

Diös

Q3

INTERIM REPORT JANUARY – SEPTEMBER 2016



HIGHLIGHTS

JANUARY–SEPTEMBER 2016

- **Rental income for the period was SEK 992 million (967)**
- **Property management income was SEK 406 million (383)**
- **Unrealised changes in value on properties were SEK 157 million (108) and on derivatives SEK 74 million (36)**
- **The profit after tax was SEK 566 million (293)**
- **Earnings per share were SEK 7.48 (3.92)**

NET PROFIT FOR THE PERIOD, SEKm	2016 9 mths Jan-Sep	2015 9 mths Jan-Sep	2015 12 mths Jan-Dec
Rental income	992	967	1,295
Other revenue	12	14	20
Operating and central costs	-438	-440	-597
Net financial items	-160	-158	-210
Property management income	406	383	508
Changes in value of properties and derivatives	221	150	337
Current tax	23	-153	-163
Deferred tax	-84	-87	-140
Profit after tax	566	293	542
Surplus ratio, %	61.6	60.1	59.9
Occupancy rate, %	89.6	88.3	88.3
Equity ratio, %	29.8	27.1	27.4
Loan-to-value ratio, properties, %	59.6	60.5	60.7
Equity per share, SEK	54.2	46.1	49.4
EPRA NAV per share, SEK	67.4	59.4	63.0

For definitions of key ratios, see page 27.

FOR FURTHER INFORMATION, PLEASE CONTACT

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KNUT ROST, CEO

CONTINUED DEVELOPMENT AND INCREASED PROFITABILITY

Our key ratios have improved and our targets for the year are within reach. The occupancy rate for the period is 89.6 per cent and the surplus ratio 61.6 per cent. All financial key ratios are moving in the right direction.

We have a focus on efficient management and business development. We are improving our profitability by creating a clear idea of which properties we should own and manage, letting out vacant premises and developing our properties while also contributing to sustainable urban development in our priority localities. In September we signed an agreement of an acquisition of a retail property in Åre with stable and long-term tenants in the form of Coop, Systembolaget and Apoteket. Occupancy is scheduled for December 2016. The acquisition of this property will give us the opportunity to take a bolder approach to the commercial retail sector in Åre while developing the properties as well as the area as a whole.

Sustainability work is a priority for Diös. How we deal with our tenants, our efforts to promote equality and develop the skills of our employees, and what we do to reduce our climate impact are important issues. The lease that we recently signed with Swedbank in Östersund is an example of a sustainable solution that has been worked out in collaboration with the tenant. Our efforts to develop our existing premises are a showcase of sustainable development with a focus on the tenant.

Net leasing for the period was SEK 15 million. We successfully concluded several new leases in the third quarter. In addition to Swedbank in Östersund, other noteworthy contracts were those with Fitness-24Seven in Sundsvall and O'Leary's in Gävle.

At the end of the period an interest rate derivative expired. The derivative had a face value of SEK 2 billion and an interest rate of 2.31 per cent. The expiry of the contract lowers the average interest rate in the portfolio and has a positive impact on net financial items given current interest rates.



The arrival of a new player in our market through Castellum's acquisition of Norrporten will create both challenges and opportunities. We like new competition, as it forces us to become yet more active and work closer to and be more attentive to our tenants.

The property market in northern Sweden is hot. We are seeing that more players are taking an interest in our market, which is natural. With other asset classes offering limited returns and property prices in the metropolitan regions at all-time highs, it is only natural that investors should look around for alternative options. With the low interest rates that we have today, and probably will have for the foreseeable future, coupled with a strong Swedish economy, we are confident that interest in properties in northern Sweden will continue to grow. Strong economic growth in Sweden coupled with easy access to finance is an outstanding starting position for our business and our continued development.

Our earnings are growing as planned. We are financially strong and ready to take on any new business opportunities that may arise. More satisfied tenants and a business that each day takes another step towards realising our goals is the foundation for continued growth and improved profitability.

A handwritten signature in blue ink, appearing to read "Knut Rost".

Knut Rost, CEO



► Malin Runberg, Business Area Manager Jämtland.

»» REVENUE, EXPENSES AND RESULTS, JANUARY–SEPTEMBER 2016

Property management income for the period, i.e. income excluding changes in value and tax, was SEK 406 million (383).

The operating surplus was SEK 611 million (581), representing a surplus ratio of 61.6 per cent (60.1). The improved surplus ratio is primarily due to increased rental income and reduced property costs. For comparable holdings, the operating surplus increased by 3.5 per cent compared with the previous year.

- Rental income for the reporting period was SEK 992 million (967), representing an economic occupancy rate of 89.6 per cent (88.3). For comparable holdings, rental income increased by 3.3 per cent compared with the previous year.
- Other property management income totalled SEK 12 million (14) and consisted partly of re-billing to tenants regarding work carried out in leased premises.
- Total property costs were SEK 393 million (400). The decrease in costs is chiefly attributable to reduced maintenance and repair costs. Of total property costs, SEK 6.1 million (5.5) refers to work in leased premises that is re-billed to tenants.

CHANGES IN VALUE OF PROPERTIES AND DERIVATIVES

The property market is marked by a continued high activity, strong demand and continued limited supply, which is pushing prices higher. The upward trend is also reflected in the internal valuation in the form of a lower required rate of return, which, at the portfolio level, corresponds to 0.21 percentage points for the period. The average valuation yield at the end of the period was 6.46 per cent. Coupled with a number of individual adjustments at property level, this has resulted in a positive change in value of SEK 157 million (108), or 1.2 per cent (0.9). At 30 September the market value was SEK 13,357 million (12,627). During the period 42 properties (3 and 1 partial sale) were sold with a realised change in value of SEK -10 million (5.9) before tax. In the same period four properties (0) were acquired.

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

During the period, unrealised changes in value on derivatives totalled SEK 74 million (36), which have been fully recognised in profit or loss. The change in the market values of derivatives is primarily attributable to the time effect. The time to maturity decreased over the period, which, assuming that market interest rates remain largely unchanged, will push the market value towards 0. Accrued negative market values from derivatives will thus have an ongoing positive revaluation effect until maturity.

»» MARKET VALUE AND PROPERTY MANAGEMENT INCOME¹



NET FINANCIAL ITEMS

Net financial items for the period totalled SEK -160 million (-158). The interest expense for the period, including expenses for interest-rate derivatives and loan commitments, represents borrowings at an average annual interest rate of 2.5 per cent (2.7). The average annual interest rate on interest-bearing liabilities based on the applicable terms and market interest rates at 30 September was 1.9 per cent (2.5).

PROFIT BEFORE TAX

Profit before tax was SEK 627 million (533). This increased profit is mainly attributable to unrealised changes in the value of properties and interest rate derivatives.

PROFIT AFTER TAX

Profit after tax was SEK 566 million (293). Current tax is SEK 23 million (-153). A partial reversal of tax provisions has had a positive impact on the figure. In the third quarter of 2015 the company made a provision of SEK 137 million for tax and interest attributable to a previously communicated tax case. All rulings of the Administrative Court of Appeal relating to the case have been delivered and, as the time limit for any consequential amendments has now expired, the need to maintain provisions no longer exists. The final cost for the tax case after a reversal of SEK 37 million was SEK 100 million. The calculation of deferred tax has given rise to a deferred tax item of SEK -84 million (-87).

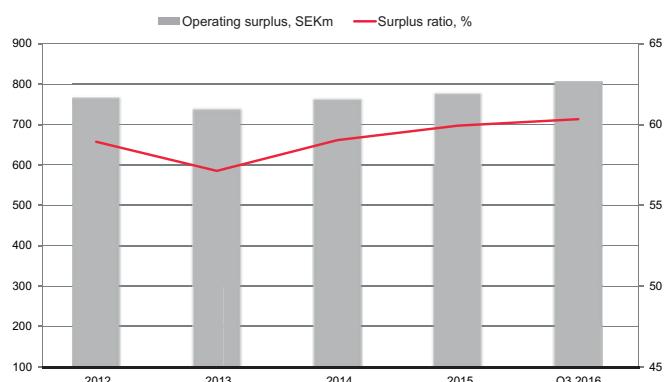
THIRD QUARTER OF 2016

Property management income for the third quarter, i.e. income excluding changes in value and tax, was SEK 147 million (129). The change is attributable to improved rental income. The operating surplus was SEK 212 million (201), representing a surplus ratio of 64.1 per cent (62.8).

