

Diös

Q4

FINANCIAL STATEMENT JANUARY – DECEMBER 2016



OVERVIEW OF THE YEAR

JANUARY – DECEMBER 2016

- **Rental income for the year was SEK 1,323 million (1,295)**
- **Property management income was SEK 539 million (508)**
- **Unrealised changes in the value of properties totalled SEK 337 million (262) and unrealised changes in the value of derivatives were SEK 91 million (64)**
- **The profit after tax was SEK 832 million (542)**
- **Earnings per share without regards to the rights issue were SEK 11.04 (7.09)**
➤ **Earnings per share with regards to the rights issue were SEK 8.66 (5.56)***
- **The Board proposes an increased dividend by 26 per cent to SEK 269 million (213), or SEK 2.00 per share (2.85)****

NET PROFIT FOR THE PERIOD, SEKm	2016 3 mths Oct-Dec	2015 3 mths Oct-Dec	2016 12 mths Jan-Dec	2015 12 mths Jan-Dec
Rental income	332	327	1,323	1,295
Other revenue	5	6	17	20
Operating and central costs	-160	-157	-597	-597
Net financial items	-45	-52	-204	-210
Property management income	132	124	539	508
Changes in value of properties and derivatives	198	187	418	337
Current tax	-11	-9	11	-163
Deferred tax	-53	-53	-136	-140
Profit after tax	266	249	832	542
Surplus ratio, %	59	59	61	60
Occupancy rate, %	90	88	90	88
Equity ratio, %			31.0	27.4
Loan-to-value ratio, properties, %			58.6	60.7
Equity per share without regards to the rights issue, SEK			57.7	49.4
EPRA NAV per share with regards to the rights issue, SEK			71.4	63.0

For definitions of key ratios, see page 31.

** For the calculation of earnings per share with regards to the rights issue, see the section "Calculation of the number of shares with regards to the rights issue" on page 28.*

*** See also page 28, section "Dividend-related key ratios".*

FOR FURTHER INFORMATION, PLEASE CONTACT

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KNUT ROST, CEO

STEPPING UP A LEVEL

Strongest result to date and major new acquisitions creates new opportunities. The Board proposes a 26 per cent increase in the dividend.

I am very pleased to announce that we are achieving our targets for occupancy rate and surplus ratio, and that our property management income has increased to SEK 539 million (508). More efficient property management and increased lettings activity have boosted our earnings and improved our key ratios. Net leasing in 2016 was good, at SEK 26 million, and included significant new lets to Swedbank in Östersund and Falun, and to Mittmedia in Gävle. Yet there is still additional potential in new leasing and in further improving our tenant relations.

The acquisition of 32 properties worth SEK 4,500 million from Castellum takes Diös to a new level. I am incredibly happy that we took this opportunity when it presented itself. We are buying the right properties in the right locations with the right tenants. The acquisition has many positive effects, the most obvious being an improved offering to tenants and economies of scale. From a management efficiency perspective, it allows us to reach a critical volume in two of Sweden's hottest growth cities, Umeå and Luleå, while also strengthening our cash flow and our financial key ratios.

There are big opportunities in our chosen cities. We are seeing that the local government and business sectors want to increase growth and develop for the future. We are active in a dynamic market and have ample scope quickly to adapt and develop our cities in response to changing trends. The trend in rents for modern, flexible premises is very positive, and demand as well as the willingness to pay are increasing.

A rise in long-term interest rates in the autumn had a negative impact on shares of property companies. Although low long-term interest rates have served property companies well, I am not worried about rising interest rates and their impact on earnings in the near term. In connection with raising the loans that were used to fund the acquisition we extended the maturity of our borrowings. The new loans were concluded on favourable terms with an average maturity of three years.



We are of course keeping a close eye on interest rates and are arranging the company in accordance with those criteria which we believe will generate the highest return in relation to the risk taken.

The Board proposes a dividend of SEK 2 per share. This represents 53 per cent of the profit for the year and is affected by the increase in the number of shares following the successful rights issue. Our dividend yield is still among the highest in the industry and our target of distributing around 50 per cent of earnings remains after the acquisition.

The acquisitions that were announced in 2016 have now all been completed. For a cash flow-driven company, the acquisitions will help to further increase our earnings. Additional tenants and high-quality properties in city centre locations will improve the diversification of our portfolio, which is another positive aspect.

We have raised our ambition for 2017, targeting an occupancy rate of 92 per cent and a surplus ratio of 63 per cent. The market outlook in our locations is good, there is strong confidence in the future, we have an organisation that is clearly moving things forward and we are concluding transactions that will enhance the value of Diös. We have advanced our positions significantly, improving our ability to deliver a high level of service to our tenants and continued robust returns to our shareholders.



Knut Rost, CEO



► Stefan Jönsson, Technical Manager, Östersund.

»» REVENUE, EXPENSES AND RESULTS, JANUARY - DECEMBER 2016

Property management income for the year, i.e. income excluding changes in value and tax, was SEK 539 million (508). On comparable holdings, property management income increased by 4.7 per cent compared to last year.

The operating surplus was SEK 806 million (776), representing a surplus ratio of 61 per cent (60). The increased surplus ratio is explained mainly by a stronger lettings performance and reduced property costs as a result of more efficient property management. For comparable holdings, the operating surplus increased by 2.8 per cent compared with the previous year.

- Rental income for the reporting period was SEK 1,323 million (1,295), representing an economic occupancy rate of 90 per cent (88). For comparable holdings, rental income increased by 3.2 per cent compared with the previous year.
- Other property management income totalled SEK 17 million (20) and consisted partly of re-billing to tenants regarding work carried out in leased premises.
- Total property costs were SEK 534 million (539). The decrease in costs is chiefly attributable to reduced repair costs. Of total property costs, SEK 9.6 million (9.0) 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. Prices are increasing mainly for centrally located office properties in growth cities. The upward trend is also reflected in the internal valuation in the form of a lower required rate of return, which, at the portfolio level, corresponds to 0.27 percentage points for the year. The average valuation yield at the end of the year was 6.40 per cent. This has led to a positive change in value of SEK 337 million (262), or 2.5 per cent (2.0). The market value was SEK 13,683 million (13,381) on 31 December. During the year 42 properties (6 and 1 partial sale) were sold with a realised change in value of SEK -10 million (11) before tax, including transaction costs. Five properties (3) were acquired.

The derivatives portfolio has been valued at fair value. If the contracted interest rate deviates from the market rate, a 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 year, unrealised changes in value on derivatives totalled SEK 91 million (64), 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 year, 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 INCOME



NET FINANCIAL ITEMS

Net financial items for the year totalled SEK -204 million (-210). The interest expense for the year, including expenses for interest-rate derivatives and loan commitments, corresponds to borrowings at an average annual interest rate of 2.4 per cent (2.6). The average annual interest rate on interest-bearing liabilities based on the applicable terms and market interest rates at 31 December was 2.0 per cent (2.5).

PROFIT BEFORE TAX

Profit before tax was SEK 957 million (845). 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 832 million (542). Current tax is SEK 11 million (-163). 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 -136 million (-140).

FOURTH QUARTER 2016

Property management income for the fourth quarter, i.e. income excluding changes in value and tax, was SEK 132 million (125). The change is attributable to increased rental income and an improvement in net financial items. The operating surplus was SEK 195 million (195), representing a surplus ratio of 59 per cent (59).

- Rental income for the fourth quarter was SEK 332 million (327), which corresponds to an economic occupancy rate of 90 per cent (88).
- Total property costs were SEK 142 million (139).

Net financial items for the fourth quarter were SEK -45 million (-52). The profit before tax was SEK 330 million (312), with changes in the value of properties having a positive impact of SEK 181 million (159) and changes in the value of interest rate derivatives adding SEK 17 million (28). Earnings after tax were SEK 266 million (249), of which SEK -53 million (-53) refers to deferred tax and SEK -11 million (-10) to current tax. In the fourth quarter one property (0) was acquired.

»» OPERATING SURPLUS AND SURPLUS RATIO



THE ACQUISITION

OF 32 PROPERTIES FROM CASTELLUM

On 21 November 2016 we concluded an agreement for the acquisition of 32 centrally located properties in Umeå, Luleå and Sundsvall worth SEK 4,500 million from Castellum.

The properties, which form part of the former Norrporten portfolio, are of a high quality and are an excellent match to our existing portfolio. Completion took place on 1 February 2017 and the deal has been included in our accounts from this date.

The acquisition has strengthened our presence in two of Sweden's fastest growing cities, Umeå and Luleå, where we have long had an ambition to grow. Out of the total property value, 43 per cent is located in Umeå, 34 per cent in Luleå and 23 per cent in Sundsvall.

