	3.3	3.8	2.9	3.9	6.0	6.4	5.8
Equity/assets ratio, %	34.9	35.3	34.9	33.9	33.3	33.5	31.0	29.8
Property loan-to-value ratio, %	55.8	56.7	57.1	57.8	58.3	59.1	58.6	59.6
Average interest rate at end of period, % ¹	1.5	1.5	1.5	1.6	1.6	1.6	2.0	1.9
Interest coverage ratio, times	6.3	4.9	4.8	5.5	5.8	5.2	3.9	3.8
Property management income per share, SEK	1.74	1.38	1.46	1.65	1.67	1.44	1.39	1.54
Earnings per share after tax, SEK	2.64	1.70	1.91	1.43	1.88	2.60	2.79	2.39
Equity per share, SEK	52.7	52.9	51.2	49.3	47.9	48.0	45.3	42.5
Market price per share, SEK	53.8	56.4	55.8	52.0	46.6	44.0	47.1	50.8

¹ Includes expenses relating to commitment fees and derivatives.

»»» TARGETS

OPERATIONAL TARGETS	Targets 2018	Outcome Jan-Jun 2018
Economic occupancy rate, %	92	91
Surplus ratio, %	64	62
Energy use, %	-3	-0.2
Carbon dioxide emissions,%	-2	1
Employee satisfaction index	76	-
Customer satisfaction index	70	-

FINANCIAL TARGETS	Targets 2018	Outcome Jan-Jun 2018
Return on equity ¹ , %	>12	16.8
Distribution of profit for the year ² , %	~50	-
Loan-to-value ratio, %	< 60	55.8
Equity/assets ratio, %	> 30	34.9

¹ Return on equity has been annualised.

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





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

SHARE INFORMATION

SHARE PERFORMANCE

Diös' share price at the end of the period was SEK 53.8 (46.6), which represents a market capitalisation of SEK 7,230 million (6,268), and the return for the past 12 months was 15.3 per cent (-1.0). If the adopted dividend of SEK 1.45 per share is included, the total return on the shares for the period was 18.3 per cent (3.5). 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 -2.7 per cent (21.1) and the return on the OMX Stockholm Real Estate PI index 3.0 per cent (13.7).

At 31 May, Diös Fastigheter AB had 14,478 shareholders (14,474). The share of foreign-owned shares was 20.7 per cent (20.8) 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 57.4 per cent (56.2) 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.

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 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. On an annualised basis, the return for the period was 17 per cent (22).

Equity at the end of the second quarter was SEK 7,084 million (6,438) and the long-term net asset value, EPRA NAV, was SEK 8,220 million (7,545). On a per share basis, EPRA NAV was SEK 61.1 (56.1), which means that the share price at 30 June represented 88 per cent (83) of long-term NAV. The net asset value per share for the period, expressed as EPRA NNNNAV, was SEK 59.5 (54.4).

EARNINGS

Earnings per share for the period were SEK 4.34 (4.46) while long-term earnings per share, expressed as EPRA EPS, were SEK 2.80 (2.70). EPRA EPS, which is designed to show an entity's long-term earnings per share, is calculated as property management income after deducting 20.6 per cent corporation tax attributable to property management income less minority share of earnings.