- Rental income for the third quarter was SEK 331 million (320), representing an economic occupancy rate of 89.8 per cent (88.1).
- Total property costs were SEK 123 million (123).

Net financial items for the third quarter were SEK -52 million (-52). The profit before tax was SEK 281 million (154), with changes in the value of properties having a positive impact of SEK 107 million (10) and changes in the value of interest rate derivatives adding SEK 27 million (15). Earnings after tax were SEK 229 million (-10), of which SEK -44 million (-23) refers to deferred tax and SEK -8 million (-141) to current tax. During the third quarter we signed an agreement of an acquisition of the retail property Åre Mörviken 2:91.

»» OPERATING SURPLUS AND SURPLUS RATIO¹



¹The figures for property management income, operating surplus and surplus ratio in Q3 2016 are on a rolling 12-month basis.



» PROPERTY PORTFOLIO AT 30 SEPTEMBER 2016

Diös owned 313 properties in 10 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,351,198 square metres and the economic occupancy rate, based on concluded leases at 30 September, 89.8 per cent. Diös invested SEK 310 million in new builds, conversions and extensions over the period. In terms of value, the largest share of the portfolio is located in Jämtland, Dalarna and Västerbotten. The total market value of the properties was SEK 13,357 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Dalarna	Gävleborg	Väster-norrland	Jämtland	Väster-botten	Norr-botten	Diös Group
Rental income	199	145	150	215	161	121	992
Other revenue	2	2	3	2	1	2	12
Repair and maintenance	-11	-8	-7	-11	-10	-6	-53
Tariff-based costs	-27	-18	-20	-34	-22	-11	-131
Property tax	-9	-8	-8	-10	-8	-7	-50
Other property costs	-21	-16	-21	-24	-15	-13	-110
Property management	-8	-6	-9	-11	-7	-7	-48
Operating surplus	127	92	88	126	99	80	611
Undistributed items							
Central administration	-	-	-	-	-	-	-45
Net financial items	-	-	-	-	-	-	-160
Property management income	-	-	-	-	-	-	406
Changes in value							
Property, realised	-	-	-3	-3	-4	-	-10
Property, unrealised	-25	30	-12	45	31	87	157
Interest rate derivatives	-	-	-	-	-	-	74
Profit before tax	-	-	-	-	-	-	627
Current tax							
Current tax	-	-	-	-	-	-	23
Deferred tax	-	-	-	-	-	-	-84
Non-controlling interests	-	-	-	-	-	-	-7
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	559
Leasable area, sq.m	266,682	250,733	185,404	302,185	226,119	120,075	1,351,198
Investments in new builds, conversions and extensions	54	21	47	71	78	39	310
Carrying amount of investment properties	2,586	1,933	1,984	2,908	2,160	1,786	13,357
Rental value	220	165	176	241	176	129	1,107
Economic occupancy rate, %	90.6	88.0	85.6	89.1	91.2	93.8	89.6
Surplus ratio, %	63.5	63.2	58.5	58.6	61.6	65.7	61.6

» PROPERTY PORTFOLIO AT 30 SEPTEMBER 2015

Diös owned 351 properties in 15 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,422,224 square metres and the economic occupancy rate, based on concluded leases at 30 September, 89.1 per cent. Diös invested SEK 348 million in new builds, conversions and extensions over the period. In terms of value, the largest share of the portfolio is located in Jämtland, Dalarna and Västernorrland. The total market value of the properties was SEK 12,627 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norr-botten	Diös balance sheet
Rental income	196	143	185	221	109	114	967
Other revenue	2	3	5	1	0	3	14
Repair and maintenance	-13	-7	-13	-15	-7	-6	-61
Tariff-based costs	-27	-18	-27	-36	-15	-11	-133
Property tax	-9	-7	-10	-10	-5	-6	-48
Other property costs	-22	-17	-25	-25	-12	-13	-112
Property management	-8	-6	-10	-10	-5	-7	-46
Operating surplus	119	91	106	126	66	74	581
Undistributed items							
Central administration	-	-	-	-	-	-	-40 ¹
Net financial items	-	-	-	-	-	-	-158
Property management income	-	-	-	-	-	-	383
Changes in value							
Property, realised	-	2	-	4	-	-	6
Property, unrealised	-34	43	-14	44	16	53	108
Interest rate derivatives	-	-	-	-	-	-	36
Profit before tax	-	-	-	-	-	-	533
Current tax							
Deferred tax	-	-	-	-	-	-	-87
Non-controlling interests	-	-	-	-	-	-	0
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	293
Leasable area, sq.m	266,682	250,733	279,187	330,054	175,493	120,075	1,422,224
Investments in new builds, conversions and extensions	75	27	55	90	46	55	348
Carrying amount of investment properties	2,538	1,815	2,277	3,004	1,388	1,604	12,627
Rental value	219	162	217	251	122	124	1,095
Economic occupancy rate, %	89.4	88.1	85.5	87.7	89.2	92.2	88.3
Surplus ratio, %	60.9	63.7	57.1	57.0	60.3	64.9	60.1

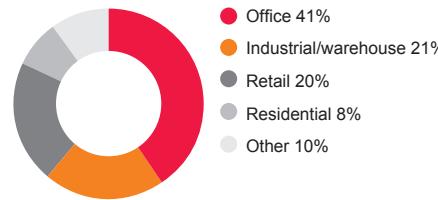
¹ The central administration item includes reversals of previous provisions for staff-related costs that were made in connection with the acquisition of Norrvidden.



»» THE PROPERTY PORTFOLIO

The portfolio comprises a well balanced mix of residential, office, retail and industrial space with a range of small and large premises, creating wide scope to offer flexible solutions and establish long-term relations. At the end of the period the portfolio comprised 92 per cent (89) commercial properties and 8 per cent (11) residential properties based on floor area by type of premises.

PROPERTY PORTFOLIO SQ.M, 30 SEPTEMBER 2016



»» INVESTMENTS

The majority of our project investments are in the form of new builds, conversions and extensions, along with energy-saving measures. The goal is for such investments to reduce vacancies, increase occupancy and reduce the impact on the environment. During the period SEK 310 million (348) was invested in 452 projects (523). At the end of the period 18 major improvement projects were ongoing, with a remaining investment volume of SEK 55 million and a total investment volume of SEK 248 million. During the period decisions were taken on 57 new project investments.

»» PROPERTY VALUE

VALUATION

At each closing, a fair value assessment is made of all properties, as of that date. The aim is to determine the properties' individual values in a sale executed through an orderly transaction between market players. Any portfolio effects are thus not taken into account. The valuation model includes an annual external valuation of the 100 largest properties in terms of value, of which 25 per cent are valued each quarter. The external valuation is performed by Savills. In addition to the largest properties in terms of value, an internal valuation is carried out, with the assistance of Savills, of properties where major changes have occurred. This pertains to, for example, properties where a lease has recently been signed or terminated, along with major new build or conversion projects. All property valuations are based on a number of assumptions about the future and the market. Savills' calculations are therefore based on an uncertainty range of +/-7.5 per cent, which is also applied to the entire portfolio. For Diös this corresponds to a value range of SEK 12,355–14,359 million.

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

VALUATION ASSUMPTIONS

Value date	30 Sep 2016	30 Sep 2015
Analysis period	5 years	5 years
Yield for assessing residual value ¹	6.0–7.5%	6.3–7.8%
Cost of capital for discounting to present value	8.56%	8.86%
Long-term vacancy	5.1%	6.0%
Inflation	2%	2%

¹ From lower to upper quartiles.

FIVE LARGEST PROJECTS IN PROGRESS

Municipality	Property	Type of project	Planned investment, SEKm	Increase in rental value ¹ SEKm
Dalarna	Gullvivan 18	School	28.3	2.3
Jämtland	Totten 1:68	Office	26.4	2.1
Västerbotten	Rind 5	Residential	19.5	0.5
Dalarna	G:a Bergsskolan 15	Retail	17.5	1.6
Västernorrland	Hälsan 7	Office	14.1	2.5
Total			105.8	9.0

¹ Where applicable, reduced operating costs.