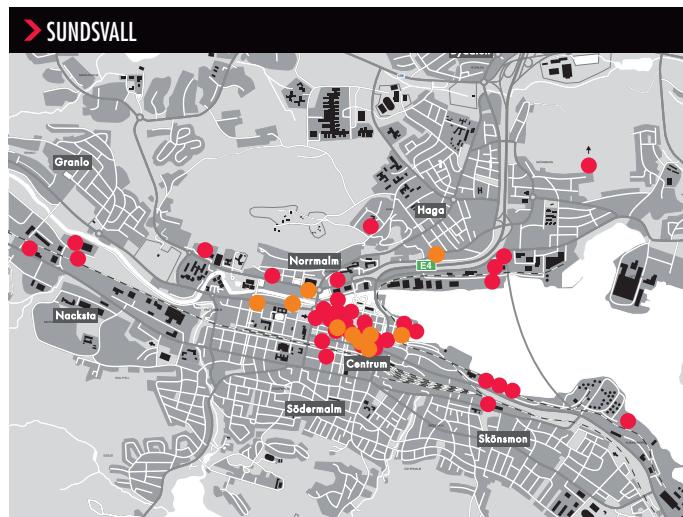
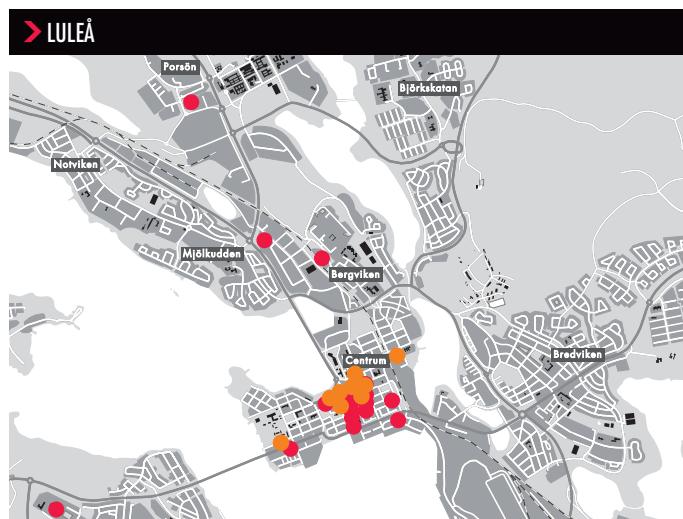
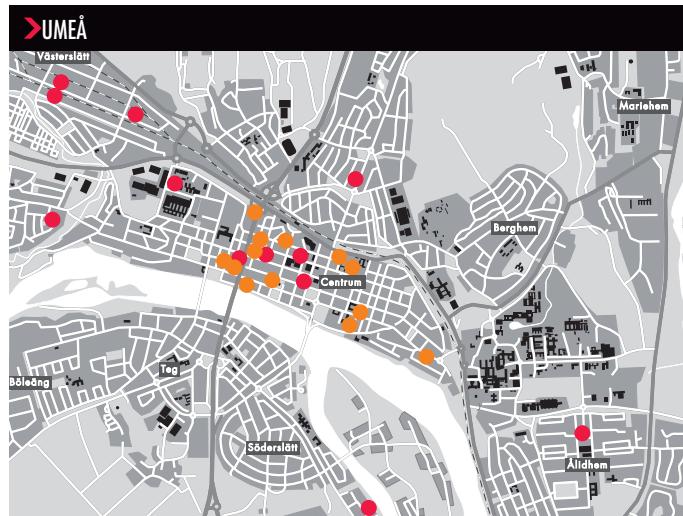
The properties, which mainly comprise office and retail space, strengthen our offering to tenants. The deal also strengthens our position and influence in urban development and city centre shopping. We see opportunities for revenue synergies as well as economies of scale in the acquisition, which also consolidates our position as northern Sweden's largest property company.

The acquisition was funded within the framework of Diös' financial policy through a fully underwritten rights issue of SEK 1,853 million and new bank loans of around SEK 2,700 million. The funding structure strengthens our equity ratio while our loan-to-value ratio remains unchanged, which is positive from a risk perspective.

The decision to carry out a rights issue was taken at the extraordinary general meeting on 21 December 2016, which also authorised the Board to determine the terms of the rights issue. On 27 December the Board announced the terms of the issue, under which existing shareholders had the right to subscribe for four new shares for every five shares held at a price of SEK 31 per share, resulting in an increase of 59,783,304 shares to 134,512,438 shares. The new shares were registered on 3 February 2017 and all shares carry a right to a dividend in 2017.

As a larger and financially stronger player, our ability to negotiate competitive funding terms has improved. This will make Diös more attractive as a partner to tenants, local authorities and suppliers while also strengthening our purchasing power.

For our shareholders the acquisition has several coveted aspects. A more diversified tenant base and further high-quality properties in central locations in fast-growing cities reduce the risk of loss of income. The funding structure strengthens our financial key ratios, thus reducing the financial risk. An improved offering and opportunities for revenue synergies and economies of scale should strengthen our operational key ratios and thus also our return.



- Existing portfolio*
- Acquired properties

* Additional properties from Diös' existing portfolio are located outside the maps.

»» PRO FORMA BALANCE SHEET AND EARNINGS CAPACITY AS AT 30 SEPTEMBER

A pro forma balance sheet and pro forma presentation of earnings capacity for Diös after the acquisition as at 30 September are shown below. Completion took place on 1 February 2017. Due to that Diös only have had access to accounting records regarding the acquired property portfolio as of 30 September 2016 it is not possible to present a reliable pro form balance sheet as of 31 December 2016. The presented figures, which have been prepared for illustrative purposes, do not constitute a forecast or assessment of future performance but should be viewed simply as a snapshot. For a more detailed description and a presentation of the assumptions used, see the prospectus that was produced for the right issue, which is available on our website, www.dios.se.

»» PRO FORMA BALANCE SHEET AS AT 30 SEPTEMBER 2016

SEKm	Diös before the acquisition	Acquired property portfolio	Diös after the acquisition
Investment properties	13,357	4,508	17,865
Other non-current assets	46	2	48
Current assets	190	19	209
Total assets	13,593	4,529	18,122
Equity	4,047	1,806	5,853
Deferred tax liability	957	-	957
Non-current liabilities	7,969	2,700	10,669
Overdraft facilities	118	-	118
Current liabilities	502	23	525
Total liabilities and equity	13,593	4,529	18,122

»» EARNINGS CAPACITY AS AT 30 SEPTEMBER 2016

SEKm	Diös before the acquisition	Acquired property portfolio	Diös after the acquisition
Rental value	1,469	360	1,829
Vacancies and discounts	-148	-25	-173
Rental income	1,321	335	1,656
Other revenue	17	-	17
Property costs	-525	-99	-624
Operating surplus	813	236	1,049
Central administration costs	-60	-5	-65
Net financial items	-148	-42	-190
Property management income	605	189	794

»» KEY RATIOS BASED ON EARNINGS CAPACITY AND PRO FORMA BALANCE SHEET AS AT 30 SEPTEMBER 2016

To illustrate the effect of the acquisition, selected key ratios based on the company's earnings capacity along with a pro forma balance sheet as at 30 September are presented.

Key performance indicators	Diös before the acquisition	Diös after the acquisition
Loan-to-value ratio, %	59.6	59.7
Equity ratio, %	29.8	32.3
Occupancy rate, %	90	91
Surplus ratio, %	62	63
Average term of leases, years	3.2	3.5



» PROPERTY PORTFOLIO AT 31 DECEMBER 2016

Diös owned 314 properties in 10 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,353,525 square metres. The economic occupancy rate, based on signed leases at 31 December was 90 per cent. Diös invested SEK 420 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 13,683 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrboten	Diös Group
Rental income	266	193	201	288	215	162	1,323
Other revenue	6	2	3	2	1	3	17
Repair and maintenance	-13	-11	-11	-16	-13	-7	-71
Tariff-based costs	-38	-25	-28	-48	-31	-15	-185
Property tax	-12	-11	-11	-14	-11	-8	-67
Other property costs	-30	-21	-27	-33	-20	-17	-149
Property management	-10	-8	-12	-15	-10	-9	-64
Operating surplus	169	120	115	164	131	107	806
Undistributed items							
Central administration	-	-	-	-	-	-	-63
Net financial items	-	-	-	-	-	-	-204
Property management income	-	-	-	-	-	-	539
Changes in value							
Property, realised	-	-	-3	-3	-4	-	-10
Property, unrealised	-49	55	23	93	71	144	337
Interest rate derivatives	-	-	-	-	-	-	91
Profit before tax	-	-	-	-	-	-	957
Current tax	-	-	-	-	-	-	11
Deferred tax	-	-	-	-	-	-	-136
Non-controlling interests	-	-	-	-	-	-	-7
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	825
Leasable area, sq.m	266,682	250,733	185,405	304,511	226,119	120,075	1,353,525
Rental value	294	220	234	323	235	172	1,478
Economic occupancy rate, %	90	88	86	89	91	94	90
Surplus ratio, %	63	62	57	57	61	66	61
Change in property portfolio							
Property portfolio, 1 January 2016	2,558	1,882	2,289	2,946	2,046	1,659	13,381
Acquisitions	-	-	-	138	68	-	206
Investments in new builds, conversions and extensions	68	40	62	104	98	49	420
Sales	-	-	-341	-256	-64	-	-661
Unrealised changes in value	-49	55	23	93	71	144	337
Property portfolio, 31 December 2016	2,576	1,978	2,033	3,025	2,219	1,852	13,683