LARGEST SHAREHOLDERS

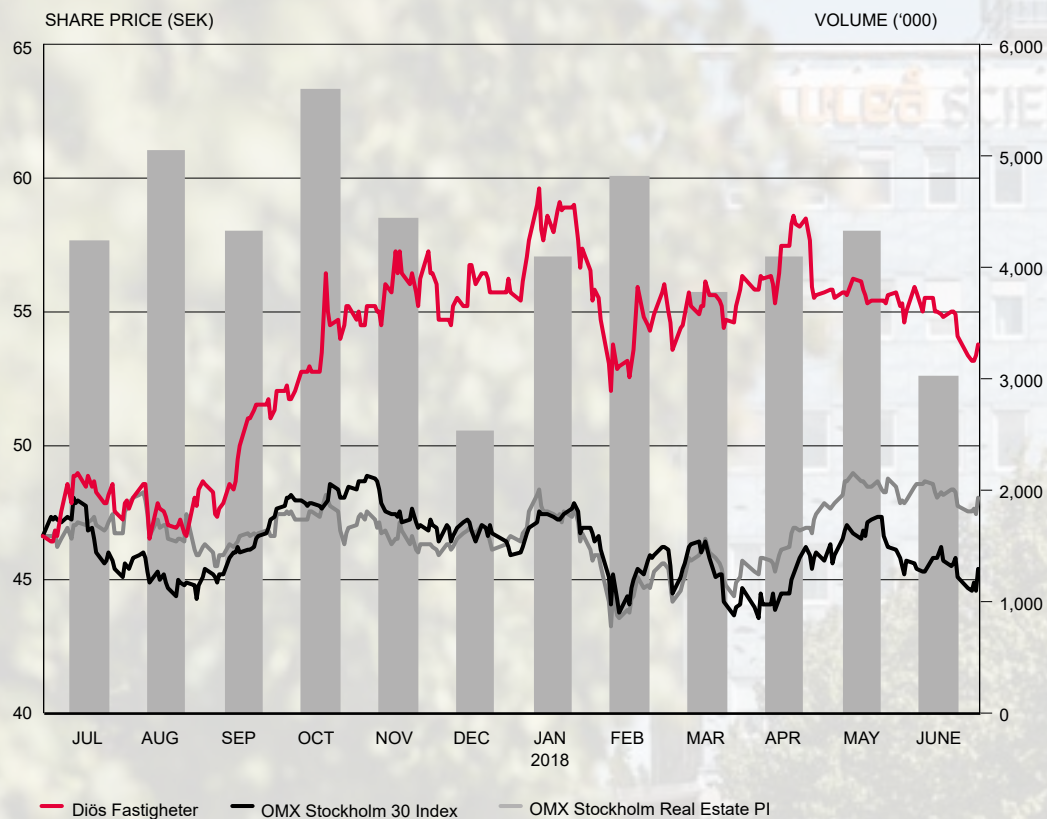
OF DIÖS FASTIGHETER AB AT 31 MAY 2018

SHAREHOLDER	No. of shares	Capital and votes, %
AB Persson Invest	20,699,443	15.4
Backahill Inter AB	14,095,354	10.5
Bengtssons Tidnings Aktiebolag	13,574,748	10.1
Pensionskassan SHB Försäkringsförening	8,096,827	6.0
Avanza Pension	5,168,326	3.8
Handelsbankens Fonder	4,750,000	3.5
SEB Fonder	4,556,714	3.4
Fourth Swedish National Pension Fund (AP4)	2,329,327	1.7
Staffan Rasjö	2,159,656	1.6
Transamerica Asset Management, Inc.	1,933,774	1.4
Total, largest shareholders	77,364,169	57.4
Other shareholders	57,148,269	42.6
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 67 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 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, 6 July 2018

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

Q3 Interim Report January–September 2018

25 October 2018

»»» EVENTS AFTER THE REPORTING DATE

There have been no significant events since the reporting date.



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.

EQUITY PER SHARE

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

ECONOMIC OCCUPANCY RATE

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

ECONOMIC OCCUPANCY RATE

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

EPRA EPS

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

EPRA NAV/LONG-TERM NET ASSET VALUE PER SHARE

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

EPRA NNAV/CURRENT NET ASSET VALUE PER SHARE

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

EPRA VACANCY RATE

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

PROPERTY MANAGEMENT INCOME

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

AVERAGE NUMBER OF SHARES

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

RENTAL INCOME

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

RENTAL VALUE

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

CASH FLOW PER SHARE

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

NET LEASING

Net annual rent, excluding discounts and supplements, for newly signed, terminated and renegotiated contracts. 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.

➤ 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 and the Swedish Securities Market Act. The information was submitted for publication through the above contact person on 6 July 2018, at 07:00 CEST.



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