CHANGES IN THE PORTFOLIO

The agreement of the acquisition of Åre Mörviken 2:91 was signed in the third quarter. The property is located on Åre strand and occupancy is scheduled for December 2016.

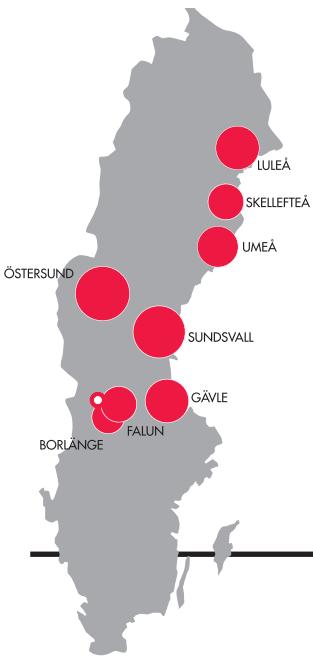
In the second quarter an exchange deal was concluded with NP3, under which Diös acquired a centrally located property in Östersund, Åkeriet 11, and sold an industrial property in Sundsvall, Skönsmon 2:13. During the period we announced that Diös had acquired the Luleå Office Building in central Luleå. Occupancy is scheduled for January 2017.

In the first quarter we sold a portfolio of 30 properties in Härnösand and concluded an exchange deal in Östersund and Umeå in which three properties were acquired and 11 sold. Our strategy is to continuously strive to concentrate our property portfolio to priority locations in our priority localities.

New builds, conversions and extensions to existing properties accounted for the largest change in the value of the portfolio for the period. We make adjustments to the portfolio on an ongoing basis to create improvements and efficiencies for our tenants with a view to strengthening long-term tenant relationships.

Unrealised changes in value for the period totalled SEK 157 million (108) and were due to higher net operating income and lower required rates of return.

CHANGE IN PROPERTY PORTFOLIO	Fair value, SEKm	Number
Property portfolio, 1 January 2016	13,381	351
Acquisitions	170	4
New builds, conversions and extensions	310	
Sales	-661	-42
Unrealised changes in value	157	
Property portfolio, 30 September 2016	13,357	313



»»» BUSINESS AREAS

Diös Fastigheter is northern Sweden's largest private property company and a market leader in several of the localities in which it operates. The company's market, which stretches from Borlänge in the south to Luleå in the north, is divided into the business areas Dalarna, Gävleborg, Västernorrland, Jämtland, Västerbotten and Norrbotten.

DALARNA

PROPERTY HOLDINGS

No. of properties	44
Area, '000 sq.m	267
Property value, SEKm	2,586
Operating surplus, SEKm	127
Surplus ratio, %	64

DALARNA LARGEST TENANTS

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	3	39,846	15.0	3.7
Municipality of Falun	8	18,470	6.9	1.8
Swedish Police Authority	9	9,941	3.7	2.9
Internationella Engelska Skolan AB	1	9,140	3.4	19.3
Pysslingen Förskolor och Skolor AB	1	8,335	3.1	7.8
Total, largest tenants	22	85,732	32.1	5.3

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

SHARE OF TOTAL CONTRACT VALUE

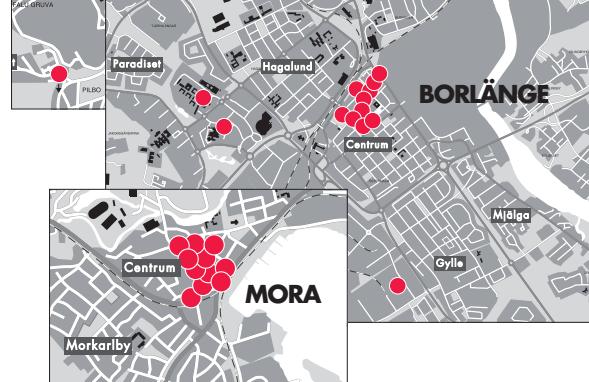
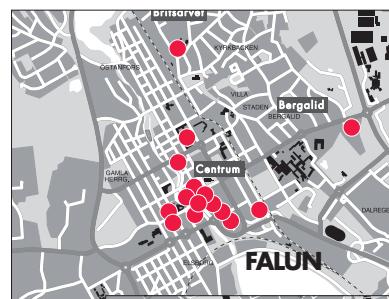


● Dalarna 20%
● Other business areas, 80%

FLOOR AREA BY TYPE OF PREMISES



● Office 46%
● Industrial/warehouse 15%
● Retail 24%
● Residential 5%
● Other 10%



GÄVLEBORG

PROPERTY HOLDINGS

No. of properties	51
Area, '000 sq.m	251
Property value, SEKm	1,933
Operating surplus, SEKm	92
Surplus ratio, %	63

GÄVLEBORG - LARGEST TENANTS

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Public Employment Service	8	7,465	4.0	1.4
Swedish Transport Administration	3	7,065	3.8	2.0
Internationella Engelska Skolan AB	2	5,657	3.0	7.0
AF AB	1	3,008	1.6	4.3
Åhléns	3	2,917	1.5	0.7
Total, largest tenants	17	26,112	13.9	3.0

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

SHARE OF TOTAL CONTRACT VALUE



● Gävleborg 14%
● Other business areas, 86%

FLOOR AREA BY TYPE OF PREMISES



● Office 30%
● Industrial/warehouse 38%
● Retail 20%
● Residential 4%
● Other 8%



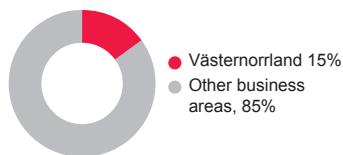


VÄSTERNORRLAND

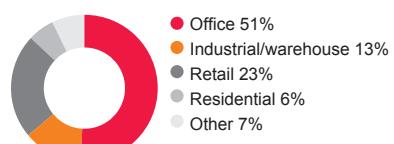
PROPERTY HOLDINGS

No. of properties	46
Area, '000 sq.m	185
Property value, SEKm	1,984
Operating surplus, SEKm	88
Surplus ratio, %	59

SHARE OF TOTAL CONTRACT VALUE



FLOOR AREA BY TYPE OF PREMISES



VÄSTERNORRLAND LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Sundsvall	17	8,251	4.2	1.7
Norrlidens Kunskapscentrum AB	2	6,900	3.5	9.3
Swedish Migration Board	8	5,721	2.9	4.6
Åhléns	1	4,433	2.2	2.0
Nordea Bank AB	1	4,267	2.2	1.0
Total, largest tenants	29	29,572	15.0	4.0

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

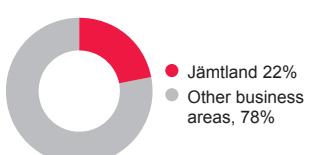
In January 2016 Diös sold all its developed properties in Härnösand.