» PROPERTY PORTFOLIO AT 31 DECEMBER 2015

Diös owned 351 properties in 10 locations from Borlänge in the south to Luleå in the north. The total leasable area was 1,462,537 square metres. The economic occupancy rate, based on signed leases at 31 December was 89 per cent. Diös invested SEK 456 million in new builds, conversions and extensions over the period. In terms of value, the largest share of the portfolio is located in Gävleborg, Västernorrland and Jämtland. The total market value of the properties was SEK 13,381 million.

Figures refer to SEK million unless otherwise indicated.

By business area	Dalarna	Gävleborg	Västernorrland	Jämtland	Västerbotten	Norrboten	Diös Group
Rental income	261	190	246	293	152	152	1,295
Other revenue	4	4	6	2	1	4	20
Repair and maintenance	-15	-10	-16	-18	-10	-7	-76
Tariff-based costs	-37	-25	-38	-50	-22	-15	-187
Property tax	-12	-10	-13	-14	-7	-8	-64
Other property costs	-29	-21	-32	-33	-17	-17	-149
Property management	-11	-8	-14	-14	-7	-10	-63
Operating surplus	161	120	139	166	90	100	776
Undistributed items							
Central administration	-	-	-	-	-	-	-58
Net financial items	-	-	-	-	-	-	-210
Property management income	-	-	-	-	-	-	508
Changes in value							
Property, realised	-	2	4	5	-1	-	11
Property, unrealised	-37	98	-16	90	42	85	262
Interest rate derivatives	-	-	-	-	-	-	64
Profit before tax	-	-	-	-	-	-	845
Current tax	-	-	-	-	-	-	-163
Deferred tax	-	-	-	-	-	-	-140
Non-controlling interests	-	-	-	-	-	-	-12
Profit for period attributable to shareholders of the parent	-	-	-	-	-	-	530
Leasable area, sq.m	266,682	250,733	273,563	325,046	226,438	120,075	1,462,537
Rental value	292	216	289	334	169	167	1,466
Economic occupancy rate, %	90	88	85	88	90	91	88
Surplus ratio, %	62	63	56	57	59	65	60
Change in property portfolio							
Property portfolio, 1 January 2015	2,497	1,760	2,237	2,876	1,334	1,496	12,200
Acquisitions	-	-	-	-	622	-	622
Investments in new builds, conversions and extensions	98	39	77	107	56	78	456
Sales	-	-15	-9	-127	-8	-	-159
Unrealised changes in value	-37	98	-16	90	42	85	262
Property portfolio, 31 December 2015	2,558	1,882	2,289	2,946	2,046	1,659	13,381



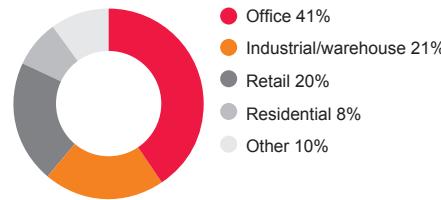
► Katharina Engebo, Letting Agent, Sundsvall.



»» 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 year 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, 31 DECEMBER 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 revenues and reduce the impact on the environment. During the year, SEK 420 million (456) was invested in a total of 331 projects (583). At the end of the year, 12 major¹ development projects were ongoing, with a remaining investment volume of SEK 51 million and a total investment volume of SEK 123 million. In the fourth quarter decisions were taken on 91 new project investments.

¹Initial investment volume > SEK 4 million.

»» 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 12,657–14,709 million.

No changes in valuation methodology or approach were made in the fourth quarter. The valuations are in accordance with IFRS 13 level 3.

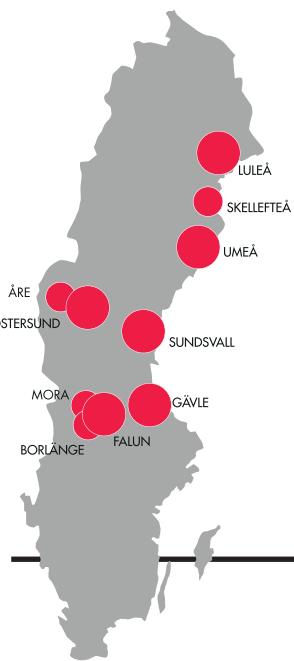
CHANGES IN THE PORTFOLIO

In the fourth quarter Diös concluded an agreement for the acquisition of 32 properties from Castellum's portfolio in Luleå, Umeå and Sundsvall.

VALUATION ASSUMPTIONS

	31 Dec 2016	31 Dec 2015
Value date		
Analysis period	5 years	5 years
Yield for assessing residual value ¹	5.9-7.4%	6.3-7.7%
Cost of capital for discounting to present value	8.5%	8.8%
Long-term vacancy	5.1%	5.4%
Inflation	2%	2%

¹Weighted average from lower to upper quartiles.



»»» 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. The Retail business area will be added in 2017.

DALARNA

PROPERTY HOLDINGS

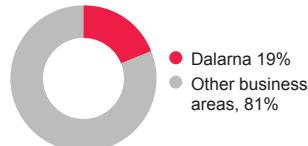
No. of properties	44
Area, '000 sq.m	267
Property value, SEKm	2,576
Operating surplus, SEKm	169
Surplus ratio, %	63

DALARNA LARGEST TENANTS

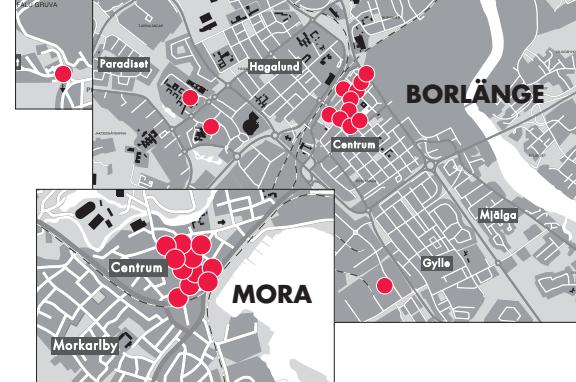
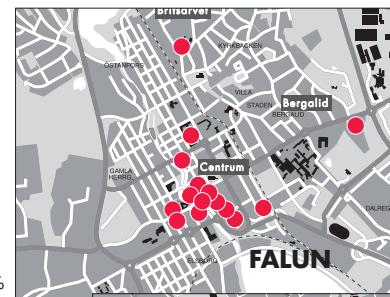
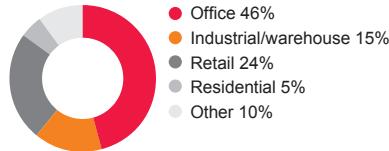
TENANT	Annual contract No. of contracts	No. value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Transport Administration	3	39,846	15.0	3.5
Municipality of Falun	8	17,251	6.5	3.4
Swedish Police Authority	8	9,941	3.8	2.6
Internationella Engelska Skolan AB	1	9,140	3.5	19.0
Pysslingen Förskolor och Skolor AB	1	8,335	3.2	7.6
Total, largest tenants	21	84,513	32.0	5.5

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

SHARE OF TOTAL CONTRACT VALUE



FLOOR AREA BY TYPE OF PREMISES



GÄVLEBORG

PROPERTY HOLDINGS

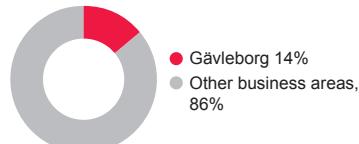
No. of properties	51
Area, '000 sq.m	251
Property value, SEKm	1,978
Operating surplus, SEKm	120
Surplus ratio, %	62