JÄMTLAND

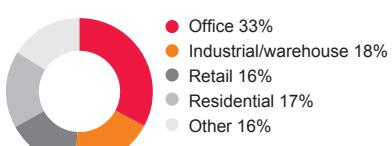
PROPERTY HOLDINGS

No. of properties	114
Area, '000 sq.m	302
Property value, SEKm	2,908
Operating surplus, SEKm	126
Surplus ratio, %	59

SHARE OF TOTAL CONTRACT VALUE



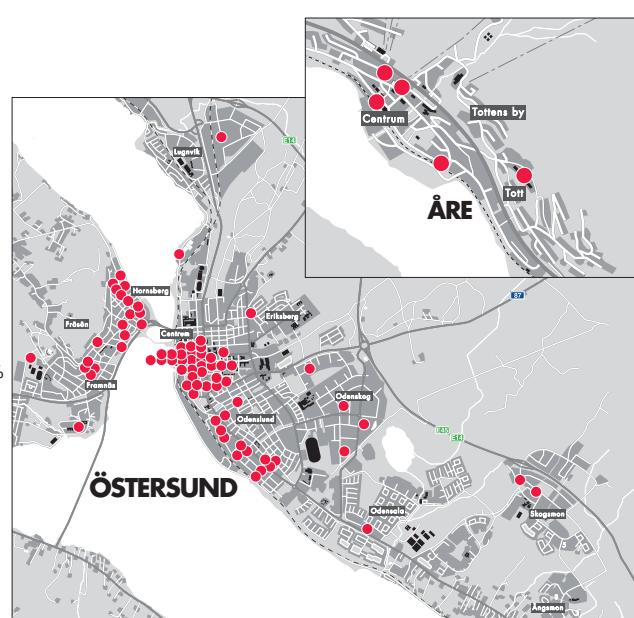
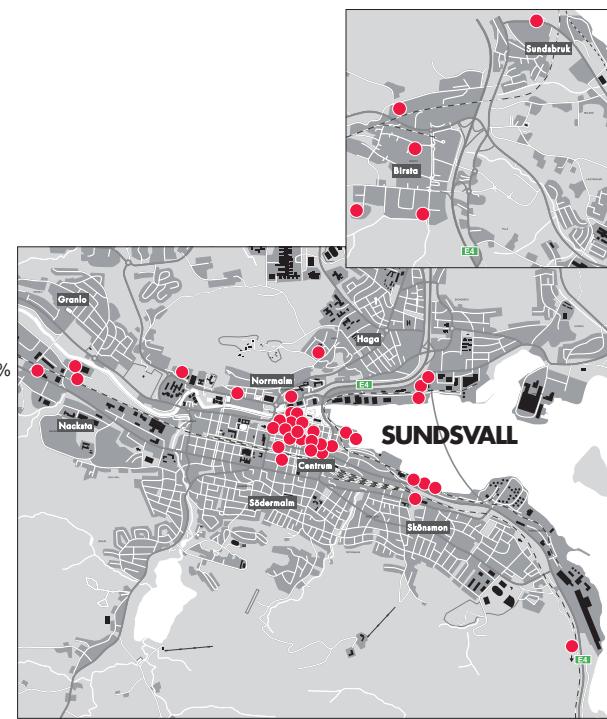
FLOOR AREA BY TYPE OF PREMISES



JÄMTLAND - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Östersund	107	35,818	12.4	3.8
Region Jämtland Härjedalen	19	11,061	3.8	2.6
Swedbank AB	5	7,488	2.6	1.1
Swedish Public Employment Service	4	5,852	2.0	2.0
Ica Fastigheter Sverige AB	3	5,317	1.8	0.3
Total, largest tenants	138	65,536	22.6	2.8

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



»» CONT. BUSINESS AREAS

VÄSTERBOTTEN

PROPERTY HOLDINGS

No. of properties	40
Area, '000 sq.m	226
Property value, SEKm	2,160
Operating surplus, SEKm	99
Surplus ratio, %	62

SHARE OF TOTAL CONTRACT VALUE



● Västerbotten 16%
● Other business areas, 84%

FLOOR AREA BY TYPE OF PREMISES

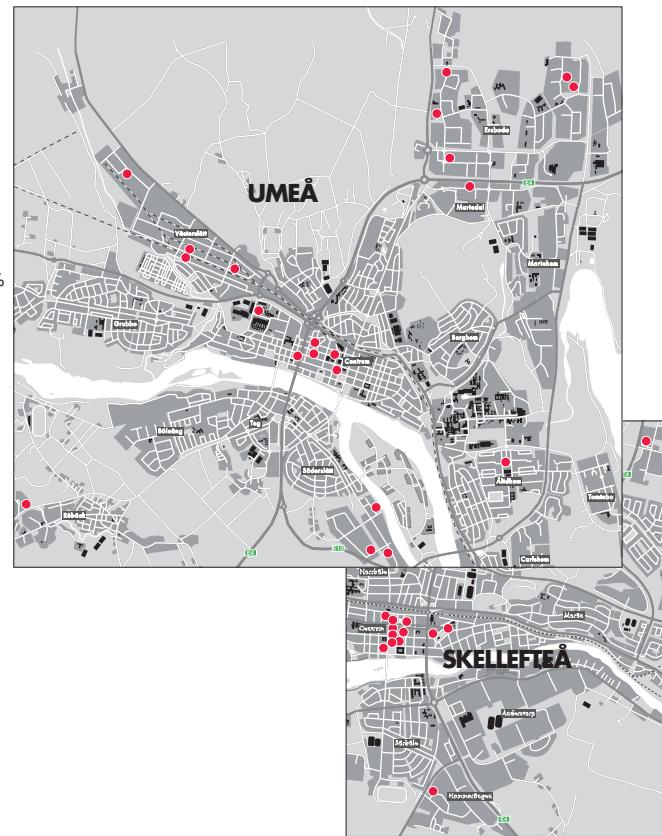


● Office 41%
● Industrial/warehouse 23%
● Retail 18%
● Residential 8%
● Other 10%

VÄSTERBOTTEN - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Skellefteå	21	15,720	7.5	3.9
Tieto Sweden AB	2	9,700	4.6	2.3
Municipality of Umeå	9	8,110	3.9	2.8
Scandic Hotels AB	1	7,865	3.7	13.9
Swedish Social Insurance Agency	8	6,036	2.9	1.6
Total, largest tenants	41	47,431	22.6	4.7

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



NORRBOTTEN

PROPERTY HOLDINGS

No. of properties	18
Area, '000 sq.m	120
Property value, SEKm	1,786
Operating surplus, SEKm	80
Surplus ratio, %	66

SHARE OF TOTAL CONTRACT VALUE



● Norrbotten 13%
● Other business areas, 87%

FLOOR AREA BY TYPE OF PREMISES

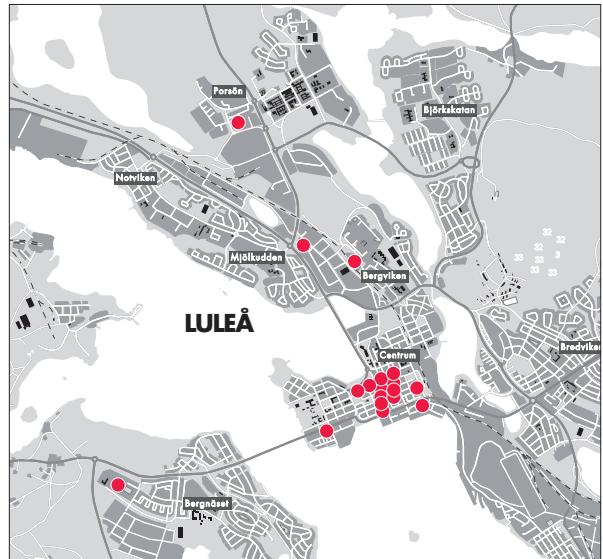


● Office 62%
● Industrial/warehouse 12%
● Retail 19%
● Residential 3%
● Other 4%

NORRBOTTEN - LARGEST TENANTS

TENANT	No. contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
Municipality of Luleå	9	11,397	7.2	1.2
SWECO Sverige AB	3	7,862	5.0	6.5
Swedish Customs IT Department	3	7,308	4.6	0.4
Folksam Sak	16	5,992	3.8	4.9
Swedbank AB	3	5,163	3.3	2.4
Total, largest tenants	34	37,722	23.9	2.9

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





» LEASE MATURITIES AT 30 SEPTEMBER 2016

	Maturity year	Signed contracts no.	Rented area sq.m	Contracted rental income SEKm	Share, %
Leases for premises	2016	244	81,155	94	7
	2017	793	162,808	186	14
	2018	632	223,161	253	19
	2019	554	217,400	236	18
	2020+	420	340,184	401	31
Total leases for premises		2,643	1,024,708	1,170	89
Residential leases		1,494	103,962	109	8
Other leases		3,249	-	42	3
TOTAL		7,386	1,128,670	1,321	100

NET LEASING

Net leasing was SEK 15 million (40) for the period as a whole and SEK 7 million (17) for the third quarter. The largest lets in the three-month period were Swedbank in Frösö 3:7 in Östersund, MN Uppland in Norr 29:5 in Gävle and Fitness24Seven in Glädjen 4 in Sundsvall. The average contract term commercial premises at 30 September is 3.3 years (3.1).

VACANCIES

Vacancies fell during the third quarter and at 30 September the economic vacancy rate was 10.2 per cent (12.2) and vacant area was 16.0 per cent (18.6). Economic vacancies are highest in office and retail premises while physical vacancy rates are highest in office and industrial premises. The economic vacancy rate for the period, excluding discounts, was 9.6 per cent (11.2).

» LARGEST TENANTS AT 30 SEPTEMBER 2016

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %	Average contract term, years
Swedish Transport Administration	13	48,002	3.7	3.5
Municipality of Östersund	107	35,818	2.7	3.8
Swedish Public Employment Service	35	23,784	1.8	1.7
Swedbank AB	10	19,525	1.5	1.4
Municipality of Falun	8	18,470	1.4	1.8
Ahléns	7	15,932	1.2	1.3
Municipality of Skellefteå	21	15,720	1.2	3.9
Internationella Engelska Skolan	3	14,798	1.1	14.6
KappAhl	6	14,041	1.1	3.1
Hennes & Mauritz	6	12,996	1.0	0.4
Total, largest tenants	216	219,086	16.7	3.4

» ENERGY USE AND CARBON DIOXIDE EMISSIONS

	Unit	2016 9 mths Jan-Sep	2015 9 mths Jan-Sep
Heating ¹	kWh/sq.m	50.3	51.3
District cooling ²	kWh/sq.m	1.6	1.6
Electricity ³	kWh/sq.m	38.3	38.0
Carbon dioxide, total ⁴	g CO2/kWh	38.3	38.3
Water	m ³ /sq.m	0.3	0.3

¹ Heating has been adjusted to a normal year.

² District cooling does not include self-produced cooling.

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

⁴ Carbon dioxide from electricity and heating.

All values have been provided by the suppliers. Area refers to the leasable area excluding garage space multiplied by a factor of 1.15 to obtain the heated area.

Total consumption of heating and electricity was down by 1.5 per cent on the same period in the previous year thanks to energy-saving measures and more favourable weather conditions. More efficient installations and improved optimisation tools are some of the concrete measures that have had an impact on the results. The target for the full year is

to cut electricity and heat consumption by 3 per cent. To reduce the environmental impact from our energy use, we only purchase electricity from renewable sources. As a result, Diös' total carbon dioxide emissions decreased markedly in 2015.



➤ Stefan Jönsson, Technical Manager, Östersund.



»» FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

EQUITY AND LONG-TERM NET ASSET VALUE

Equity was SEK 4,047 million (3,445) and equity per share SEK 54.2 (46.1). Long-term net asset value, expressed as EPRA NAV* was SEK 5,036 million (4,438). EPRA NAV is a key ratio measuring the long-term fair value of a company's net assets. At the end of the third quarter the equity ratio was 29.8 per cent (27.1), which is higher than the short-

term target of 25 per cent and now also in line with the long-term target of 30 per cent. The loan-to-value ratio was 59.6 per cent (60.5) and the interest coverage ratio 3.5 times (3.4).

CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents were SEK 0 million (0) at the end of the period and drawn overdraft facilities were SEK 118 million (138).

»» INTEREST EXPENSE JANUARY–SEPTEMBER 2016

	Amount, SEKm	Cost, SEKm	Weighted average interest rate, %
Interest-bearing liability	8,039	63	1.0
Undrawn credit facilities ¹	745	3	0.0
Financial instruments	3,200	88	1.5
	153	153	2.5

¹ The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.04 percentage points.

Average interest-bearing liabilities for the period were SEK 8,039 million (7,655). The actual interest expense, including expenses related to undrawn credit and overdraft facilities and the performance of financial instruments, amounted to SEK 153 million (153), which represents an average annual interest rate of 2.5 per cent (2.7). During the period, unrealised changes in value arising on derivatives held totalled SEK 74

million (36), which are fully recognised in the income statement. In the second quarter a SEK 441 million floating rate bond was issued through Nya Svensk FastighetsFinansiering AB. The bond has a quoted margin of 0.95 per cent and matures in May 2018. At 30 September 2016 the bond had an effective rate of 0.47 per cent.

»» INTEREST RATES AND LOAN MATURITY ON 30 SEPTEMBER 2016

Maturity year	Interest rate and margin expiration			Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm	
2016	1,502	0.6	-	-	-
2017	5,139	1.1	3,388	2,797	
2018	1,319	1.0	3,638	3,638	
2019	-	-	875	875	
2021	-	-	1,080	650	
Drawn credit facilities	7,960	1.0	8,980	7,960	
Undrawn credit facilities ²	1,021	0.1			
Financial instruments	2,200	0.8			
TOTAL		1.9			

¹ Average annual interest rate refers to the average interest rate based on interest rate terms and current liability at 30 Sep 2016.

² The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.06 percentage points.

»» SENSITIVITY ANALYSIS AT 30 SEPTEMBER 2016

	If market rates rise by 1 per cent						
	Fixed-rate term, years	Maturity, years	Average annual interest rate, %	Market value, SEKm	Change in annual average interest rate, %	Change in annual average interest cost, SEKm	Change in market value, SEKm
Loan portfolio, excl. derivatives	0.3	1.9	1.0 ¹	7,960	0.9	+75	
Derivative portfolio	0.7		0.8	-60	-1.0	-22	+17
Loan portfolio, incl. derivatives	0.5	1.9	1.9		0.7	+53	+17

¹ The cost for undrawn credit facilities has been included.

The Group's interest-bearing liabilities were SEK 7,960 million (7,640). The average fixed-rate term was 0.3 years (0.3) and average maturity was 1.9 years (1.7). If the effect of the derivatives portfolio is included, the average fixed-rate term was 0.5 years (1.0) and the average fixed credit margin term for the loan agreements was 0.8 years (1.2). In third quarter a SEK 2.0 billion interest rate swap expired, which means that of the Group's total interest-bearing liabilities, SEK 2,200 million (4,200) is hedged through derivative instruments. The average remaining term is 0.7 years (1.4). The average annual interest rate, including costs related to derivatives, amounted to 1.9 per cent (2.5), including loan commitments. At 30 September 2016, the market value of the derivative portfolio was SEK -60 million (-163). With a derivatives portfolio of SEK 2,200 million and fixed-rate bonds of SEK 500 million, 33.9 per cent (61.5) of the Group's

total outstanding loans are covered by interest rate hedges.

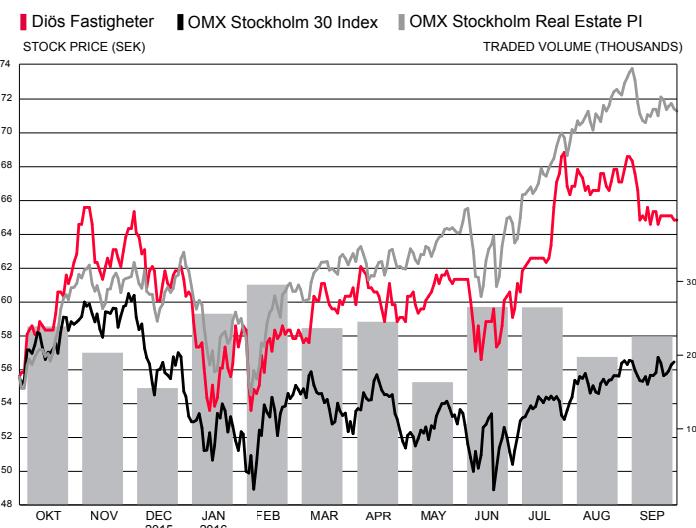
Financial instruments limit the impact of a change in interest rates on our average borrowing costs. The value of derivatives is always zero at maturity.

Loan covenants issued by our creditors are as follows: max. LTV of 65 per cent, min. equity ratio of 25 per cent and interest coverage ratio higher than 1.8 times. All were met with a good margin.

All financial instruments are measured at fair value and classified at level 2 in accordance with IFRS 13, which means that valuation is based on observable market data (see Note 21 in the Annual Report 2015). Changes in value are recognised in profit or loss.