GÄVLEBORG - LARGEST TENANTS

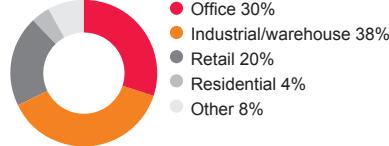
TENANT	Annual contract No. of contracts	No. value, SEK '000	Share of total contract value, %*	Average contract term, years
Swedish Public Employment Service	8	7,465	3.9	3.2
Swedish Transport Administration	3	7,065	3.7	1.8
Internationella Engelska Skolan AB	2	5,657	3.0	6.8
Ahléns	3	4,604	2.4	4.8
AF AB	1	3,008	1.6	4.0
Total, largest tenants	17	27,799	14.6	3.9

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

SHARE OF TOTAL CONTRACT VALUE



FLOOR AREA BY TYPE OF PREMISES



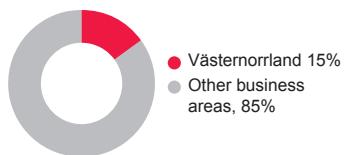


VÄSTERNORRLAND

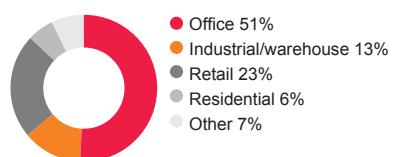
PROPERTY HOLDINGS

No. of properties	46
Area, '000 sq.m	185
Property value, SEKm	2,033
Operating surplus, SEKm	115
Surplus ratio, %	57

SHARE OF TOTAL CONTRACT VALUE



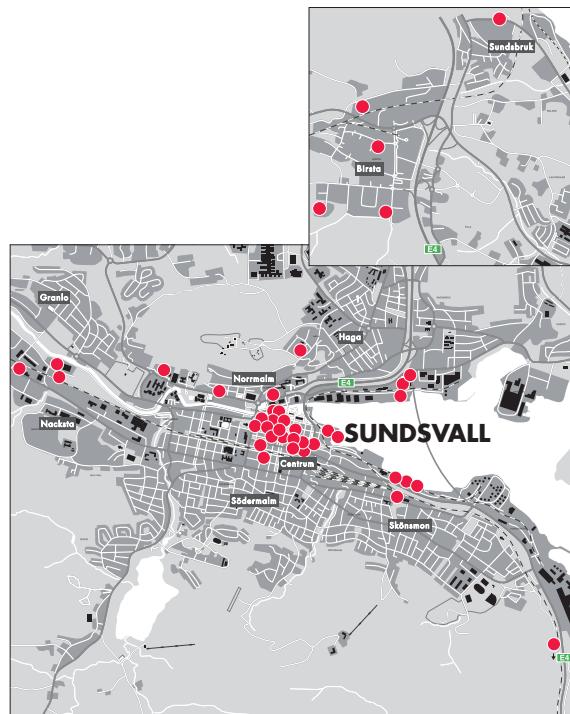
FLOOR AREA BY TYPE OF PREMISES



VÄSTERNORRLAND LARGEST TENANTS

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
		%		
Municipality of Sundsvall	19	8,255	4.2	1.9
Norrlands Kunskapscentrum AB	2	6,900	3.5	9.0
Swedish Migration Board	8	5,721	2.9	4.5
Ahléns	1	4,433	2.3	1.7
Nordea Bank AB	1	4,267	2.2	3.9
Total, largest tenants	31	29,576	15.1	4.3

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

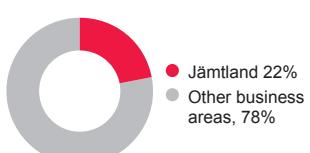


JÄMTLAND

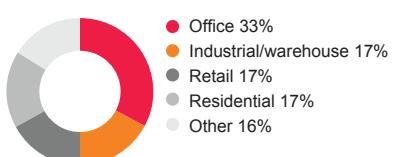
PROPERTY HOLDINGS

No. of properties	115
Area, '000 sq.m	305
Property value, SEKm	3,025
Operating surplus, SEKm	164
Surplus ratio, %	57

SHARE OF TOTAL CONTRACT VALUE



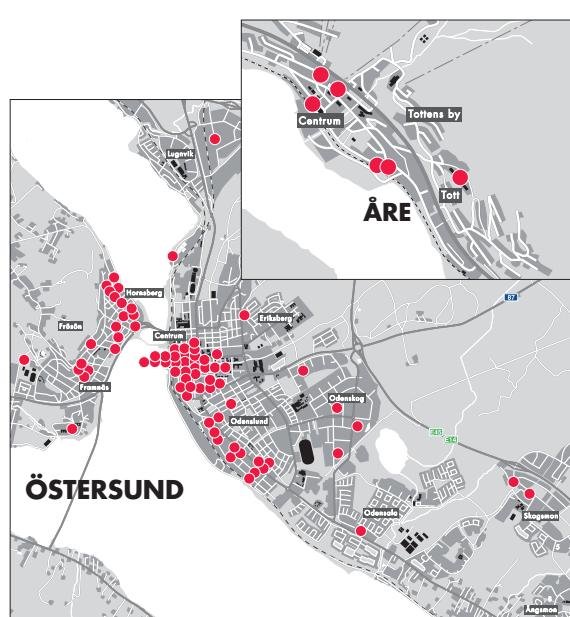
FLOOR AREA BY TYPE OF PREMISES



JÄMTLAND - LARGEST TENANTS

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total contract value, %*	Average contract term, years
		%		
Municipality of Östersund	109	36,619	12.3	3.6
Region Jämtland Härjedalen	18	11,061	3.7	2.3
Swedbank AB	5	7,488	2.5	0.8
Swedish Public Employment Service	4	5,852	2.0	1.8
Ica Fastigheter Sverige AB	3	5,317	1.8	0.5
Total, largest tenants	139	66,337	22.3	2.7

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





»» CONT. BUSINESS AREAS

VÄSTERBOTTEN

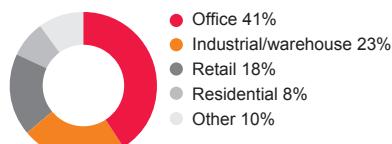
PROPERTY HOLDINGS

No. of properties	40
Area, '000 sq.m	226
Property value, SEKm	2,219
Operating surplus, SEKm	131
Surplus ratio, %	61

SHARE OF TOTAL CONTRACT VALUE



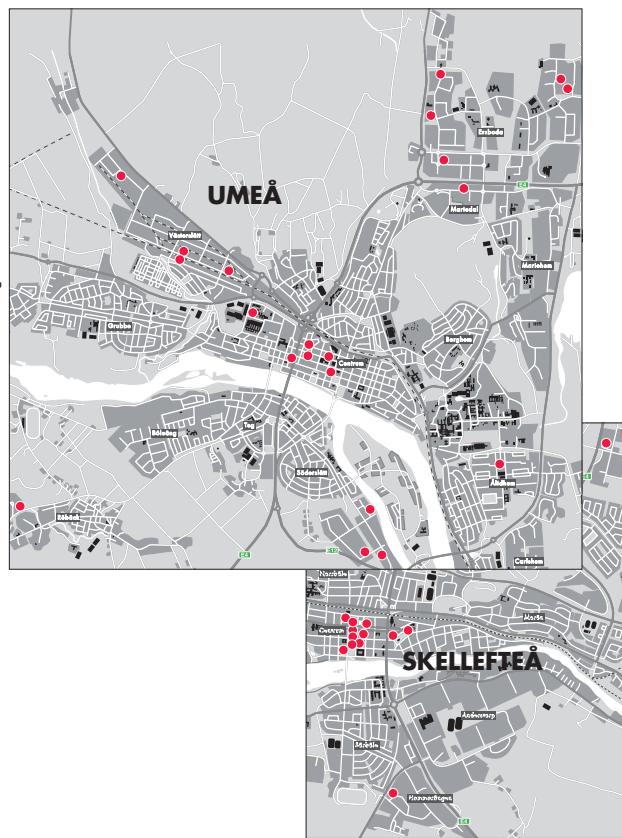
FLOOR AREA BY TYPE OF PREMISES



VÄSTERBOTTEN - LARGEST TENANTS

TENANT	Annual contract contracts	No. value, SEK '000	Share of total	Average
			%*	contract term, years
Municipality of Skellefteå	20	15,657	7.4	3.6
Tieto Sweden AB	2	9,702	4.6	2.0
Scandic Hotels AB	1	7,955	3.7	13.7
Municipality of Umeå	9	7,928	3.7	4.0
Swedish Social Insurance Agency	8	6,036	2.8	1.3
Total, largest tenants	40	47,278	22.2	4.7