»» SHARE PRICE PERFORMANCE



SHARE PERFORMANCE

The share price at the end of the period was SEK 64.8 per share (55.5), which equates to a market capitalisation of SEK 4,839 million (4,147) and a return of 16.7 per cent (4.2) for the past 12 months. If the approved dividend of SEK 2.85 per share is included, the total return on the shares for the period is 22.3 per cent (9.7). The diagram shows share prices for the past 12 months for both Diös and the indexes. The return for OMX Stockholm 30 was 3.4 per cent (1.0) and for OMX Stockholm Real Estate PI 28.3 per cent (26.7).

At 30 September Diös Fastigheter AB had 11,291 shareholders (9,368). The share of foreign-owned shares was 16.8 per cent (17.5) while the total number of shares during the period remained unchanged at 74,729,134 (74,729,134). The largest single shareholder was AB Persson

»» NET ASSET VALUE

At 30 Sep 2016	SEKm	Per share
Number of shares, thousands	74,729	
Equity	4,047	
Equity held by minority	-43	
<i>Reversal</i>		
Fair value of financial instruments	60	
Deferred tax on temporary differences	972	
EPRA NAV	5,036	67.4
<i>Less</i>		
Fair value of financial instruments	-60	
Estimated actual deferred tax on temporary differences, 4% ¹	-177	
EPRA NNNAV	4,799	64.2

¹ See page 22.

»» EARNINGS PER SHARE AS PER EPRA EPS

At 30 Sep 2016	SEKm	Per share
Number of shares, thousands	74,729	
Property management income	406	
Tax attributable to property management income	-31	
Minority's share of earnings	-7	
EPRA EPS	368	4.93

»» LARGEST SHAREHOLDERS

OF DIÖS FASTIGHETER AB AT 30 SEPTEMBER 2016

SHAREHOLDER	Capital and votes, %
AB Persson Invest	15.4
Backahill Inter AB	10.5
Bengtssons Tidnings Aktiebolag	10.1
Pensionskassan SHB Försäkringsförening	6.0
Länsförsäkringar Fondförvaltning AB	3.9
SEB Investment Management	3.8
Försäkringsaktiebolaget, Avanza Pension	3.3
Fourth AP Fund	2.9
Handelsbankens Fonder	2.0
Ssb Client Omnibus Ac Om07 (15 pct)	1.8
Total, largest shareholders	59.6
Other shareholders	40.4
TOTAL	100.0

Invest with a 15.4 per cent (15.4) shareholding. The ten largest shareholders accounted for 59.6 per cent (61.9) of the shares and votes.

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

On 14 July Länsförsäkringar Fondförvaltning AB flagged that it had reduced its stake in Diös to less than five per cent of the capital and voting rights. The ten largest shareholders of Diös Fastigheter AB according to Euroclear Sweden AB are shown 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 target is to generate a return on equity in excess of the risk-free rate plus 6 per cent. The target return for the past 12 months was 5.9 per cent (6.2). The annualised return for the period was 19.2 per cent (11.5).

Equity at the end of the third quarter was SEK 4,047 million (3,445) and the long-term net asset value, EPRA NAV, was SEK 5,036 million (4,438). On a per share basis, EPRA NAV was SEK 67.4 (59.4), which means that the share price at 30 September represented 96 per cent (93) of long-term NAV. The current net asset value for the period, as expressed by EPRA NNNAV, was SEK 64.2 (55.1) per share.

EARNINGS

Earnings per share for the period were SEK 7.48 (3.92) while long-term earnings per share, expressed as EPRA EPS, were SEK 4.93 (4.72). Designed to show a company's long-term earnings capacity per share, EPRA EPS is calculated as property management income less 22 per cent corporation tax attributable to property management income less minority's share of earnings.



»» EMPLOYEES AND ORGANISATION

The number of employees at 30 September 2016 was 152 (147), of whom 61 were women (58). Diös Fastigheter is geographically divided into the six business areas of Gävleborg, Dalarna, Västernorrland, Jämtland, Västerbotten and Norrbotten. The company's head office and central Group functions are located in Östersund. Most of the employees, 103 (101) of them, work in the business areas, 45 (48) of them with the physical aspects of property management.

»» 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 105 million (95) and post-tax profit was SEK 315 million (10). Profit after tax includes dividends from Group companies in the amount of SEK 300 million (0). Net sales refer chiefly to services sold to the Group's subsidiaries. Cash and cash equivalents were SEK 0 million (1) at 30 September 2016 and drawn overdraft facilities were SEK 118 million (32). External interest-bearing liabilities, excluding overdraft facilities, amounted to SEK 2,037 million (2,660). The average annual interest rate based on the situation at 30 September 2016 was 0.8 per cent (1.0). The parent company prepares its financial reports in compliance with RFR 2 Accounting for Legal Entities.

»» DEFERRED TAXES

In April 2005 Diös' original owners acquired a group consisting of dormant limited companies. The aim of the acquisition was to create a basis for the formation of the new property company. The only assets of the acquired companies at the time of acquisition were approximately SEK 40 million in cash and, according to the 2005 income tax returns, approximately SEK 1,026 million in unused tax losses carried forward.

The reported deferred tax liability was SEK 957 million (822) at 30 September 2016. The value of the deferred tax liability will be assessed at the end of each accounting period and, if necessary, re-valuation will be carried out.

The temporary differences, i.e. the properties' fair values less tax residual values and the deferred tax that is attributable to asset purchases, was SEK 4,419 million (3,882) at 30 September 2016. At a tax rate of 22.0 per cent, the deferred tax liability on temporary differences was SEK 972 million (854).

Tax losses carried forward on 30 September 2016 are estimated at SEK 160 million (258). At a tax rate of 22.0 per cent, deferred tax asset relating to tax losses carried forward was SEK 35 million (57), which, in the financial statements, has been offset against deferred tax liability. Other deferred tax liabilities were SEK 20 million (25) at 30 September 2016.

The change since 31 December 2015 is attributable to a decrease in deferred tax assets of SEK 22 million and an increase in deferred tax on temporary differences of SEK 61 million. Other changes are attributable to a SEK 1 million decrease in other deferred tax liabilities.

While the reporting of taxes complies with the applicable accounting rules it should be noted that the amount of tax paid over the period generally differs from the reported amount. Tax regulations are also complex and difficult to interpret. The application of the regulations may also change over time.

»» PRINCIPAL RISKS AND UNCERTAINTIES

Diös Fastigheter's principal risks and uncertainties are described in the 2015 annual report on pages 40-42. Apart from what is stated in the following, there have been no material changes to Diös' risks and uncertainties.

At its monetary policy meeting on 6 September the Riksbank decided to keep the repo rate unchanged at -0.5 per cent. Only in the second half of 2017 does the executive board deem that it will be appropriate to start raising interest rates at a modest pace.

The bank's purchases of government bonds will continue in the second half 2016 in accordance with an earlier decision. The Riksbank is still prepared to further ease monetary policy should this prove necessary to meet the inflation target.

According to a report published in August 2016 by the National Institute of Economic Research (NIER), the Swedish economy is entering a period of strong economic growth. Investment activity is high and employment has improved significantly, resulting in lower unemployment. GDP is expected to grow by 3 per cent this year and 2 per cent in 2017.

Thanks to Sweden's strong public finances, relatively healthy banks and growing GDP, the prospects for growth in our markets are deemed to be good. As our property operations continue to generate strong cash flows, we are seeing a stabilisation of the yield levels in the market valuation of our properties. These combined factors should strengthen property as an asset class.

»» RELATED-PARTY TRANSACTIONS

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

»» ACCOUNTING PRINCIPLES

Diös complies with EU-adopted IFRS standards and the interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The report for the parent company is prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting principles applied in preparing the interim report are consistent with the accounting principles applied in preparing the consolidated financial statements and annual report for 2015, Note 1. New and amended standards which entered into force on 1 January 2016 have not had any material impact on the Group's financial statements.

¹ The Annual Report 2015 is available at www.dios.se



»» DIVIDEND POLICY

Approximately 50 per cent of the company's profit after tax, excluding unrealised changes in value and deferred tax, shall be distributed to the shareholders in the form of dividends.

»» EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the reporting date.