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

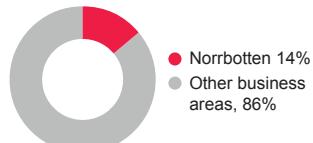


NORRBOTTEN

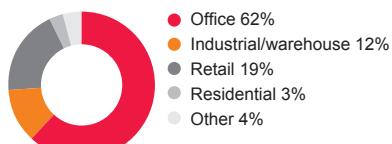
PROPERTY HOLDINGS

No. of properties	18
Area, '000 sq.m	120
Property value, SEKm	1,852
Operating surplus, SEKm	107
Surplus ratio, %	66

SHARE OF TOTAL CONTRACT VALUE



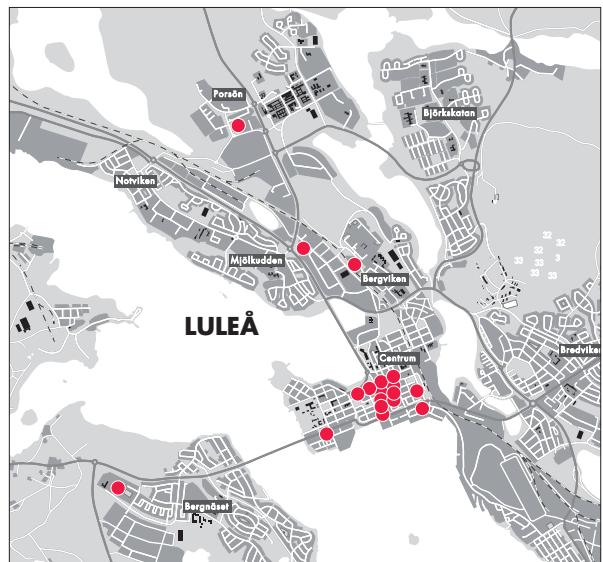
FLOOR AREA BY TYPE OF PREMISES



NORRBOTTEN - LARGEST TENANTS

TENANT	Annual contract contracts	No. value, SEK '000	Share of total	Average
			%*	contract term, years
Municipality of Luleå	10	11,409	7.2	2.4
SWECO Sverige AB	3	7,862	4.9	6.2
Swedish Customs IT Department	3	7,308	4.6	0.2
Folksam Sak	16	5,992	3.8	4.7
Swedbank AB	3	5,163	3.3	2.2
Total, largest tenants	35	37,734	23.8	3.1

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





» LEASE MATURITIES AT 31 DECEMBER 2016

	Maturity year	Signed contracts no.	Rented area sq.m	Contracted rental income SEKm	Share, %
Leases for premises	2017	787	173,720	195	15
	2018	697	227,709	257	19
	2019	594	227,855	248	19
	2020	384	182,448	228	17
	2021+	196	219,566	248	19
Total leases for premises		2,658	1,031,298	1,176	89
Residential leases		1,508	106,732	113	8
Other leases		3,342	-	41	3
TOTAL		7,508	1,138,030	1,330	100

NET LEASING

Net leasing was SEK 26 million (48) for the year as a whole and SEK 11 million (8) for the fourth quarter. The largest lets in the three-month period were JFK Restaurang AB in Åre-Prästbord 1:76 in Åre, Swedbank AB in Gamla Bergsskolan 15 in Falun and Mittmedia AB in Brynäs 12:1 in Gävle. The average contract term for commercial premises at 31 December was 3.4 years (3.2).

VACANCIES

Vacancies fell during the fourth quarter and at 31 December the economic vacancy rate was 10.0 per cent (10.4) and vacant area was 15.8 per cent (16.8). 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 year, excluding discounts, was 9.4 per cent (9.7).

» LARGEST TENANTS AT 31 DECEMBER 2016

TENANT	No. of contracts	Annual contract value, SEK '000	Share of total annual contract value, %	Average contract term, years
Swedish Transport Administration	13	48,002	3.6	3.2
Municipality of Östersund	109	36,619	2.8	3.6
Swedish Public Employment Service	35	24,607	1.8	2.6
Swedbank AB	10	19,525	1.5	1.1
Municipality of Falun	8	17,251	1.3	3.4
Ahléns	7	17,618	1.3	2.1
Municipality of Skellefteå	20	15,657	1.2	3.6
Internationella Engelska Skolan	3	14,798	1.1	14.3
Swedish Police Authority	17	14,590	1.1	3.6
KappAhl	6	13,736	1.0	2.9
Total, largest tenants	228	222,403	16.7	3.7

» ENERGY USE AND CARBON DIOXIDE EMISSIONS

	Unit	2016 12 months Jan-Dec	2015 12 months Jan-Dec
Heating ¹	kWh/sq.m	79.7	80.6
District cooling ²	kWh/sq.m	2.2	2.1
Electricity ³	kWh/sq.m	51.8	51.4
Carbon dioxide, total ⁴	g CO2/kWh	23.5	23.6
Water	m ³ /sq.m	0.4	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 energy use decreased by 0.4 per cent compared with the year-before period, which is short of the target of a 3 per cent reduction. For 2017 we have raised our ambition, targeting a reduction of 4 per cent. This will be achieved by improving the quality of our energy projects and

raising the level of skills in energy optimisation among other measures. To reduce our environmental impact, we only buy electricity from renewable sources and take an active role in dialogues with district heating suppliers, and we can now see that 99 per cent of our district heating comes from non-fossil sources.



► Jennie Nyblom, Property Manager, Gävle.



»» FINANCIAL POSITION AT 31 DECEMBER 2016

EQUITY AND LONG-TERM NET ASSET VALUE

Equity was SEK 4,313 million (3,694) and equity per share SEK 57.7 (49.4) without regards to the rights issue. Long-term net asset value, expressed as EPRA NAV was SEK 5,336 million (4,704) without regards to the rights issue. EPRA NAV is a key ratio measuring the long-term fair value of a company's net assets. At the end of the financial year 2016 the equity

ratio was 31.0 per cent (27.4), which is higher than the short-term target of 25 per cent and the long-term target of 30 per cent. The loan-to-value ratio was 58.6 per cent (60.7) and the interest coverage ratio 3.6 times (3.4).

CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at year-end were SEK 0 million (0). At the same date bank overdrafts totalled SEK 15 million (227).

»» INTEREST EXPENSE JANUARY-DECEMBER 2016

	Amount, SEKm	Cost, SEKm	Weighted average interest rate, %
Interest-bearing liability	8,066	85	1.1
Undrawn credit facilities ¹	691	3	0.0
Financial instruments	3,200	104	1.3
	192	2.4	

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 year were SEK 8,066 million (7,895). The actual interest expense, including expenses related to undrawn credit and overdraft facilities and the performance of financial instruments, amounted to SEK 192 million (203), which represents an average annual interest rate of 2.4 per cent (2.6). During the year, unrealised changes in value on derivatives totalled SEK 91 million (64), which have been fully recognised in profit or loss. In the second

quarter floating rate bonds in the amount of SEK 441 million were issued through Svensk FastighetsFinansiering AB (SFF). The bonds have a quoted margin of 0.9 per cent and mature in May 2018. On 18 November we increased our financing through SFF through an issue of SEK 574 million. In connection with the issue Diös also bought back SEK 500 million of bonds maturing on 9 March 2017. At 31 December 2016 the bonds had an effective rate of 0.8 per cent.

»» INTEREST RATES AND LOAN MATURITY ON 31 DECEMBER 2016

Maturity year	Interest rate and margin expiration			Loan maturity	
	Loan amount, SEKm	Average annual interest rate ¹ , %	Credit agreements, SEKm	Drawn, SEKm	
2017	4,619	1.1	2,790	2,307	
2018	2,820	1.1	3,609	3,609	
2019	-	-	872	872	
2020	574	1.0	574	574	
2021	-	-	1,080	650	
Drawn credit facilities	8,012	1.1	8,925	8,012	
Undrawn credit facilities ²	913	0.1			
Financial instruments	2,200	0.8			
TOTAL		2.0			

¹ Average annual interest rate refers to the average interest rate based on interest rate terms and current liability at 31 December 2016.

² The impact of costs related to undrawn credit facilities on the average annual interest rate is 0.05 percentage points.

SENSITIVITY ANALYSIS AT 31 DECEMBER 2016

	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	0.7	1.8	1.2	8,012	0.8	+61	
Derivative portfolio	0.5		0.8	-43	-1.0	-22	+11
Loan portfolio, incl. derivatives	0.9	1.8	2.0		0.5	+39	+11

¹ The cost for undrawn credit facilities has been included.

The Group's interest-bearing liabilities were SEK 8,012 million (8,119). The average fixed-rate term was 0.7 years (0.3) and average maturity was 1.8 years (2.4). If the effect of the derivatives portfolio is included, the average fixed-rate term was 0.9 years (0.8) and the average fixed credit margin term for the loan agreements was 1.2 years (1.3). Of the Group's total interest-bearing liabilities, SEK 2,200 million (4,200) is hedged through derivatives. The average remaining term is 0.5 years (1.1). The average annual interest rate, including costs related to derivatives, amounted to 2.0 per cent (2.5), including loan commitments. At 31 December 2016, the market value of the derivative portfolio was SEK -43 million (-134). With a derivatives portfolio of SEK 2,200 million and loans of SEK 1,926 million, 51.5 per cent (57.9) of the Group's total outstanding loans are covered by interest rate hedges.

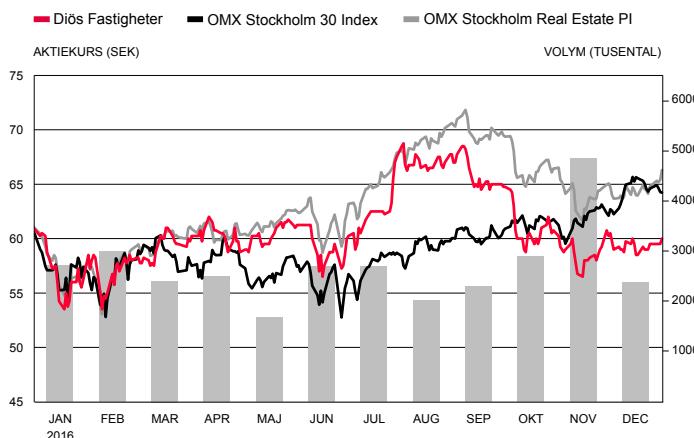
The derivatives portfolio limits the impact of a change in interest rates on our average borrowing costs. The value of derivatives is always zero at maturity.

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.

The fair values of assets and liabilities at year-end roughly approximate the carrying amounts.

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



»» LARGEST SHAREHOLDERS

OF DIÖS FASTIGHETER AB AT 31 DECEMBER 2016

SHAREHOLDER	No. of shares	Capital and votes,	
		%	
AB Persson Invest	11,499,691	15.4	
Backahill Inter AB	7,830,754	10.5	
Bengtssons Tidnings Aktiebolag	7,518,222	10.1	
Pensionskassan SHB Försäkringsförening	4,498,239	6.0	
SEB Investment Management	2,952,418	4.0	
Försäkringsaktiebolaget, Avanza Pension	2,496,748	3.3	
Fourth AP Fund	1,737,760	2.3	
Handelsbankens Fonder	1,441,666	1.9	
Ssb Client Omnibus Ac Om07 (15 pct)	1,430,804	1.9	
Staffan Rasjö	1,260,100	1.7	
Total, largest shareholders	42,666,402	57.1	
Other shareholders	32,062,732	42.9	
TOTAL	74,729,134	100.0	

»» NET ASSET VALUE

AS OF 31/12/2016	SEKm	Per share
Number of shares, thousands	74,729	
Equity	4,313	
Equity held by minority	-43	
<i>Reversal</i>		
Fair value of financial instruments	43	
Deferred tax on temporary differences	1,023	
EPRA NAV	5,336	71.4
<i>Less</i>		
Fair value of financial instruments	-43	
Estimated actual deferred tax on temporary differences, approx. 4% ¹	-180	
EPRA NNAV	5,113	68.4

¹ See page 24.

»» EARNINGS PER SHARE AS PER EPRA EPS

AS OF 31/12/2016	SEKm	Per share
Number of shares, thousands	95,290	
Property management income	539	
Tax attributable to property management income	-42	
Minority's share of earnings	-7	
EPRA EPS	490	5.14

SHARE PERFORMANCE

The share price at the end of the year was SEK 60.0 per share (61.3), which equates to a market capitalisation of SEK 4,484 million (4,577) and a return of -2.0 per cent (6.1) 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 year is 2.8 per cent (12.1). The graph shows share prices for the past 12 months for both Diös and the indexes. The return for OMX Stockholm 30 was 4.9 per cent (-1.2) and for OMX Stockholm Real Estate PI 8.2 per cent (23.6).

Diös Fastigheter AB had 11,233 shareholders (10,329) at 31 December. The share of foreign-owned shares was 19.4 per cent (17.9) while the total number of shares during the year remained unchanged at 74,729,134 (74,729,134). The largest single shareholder was AB Persson Invest with a 15.4 per cent (15.4) shareholding. The ten largest shareholders accounted for 57.1 per cent (60.9) 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 year.

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 in the table above.

In January 2017 Diös carried out a rights issue to fund a part of the SEK 4,500 million acquisition from Castellum. The rights issue has increased Diös' share capital by 119,566,608, from SEK 149,457,668 to SEK 269,024,276, while the total number of shares will increase by 59,783,304, from 74,729,134 to 134,512,438.

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

RETURN AND NET ASSET VALUE

Our target is to generate a return on equity in excess of the risk-free rate plus 6 per cent. The target return for the past 12 months was 5.8 per cent (6.2). The annualised return for the year was 20.6 per cent (15.0).

Equity at the end of the fourth quarter was SEK 4,313 million (3,694) and the long-term net asset value, EPRA NAV, was SEK 5,336 million (4,704). On a per share basis EPRA NAV was SEK 71.4 (63.0), which means that the share price at 31 December represented 84 per cent (97) of long-term NAV. The current net asset value for the period, as expressed by EPRA NNAV, was SEK 68.4 (58.9) per share.

EARNINGS

Earnings per share without regards to the rights issue for the year were SEK 11.04 (7.09). Earnings per share with regards to the rights issue were SEK 8.66 (5.56). Long-term earnings per share, expressed as EPRA EPS, were SEK 5.14 (4.53) with regards to the rights issue. 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 on 31 December 2016 was 148 (150), of whom 60 were women (60). Diös Fastigheter is geographically divided into the six business areas of Dalarna, Gävleborg, Västernorrland, Jämtland, Västerbotten and Norrbotten. The company's head office and central Group functions are located in Östersund. The majority of the workforce, 97 (105) employees, works in the business areas. Of these, 39 (48) work on 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 137 million (127) and post-tax profit was SEK 311 million (-11). 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 (0) at 31 December 2016 and drawn overdraft facilities were SEK 17 million (85). External interest-bearing liabilities, excluding overdraft facilities, amounted to SEK 2,145 million (2,708). The average annual interest rate based on the situation at 31 December 2016 was 1.2 per cent (0.9). 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 1,009 million (875) at 31 December 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 4,648 million (4,143) at 31 December 2016. At a tax rate of 22.0 per cent, the deferred tax liability on temporary differences was SEK 1,023 million (912).

Tax losses carried forward on 31 December 2016 are estimated at SEK 177 million (262). At a tax rate of 22.0 per cent, deferred tax asset relating to tax losses carried forward was SEK 38 million (58), which, in the financial statements, has been offset against deferred tax liability. Other deferred tax liabilities were SEK 26 million (21) at 31 December 2016.

The change since 31 December 2015 is attributable to a decrease in deferred tax assets of SEK 20 million and an increase in deferred tax on temporary differences of SEK 111 million. Other changes are attributable to a SEK 5 million increase 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.

»» OPPORTUNITIES AND RISKS

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 20 December the Riksbank decided to keep its repo rate unchanged at -0.5 per cent and purchase a further SEK 30 billion of government bonds. The repo rate is not expected to be raised until early 2018. The Riksbank is still prepared to further ease monetary policy should this prove necessary to meet the inflation target.

According to the December 2016 edition of Swedish Economy, a publication of the National Institute of Economic Research (NIER), business and household confidence have increased in Sweden as well as the US and eurozone. This will further boost economic activity in Sweden, and unemployment is now forecast to fall to 6.5 per cent in 2017 and 6.3 per cent in 2018.

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

»» RELATED-PARTY TRANSACTIONS

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

»» ACCOUNTING PRINCIPLES

Diös complies with EU-adopted IFRS standards and the interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The report for the parent company is prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting principles applied in preparing the interim report are consistent with the accounting principles applied in preparing the consolidated financial statements and annual report for 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

On 21 November 2016 Diös concluded an agreement with Castellum for the acquisition of 32 properties located in Sundsvall, Umeå and Luleå with a total value of SEK 4.5 billion. Completion took place on 1 February 2017. The acquisition took the form of business acquisitions and the consideration for shares and interests in the acquired businesses was SEK 2,286 million, the difference between the value of the property portfolio and the consideration paid being due to the redemption of loans attributable to the acquired companies.