»» FINANCIAL CALENDAR

Q4 Year-end report January–December 2016	16 February 2017
Q1 Interim report January–March 2017	26 April 2017
Q2 Interim report January–June 2017	7 July 2017
Q3 Interim report January–September 2017	25 October 2017

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

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

Östersund, 21 October 2016

Bob Persson
Chairman

Maud Olofsson
Board member

Ragnhild Backman
Board member

Svante Paulsson
Board member

Anders Bengtsson
Board member

Knut Rost
Chief Executive Officer

Tomas Mellberg
Board member
Employee representative

»» AUDITOR'S REVIEW REPORT

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

INTRODUCTION

We have conducted a review of the interim report of Diös Fastigheter AB (publ) for the period 1 January 2016 to 30 September 2016. Responsibility for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express a conclusion on the interim report based on our review.

FOCUS AND SCOPE OF THE REVIEW

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

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

CONCLUSION

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

Östersund, 21 October 2016
Deloitte AB

Lars Helgesson
Authorised public accountant



► The tenant Klättermusen in Åre. Gonz Ferrero, CEO of Klättermusen, and Ulrika Ritzén Kristensson, Property Manager, Diös.



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

INCOME STATEMENT	2016 3 months July–Sep	2015 3 months July–Sep	2016 9 months Jan–Sep	2015 9 months Jan–Sep	2015 12 months Jan–Dec
Rental income	331	320	992	967	1,295
Other property management income	4	4	12	14	20
Property costs	-123	-123	-393	-400	-539
Operating surplus	212	201	611	581	776
Central administration	-13	-20	-45	-40 ¹	-58
Net financial items	-52	-52	-160	-158	-210
Property management income	147	129	406	383	508
Change in value of properties	107	10	147	114	273
Change in value of interest rate derivatives	27	15	74	36	64
Profit before tax	281	154	627	533	845
Current tax	-8	-141 ²	23 ²	-153 ²	-163 ²
Deferred tax	-44	-23	-84	-87	-140
Profit after tax	229	-10	566	293	542
Profit attributable to shareholders of the parent	228	-14	559	293	530
Profit attributable to non-controlling interests	1	4	7	-	12
Total	229	-10	566	293	542
STATEMENT OF COMPREHENSIVE INCOME					
Profit after tax	229	-10	566	293	542
Comprehensive income for the period	229	-10	566	293	542
Comprehensive income attributable to shareholders of the parent	228	-14	559	293	530
Comprehensive income attributable to non-controlling interests	1	4	7	-	12
Total	229	-10	566	293	542
Earnings per share after tax, SEK	3.05	-0.19	7.48	3.92	7.09
Number of shares at end of period, thousands	74,729	74,729	74,729	74,729	74,729
Average number of shares, thousands	74,729	74,729	74,729	74,729	74,729
Number of treasury shares at end of period, thousands	0	0	0	0	0
Average number of treasury shares, thousands	0	0	0	0	0

¹ The central administration item includes reversals of previous provisions for staff-related costs that were made in connection with the acquisition of Norrvidden.

² Current tax for January–December 2015 includes a provision of SEK 137 million relating to a tax case. In the second quarter of 2016 SEK 37 million of the provision was reversed, see page 5.



» CONDENSED CONSOLIDATED BALANCE SHEET, SEKM

ASSETS	2016 30 Sep	2015 30 Sep	2015 31 Dec
Non-current assets			
Investment properties	13,357	12,627	13,381
Other property, plant and equipment	4	5	4
Intangible assets	3	3	3
Financial assets	39	9	13
Total non-current assets	13,403	12,644	13,401
Current assets			
Current receivables	190	77	104
Cash and cash equivalents	-	-	-
Total current assets	190	77	104
TOTAL ASSETS	13,593	12,721	13,505
EQUITY AND LIABILITIES			
Equity	4,047	3,445	3,694
Deferred tax liability	957	822	875
Non-current liabilities	7,969	7,642	8,106
Overdraft facilities	118	138	227
Current liabilities	502	674	603
TOTAL LIABILITIES AND EQUITY	13,593	12,721	13,505

» CONDENSED STATEMENT OF CHANGES IN EQUITY, SEKM

	Attributable to shareholders of the parent	Attributable to minority interests
	Equity	
Equity at 31 Dec 2014	3,365	3,341
Profit for the period after tax	293	293
Comprehensive income for the period	293	293
Cash dividend	-213	-213
Equity at 30 Sep 2015	3,445	3,421
Profit for the period after tax	249	237
Comprehensive income for the period	249	237
Equity at 31 Dec 2015	3,694	3,658
Profit for the period after tax	566	559
Comprehensive income for the period	566	559
Cash dividend	-213	-213
Equity at 30 Sep 2016	4,047	4,004



» CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEKM

	2016 3 mths July-Sep	2015 3 mths July-Sep	2016 9 mths Jan-Sep	2015 9 mths Jan-Sep	2015 12 mths Jan-Dec
OPERATING ACTIVITIES					
Property management income ¹	147	129	406	383	508
Adjustments for non-cash items	5	10	-11	-3	7
Tax paid	-8	-4	-14	-16	-126
Operating cash flows before change in working capital	144	135	381	364	389
Changes in working capital					
Decrease (+)/increase (-) in receivables	-3	60	-82	-34	-61
Decrease (-)/increase (+) in current liabilities	0	-33	-6	-28	19
Total change in working capital	-3	27	-88	-62	-42
Operating cash flow	141	162	293	302	347
INVESTING ACTIVITIES					
Investment in financial assets	-	-	-30	-2	-6
Proceeds from sale of property, plant and equipment	-	19	637	41	177
Purchases of property, plant and equipment	-90	-123	-426	-314	-1,059
Investing cash flow	-90	-104	181	-275	-888
FINANCING ACTIVITIES					
Dividends paid	-	-	-213	-213	-213
Change in non-current liabilities	-10	-10	-152	-31	448
Change in overdraft facility	-41	-48	-109	138	227
Financing cash flow	-51	-58	-474	-106	462
Cash flow for the period	0	0	0	-79	-79
Cash and cash equivalents at beginning of period	0	0	0	79	79
Cash and cash equivalents at end of period	0	0	0	0	0
¹ Items included in property management income					
Interest received	0	0	0	1	2
Interest paid	-43	-40	-161	-158	-199



»» FINANCIAL KEY RATIOS

The company presents certain financial measures in the interim report that have not been defined in accordance with IFRS. The company considers that these measures provide valuable additional information for investors and the company's management, as they enable the evaluation of relevant trends/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.*

PROPERTY MANAGEMENT INCOME

The company governs its operations based partly on the objective of generating capital growth by increasing the surplus ratio and thereby the operating cash flow, i.e. increased income from property management. The target for the year is a surplus ratio in excess of 60 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.

	2016 3 mths July–Sep	2015 3 mths July–Sep	2016 9 mths Jan–Sep	2015 9 mths Jan–Sep	2015 12 mths Jan–Dec
Property management income					
Profit before tax	281	154	627	533	845
Reversal					
Change in value of property	-107	-10	-147	-114	-273
Change in value of derivatives	-27	-15	-74	-36	-64
Property management income	147	129	406	383	508
EPRA earnings					
Property management income	147	129	406	383	508
Reversal current tax, property management income	-8	-13	-31	-30	-64
Minority's share of earnings	-1	-4	-7	0	-12
EPRA earnings (long-term earnings capacity)	138	112	368	353	432
EPRA earnings (long-term earnings capacity per share), SEK	1.83	1.50	4.93	4.72	5.77
Surplus ratio					
Operating surplus according to income statement	212	201	611	581	776
Rental income according to income statement	331	320	992	967	1,295
Surplus ratio, %	64.1	62.8	61.6	60.1	59.9

NET ASSET VALUE

Net asset value is the total capital which the company manages on behalf of its owners. Based on this capital, Diös aims to generate returns and growth while maintaining a low risk. Net asset value can also be calculated on a long-term and short-term basis. Long-term NAV is based on the balance sheet after adjusting for items which involve no near-term outgoing payments, which in Diös' case refers, for example, to the fair value of financial instruments (derivatives) and deferred tax on temporary differences. The current net asset value consists of equity according to the balance sheet after adjusting for the market value of the deferred tax liability.