The acquisition was financed through a fully underwritten rights issue of approximately SEK 1,853 million and new bank loans of around SEK 2,700 million. The decision to carry out a rights issue was taken at the extraordinary general meeting on 21 December 2016, which also authorised the Board to determine the terms of the rights issue. On 27 December the Board announced the terms of the issue, under which existing shareholders had the right to subscribe for four new shares for every five shares held, resulting in an increase of 59,783,304 shares to 134,512,435 shares. The rights issue has been fully subscribed. The new shares were registered on 3 February 2017.

For more information on the acquisition, see pages 6-7 and Diös' website, www.dios.se.

In January 2017 the Kajan 18 property in central Luleå was acquired. The acquisition comprises the new Luleå Office Building along with associated development rights for around 3,500 square metres. The underlying property value is around SEK 290 million.

On 2 February 2017 Diös announced a let to the administrative units of the County Council of Gävleborg in the Kungsback property in Gävle. The 5,300 square metre office has a total rental value of SEK 27 million over the term of the lease. Occupancy is scheduled for 1 April and the lease runs for four years.

»» FINANCIAL CALENDAR

Annual Report 2016 ¹	Week 13, 2017
Annual General Meeting 2017 Östersund	26 April 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

¹ Annual Report 2016 will be made available at www.dios.se

The Board of Directors and the CEO declare that the financial statement gives a true and fair view of the operations, financial position and income of the company and the Group, and describes the principal risks and uncertainties faced by the company and the Group's companies. This financial statement has not been subject to review by the Company's auditor.

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

Östersund, 16 February 2017

Bob Persson
Chairman

Maud Olofsson
Board member

Ragnhild Backman
Board member

Svante Paulsson
Board member

Anders Bengtsson
Board member

Tomas Mellberg
Board member
Employee representative

Knut Rost
Chief Executive Officer



► 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 Oct-Dec	2015 3 months Oct-Dec	2016 12 months Jan-Dec	2015 12 months Jan-Dec
Rental income	332	327	1,323	1,295
Other property management income	5	7	17	20
Property costs	-142	-139	-534	-539
Operating surplus	195	195	806	776
Central administration	-18	-18	-63	-58 ¹
Net financial items	-45	-52	-204	-210
Property management income	132	125	539	508
Change in value of properties	181	159	327	273
Change in value of interest rate derivatives	17	28	91	64
Profit before tax	330	312	957	845
Current tax	-11	-10	11 ²	-163 ²
Deferred tax	-53	-53	-136	-140
Profit after tax	266	249	832	542
Profit attributable to shareholders of the parent	266	237	825	530
Profit attributable to non-controlling interests	0	12	7	12
Total	266	249	832	542
STATEMENT OF COMPREHENSIVE INCOME				
Profit after tax	266	249	832	542
Comprehensive income for the period	266	249	832	542
Comprehensive income attributable to shareholders of the parent	266	237	825	530
Comprehensive income attributable to non-controlling interests	0	12	7	12
Total	266	249	832	542
Earnings per share after tax without regards to the rights issue, SEK	3.56	3.17	11.04	7.09
Earnings per share after tax with regards to the rights issue, SEK ³	2.79	2.48	8.66	5.56
Number of shares at end of period, thousands	74,729	74,729	74,729	74,729
Average number of shares, thousands	74,729	74,729	74,729	74,729
Number of treasury shares at end of period, thousands	0	0	0	0
Average number of treasury shares, thousands	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.

³ For the calculation of earnings per share with regards to the rights issue, see the section "Calculation of the number of shares with regards to the rights issue" on page 28.



» CONDENSED CONSOLIDATED BALANCE SHEET, SEKM

	2016 31 Dec	2015 31 Dec
ASSETS		
Non-current assets		
Investment properties	13,683	13,381
Other property, plant and equipment	3	4
Intangible assets	2	3
Financial assets	36	13
Total non-current assets	13,724	13,401
Current assets		
Current receivables	196	104
Cash and cash equivalents	-	-
Total current assets	196	104
TOTAL ASSETS	13,920	13,505
EQUITY AND LIABILITIES		
Equity	4,313	3,694
Deferred tax liability	1,009	875
Non-current liabilities	8,022	8,106
Overdraft facilities	15	227
Current liabilities	561	603
TOTAL LIABILITIES AND EQUITY	13,920	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
<i>Profit for the period after tax</i>	542	530
Comprehensive income for the period	542	530
<i>Cash dividend</i>	-213	-213
Equity at 31 Dec 2015	3,694	3,658
<i>Profit for the period after tax</i>	832	825
Comprehensive income for the period	832	825
<i>Cash dividend</i>	-213	-213
Equity at 31/12/2016	4,313	4,270



» CONDENSED CONSOLIDATED CASH FLOW STATEMENT, SEKM

	2016 3 mths Oct-Dec	2015 3 mths Oct-Dec	2016 12 mths Jan-Dec	2015 12 mths Jan-Dec
OPERATING ACTIVITIES				
Property management income ¹	132	125	539	508
Adjustments for non-cash items	22	10	10	7
Tax paid	-12	-110	-26	-126
Operating cash flows before change in working capital	142	25	523	389
Changes in working capital				
Decrease (+)/increase (-) in receivables	-10	-27	-92	-61
Decrease (-)/increase (+) in current liabilities	57	47	51	19
Total change in working capital	47	20	-41	-42
Operating cash flow	189	45	482	347
INVESTING ACTIVITIES				
Investment in and amortisation of financial assets	4	-4	-26	-6
Proceeds from sale of property, plant and equipment	4	136	641	177
Purchases of property, plant and equipment	-162	-745	-588	-1,059
Investing cash flow	-154	-613	27	-888
FINANCING ACTIVITIES				
Dividends paid	-	-	-213	-213
Change in non-current liabilities	68	479	-84	448
Change in overdraft facility	-103	89	-212	227
Financing cash flow	-35	568	-509	462
Cash flow for the period	0	0	0	-79
Cash and cash equivalents at beginning of period	0	0	0	79
Cash and cash equivalents at end of period	0	0	0	0
<hr/>				
¹ Items included in property management income				
Interest received	0	1	1	2
Interest paid	-23	-41	-184	-199



» FINANCIAL KEY RATIOS

The company presents certain financial measures in the year-end 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 29. *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. Diös presents the alternative performance indicators property management income, EPRA earnings and surplus ratio, as these are deemed to be relevant for investors and analysts, and provide additional information on the company's operating results. The indicators provide a picture which excludes factors that are partly beyond the control of the company, such as changes in the value of properties and derivatives.

	2016 3 mths Oct-Dec	2015 3 mths Oct-Dec	2016 12 mths Jan-Dec	2015 12 mths Jan-Dec
Property management income				
Profit before tax	330	312	957	845
Reversal				
Change in value of property	-181	-159	-327	-273
Change in value of derivatives	-17	-28	-91	-64
Property management income	132	125	539	508
EPRA earnings				
Property management income	132	125	539	508
Reversal current tax, property management income	-11	-34	-42	-64
Minority's share of earnings	0	-12	-7	-12
EPRA earnings (long-term earnings capacity)	121	79	490	432
EPRA EPS (long-term earnings capacity per share) SEK, without regards to the rights issue	1.62	1.05	6.56	5.77
EPRA EPS (long-term earnings capacity per share) SEK, with regards to the rights issue	1.27	0.83	5.14	4.53
Surplus ratio				
Operating surplus according to income statement	195	195	806	776
Rental income according to income statement	332	327	1,323	1,295
Surplus ratio, %	59	59	61	60

NET ASSET VALUE

Net asset value is the total capital which the company manages on behalf of its owners. Based on this capital, Diös aims to generate returns and growth while maintaining a low risk. Net asset value can also be calculated on a long-term and short-term basis. Long-term NAV is based on the balance sheet after adjusting for items which involve no near-term outgoing payments, which in Diös' case refers, for example, to the fair value of financial instruments (derivatives) and deferred tax on temporary differences. The current net asset value consists of equity according to the balance sheet after adjusting for the market value of the deferred tax liability. EPRA NAV and EPRA NNNAV are designed to show the size of equity in the company in the event of a liquidation in the long term and short term. These performance indicators can be assessed against the current share price to show how the company's shares are valued in relation to equity.