	2016 3 mths July–Sep	2015 3 mths July–Sep	2016 9 mths Jan–Sep	2015 9 mths Jan–Sep	2015 12 mths Jan–Dec
Net asset value					
Equity according to balance sheet	4,047	3,445	4,047	3,445	3,694
Equity held by minority	-43	-24	-43	-24	-36
Reversal					
Fair value of financial instruments	60	163	60	163	134
Deferred tax on temporary differences	972	854	972	854	912
EPRA NAV (long-term net asset value)	5,036	4,438	5,036	4,438	4,704
EPRA NAV (long-term net asset value) per share, SEK	67.4	59.4	67.4	59.4	63.0
Less					
Fair value of financial instruments	-60	-163	-60	-163	-134
Estimated actual deferred tax on temporary differences, 4%*	-177	-155	-177	-155	-186
EPRA NNNAV (short-term net asset value)	4,799	4,120	4,799	4,120	4,384
EPRA NNNAV (short-term net asset value) per share, SEK	64.2	55.1	64.2	55.1	58.9

* Actual deferred tax has been calculated at 4 per cent based on a discount rate of 3 per cent. The calculation is based on the assumption that the property portfolio will be realised over a period of 50 years, with 10 per cent of the portfolio being sold directly subject to a nominal tax rate of 22 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of 6 per cent. The use of tax loss carry-forwards is taken into account for the first two years.



FINANCIAL RISK

The company's strategy is to own, develop and manage properties in a value-creating sustainable manner that promotes development while maintaining a stable financial risk. This is expressed in the ambition to maintain a loan-to-value ratio of less than 65 per cent, a short-term equity ratio in excess of 25 per cent and a long-term equity ratio of 30 per cent, and an interest coverage rate of over 1.8 times.

	2016 3 mths July–Sep	2015 3 mths July–Sep	2016 9 mths Jan–Sep	2015 9 mths Jan–Sep	2015 12 mths Jan–Dec
Loan-to-value ratio					
Interest-bearing liabilities	7,960	7,642	7,960	7,642	8,121
Investment properties	13,357	12,627	13,357	12,627	13,381
Loan-to-value ratio, %	59.6	60.5	59.6	60.5	60.7
Equity ratio					
Equity	4,047	3,445	4,047	3,445	3,694
Total assets	13,593	12,721	13,593	12,721	13,505
Equity ratio, %	29.8	27.1	29.8	27.1	27.4
Interest coverage ratio					
Property management income	147	129	406	383	508
Reversal					
Net financial items	52	52	160	158	210
Total	199	181	566	541	718
Financial costs	52	52	161	159	212
Interest coverage ratio, times	3.8	3.5	3.5	3.4	3.5

EPRA, European Public Real Estate Association, is a trade association for listed property companies and investors in Europe whose activities include defining common standards for financial reporting. The key ratios EPRA EPS (long-term earnings capacity per share), EPRA NAV (long-term net asset value) and EPRA NNNAV (current net asset value) are part of this.

The European Securities and Markets Authority (ESMA) is an independent authority appointed by the European Parliament. ESMA has issued guidelines for "alternative key ratios", which are not regulated by applicable laws. See definitions and key ratios above. See also www.esma.europa.eu for more information.



OTHER KEY RATIOS

Other key ratios refer to a number of measures of return which the company uses to describe various aspects of the statement of financial position and to give shareholders further information about the operations.

	2016 3 mths July-Sep	2015 3 mths July-Sep	2016 9 mths Jan-Sep	2015 9 mths Jan-Sep	2015 12 mths Jan-Dec
Return on equity, %	5.8	-0.4	14.4	8.6	15.0
Operating surplus, SEKm	212	201	611	581	776
Yield, %	1.6	1.6	4.6	4.6	5.8
Equity per share, SEK	54.2	46.1	54.2	46.1	49.4
Rental income, SEKm	331	320	992	967	1,295
Cash flow per share, SEK					
Profit before tax	281	154	627	533	844
Reversal unrealised change in value					
Properties	-107	-10	-157	-114	-262
Derivatives	-27	-15	-74	-36	-64
Depreciation	0.5	1	2	2	3
Current tax	-8	-141	23	-153	-162
Total	140	-11	421	232	359
Number of shares at end of period, thousands	74,729	74,729	74,729	74,729	74,729
Cash flow per share, SEK					
Earnings per share, SEK	1.88	-0.15	5.63	3.10	4.80
Debt/equity ratio, times	2.0	2.2	2.0	2.2	2.2
OTHER INFORMATION					
Rental value, SEKm	368	363	1,107	1,095	1,466
Economic occupancy rate, %	89.8	88.1	89.6	88.3	88.3
Number of properties at end of period	313	351	313	351	351
Leasable area at end of period, sq.m	1,351,198	1,422,224	1,351,198	1,422,224	1,462,538
Market value of properties, SEKm	13,357	12,627	13,357	12,627	13,381

▶▶▶ TARGETS

OPERATIONAL TARGETS

Target 2016

Economic occupancy rate, %	> 90	89.6
Surplus ratio, %	> 60	61.6
Energy use, %	-3.0	-1.5
Employee satisfaction index	75	-
Customer satisfaction index	63	-

FINANCIAL AND RISK LIMITATION TARGETS

Return on equity, %	Risk-free rate + 6 %	17.6 ¹
Loan-to-value ratio, %	< 65	59.6
Equity ratio, %	Short-term > 25 Long-term > 30	29.8
Interest coverage ratio, times	> 1.8	3.5

¹ Return on equity has been annualised.



➤ Jennie Nyblom, Property Manager, Gävle.



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

	2016 9 months Jan-Sep	2015 9 months Jan-Sep	2015 12 months Jan-Dec
INCOME STATEMENT			
Net sales	105	95	127
Gross profit	105	95	127
Central administration	-137	-129	-180
Operating profit	-32	-34	-53
Income from interests in Group companies	300	-	-
Financial income	191	185	232
Financial costs	-144	-141	-190
Profit after financial items	315	10	-11
Current tax	-	-	-
Profit after tax	315	10	-11
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax	315	10	-11
Comprehensive income for the year	315	10	-11

»» CONDENSED PARENT COMPANY BALANCE SHEET, SEKM

	2016 30 Sep	2015 30 Sep	2015 31 Dec
ASSETS			
Intangible assets	3	3	3
Machinery and equipment	2	2	2
Interests in Group companies	270	171	171
Non-current receivables from Group companies	7,508	7,822	7,674
Total non-current assets	7,783	7,998	7,850
Current receivables from Group companies	1,256	167	767
Other current receivables	12	15	10
Cash and cash equivalents	-	1	-
Total current assets	1,268	183	777
TOTAL ASSETS	9,051	8,181	8,627
EQUITY AND LIABILITIES			
Equity	1,131	1,050	1,029
Non-current liabilities to credit institutions	2,037	2,653	2,701
Non-current liabilities to Group companies	3,746	2,989	3,331
Current liabilities to credit institutions	-	7	7
Current liabilities to Group companies	1,992	1,413	1,439
Overdraft facilities	118	32	85
Trade payables	2	3	2
Other current liabilities	25	34	33
Total current liabilities	2,137	1,489	1,566
TOTAL LIABILITIES AND EQUITY	9,051	8,181	8,627

»»» DEFINITIONS

NUMBER OF SHARES AT END OF PERIOD

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

RETURN ON EQUITY

Profit for the period divided by average equity. Average equity is calculated as the sum of the opening and closing balance divided by two.

LOAN-TO-VALUE RATIO, PROPERTIES

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

YIELD

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

EQUITY PER SHARE

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

ECONOMIC OCCUPANCY RATE

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

EPRA EPS

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

EPRA NAV/LONG-TERM NET ASSET VALUE PER SHARE

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

EPRA NNNAV/CURRENT NET ASSET VALUE PER SHARE

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

PROPERTY MANAGEMENT INCOME

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

AVERAGE NUMBER OF SHARES

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

RENTAL INCOME

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

RENTAL VALUE

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

CASH FLOW PER SHARE

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

NET LEASING

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

EARNINGS PER SHARE

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

INTEREST COVERAGE RATIO

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

DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity at the end of the period.

EQUITY RATIO

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

SURPLUS RATIO

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



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