	2016 12 mths Jan-Dec	2015 12 mths Jan-Dec
Net asset value		
Equity according to balance sheet	4,313	3,694
Equity held by minority	-43	-36
Reversal		
Fair value of financial instruments	43	134
Deferred tax on temporary differences	1,023	912
EPRA NAV (long-term net asset value)	5,336	4,704
EPRA NAV (long-term net asset value) per share, SEK, without regards to the rights issue	71.4	63.0
Less		
Fair value of financial instruments	-43	-134
Estimated actual deferred tax on temporary differences, approx. 4%*	-180	-186
EPRA NNNAV (short-term net asset value)	5,113	4,384
EPRA NNNAV (short-term net asset value) per share, SEK, without regards to the rights issue	68.4	58.7

* Actual deferred tax has been calculated at approx. 4 per cent based on a discount rate of 3 per cent. The calculation is based on the assumption that the property portfolio will be realised over a period of 50 years, with 10 per cent of the portfolio being sold directly subject to a nominal tax rate of 22 per cent, and the remaining 90 per cent being sold indirectly through companies subject to a nominal tax rate of 6 per cent. 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. The loan-to-value ratio and equity ratio show the company's financial stability while the interest coverage ratio shows the company's ability to pay interest. These key ratios are deemed to be relevant for investors and analysts from a financial risk perspective. They also constitute covenants from the company's lenders and the Board has defined targets for these key ratios, which are used to govern the company's activities.

	2016 3 mths Oct-Dec	2015 3 mths Oct-Dec	2016 12 mths Jan-Dec	2015 12 mths Jan-Dec
Loan-to-value ratio				
Interest-bearing liabilities			8,012	8,121
Investment properties			13,683	13,381
Loan-to-value ratio, %			58.6	60.7
Equity ratio				
Equity			4,313	3,694
Total assets			13,920	13,505
Equity ratio, %			31.0	27.4
Interest coverage ratio				
Property management income	132	125	539	508
Reversal				
Net financial items	45	52	204	210
Total	177	177	743	718
Financial costs	45	52	206	212
Interest coverage ratio, times	3.9	3.5	3.6	3.4

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 NNAV (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 investors and analysts further information about the operations. The company reports return on equity, equity per share and cash flow per share, as these key ratios show the company's earnings and profitability, the distribution of equity per share and the company's ability to meet its obligations and pay dividends to the shareholders. These alternative key ratios supplement the picture of Diös' financial performance and give investors and analysts a better understanding of the company's return and results. The yield shows earnings from the properties in relation to their market value. It thus shows the profitability of the properties and is deemed to provide additional information to investors and analysts on the risk in the property portfolio. The debt/equity ratio, which shows the ratio of interest-bearing liabilities to equity, is presented to further illustrate Diös' financial situation. The measure gives investors and analysts a further basis on which to assess the company's financial stability.

	2016 3 mths Oct-Dec	2015 3 mths Oct-Dec	2016 12 mths Jan-Dec	2015 12 mths Jan-Dec
Return on equity, %	6.4	6.6	20.6	15.0
Operating surplus, SEKm	195	195	806	776
Yield, %	1.4	1.4	5.9	5.8
Equity per share, SEK	57.7	49.4	57.7	49.4
Rental income, SEKm	332	327	1,323	1,295
Cash flow per share, SEK				
Profit before tax	330	312	957	845
Reversal unrealised change in value				
Properties	-181	-154	-337	-262
Derivatives	-17	-28	-91	-64
Depreciation	1	1	2	3
Current tax	-11	-11	-26	-162
Total	122	120	504	359
Number of shares at end of period, thousands	74,729	74,729	74,729	74,729
Cash flow per share, SEK	1.63	1.61	6.74	4.80
Earnings per share without regards to the rights issue, SEK	3.56	3.17	11.04	7.09
Earnings per share with regards to the rights issue, SEK ¹	2.79	2.48	8.66	5.56
Debt/equity ratio, times			1.9	2.2

¹ For the calculation of earnings per share with regards to the rights issue, see the section "Calculation of the number of shares with regards to the rights issue" on the next page.



OTHER INFORMATION

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

	2016 3 mths Oct-Dec	2015 3 mths Oct-Dec	2016 12 mths Jan-Dec	2015 12 mths Jan-Dec
Rental value, SEKm	370	372	1,478	1,466
Economic occupancy rate, %	90	88	90	88
Number of properties at end of period			314	351
Leasable area at end of period, sq.m			1,353,525	1,462,538
Market value of properties, SEKm			13,683	13,381

CALCULATION OF THE NUMBER OF SHARES WITH REGARDS TO THE RIGHTS ISSUE

Performance indicators defined by the IFRS are also calculated using the new number of shares as basis following the rights issue. These indicators are marked "with regards to the rights issue".

	2016 3 mths Oct-Dec	2015 3 mths Oct-Dec	2016 12 mths Jan-Dec	2015 12 mths Jan-Dec
Average number of shares	95,289,530	95,289,530	95,289,530	95,289,530
Number of shares outstanding at end of period	95,289,530	95,289,530	95,289,530	95,289,530

Historical share data has been restated to take account of the bonus issue element in the rights issue in January 2017 and has been used in calculating the earnings per share ratios. The conversion factor is 1.28.

» DIVIDEND-RELATED KEY RATIOS

In early 2017 the company carried out a rights issue to part-fund the acquisition of 32 properties from Castellum, resulting in an increase in the number of shares by 59,783,304 to 134,512,438 as at 3 February 2017. This has an effect for dividend per share for 2017, as the distributable earnings are based on earnings for 2016 while the impact on earnings of the acquisition will be felt in 2017. All shares, both new and old, carry the same right to a dividend in 2017. A comparison of earnings for 2016 and 2015 and presentation of how the new number of shares affects earnings per share, cash flow per share and dividend per share are shown below.

	2016		2015	
	No. of shares	SEK/share	No. of shares	SEK/share
Profit	832 SEKm	6.13	11.04	542 SEKm
Cash flow	504 SEKm	3.75	6.74	359 SEKm
Dividend	269 SEKm ¹	2.00 ¹		213 SEKm
Dividend as a percentage of distributable earnings, %		53 ¹		54

¹ Proposed dividend.

» TARGETS

OPERATIONAL TARGETS	Target 2016	Outcome 2016	Target 2017
Economic occupancy rate, %	>90	90	92
Surplus ratio, %	> 60	61	63
Energy use, %	-3.0	-0.4	-4
Employee satisfaction index	75	73	76
Customer satisfaction index	63	61	70

FINANCIAL TARGETS	Target 2016	Outcome 2016	Target 2017
Return on equity, %	5.8% ¹	20.6	Risk-free rate + 6 %
Distribution of profit for the year ²	~50	53	~50
Loan-to-value ratio, %	<65	58.6	<60
Equity ratio, %	Short-term > 25 Long-term > 30	31.0	> 30
Interest coverage ratio, times ³	>1.8	3.6	-

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

² Profit after tax, excluding unrealised changes in value and deferred tax. Board of Directors' proposal.

³ Targets will no longer be defined for the interest coverage ratio, which will constitute a risk-limiting covenant and is handled in Diös' financial policy.



► Marcus Read, Caretaker, Åre.



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

	2016 12 months Jan-Dec	2015 12 months Jan-Dec
INCOME STATEMENT		
Net sales	137	127
Gross profit	137	127
Central administration	-178	-180
Operating profit	-41	-53
Income from interests in Group companies	300	-
Financial income	236	232
Financial costs	-184	-190
Profit after financial items	311	-11
Current tax	-	-
Profit after tax	311	-11
STATEMENT OF COMPREHENSIVE INCOME		
Profit after tax	311	-11
Comprehensive income for the year	311	-11

»» CONDENSED PARENT COMPANY BALANCE SHEET, SEKM

	2016 31 Dec	2015 31 Dec
ASSETS		
Intangible assets	3	3
Machinery and equipment	1	2
Interests in Group companies	270	171
Non-current receivables from Group companies	7,447	7,674
Total non-current assets	7,721	7,850
Current receivables from Group companies	1,272	767
Other current receivables	24	10
Total current assets	1,296	777
TOTAL ASSETS	9,017	8,627
EQUITY AND LIABILITIES		
Equity	1,127	1,029
Non-current liabilities to credit institutions	2,145	2,701
Non-current liabilities to Group companies	3,633	3,331
Current liabilities to credit institutions	-	7
Current liabilities to Group companies	2,059	1,439
Overdraft facilities	17	85
Trade payables	2	2
Other current liabilities	34	33
Total current liabilities	2,112	1,566
TOTAL LIABILITIES AND EQUITY	9,017	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.

ECONOMIC VACANCY RATE

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

EPRA EPS

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

EPRA NAV/LONG-TERM NET ASSET VALUE PER SHARE

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

EPRA NNAV/CURRENT NET ASSET VALUE PER SHARE

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

PROPERTY MANAGEMENT INCOME

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

AVERAGE NUMBER OF SHARES

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

RENTAL INCOME

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

RENTAL VALUE

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

CASH FLOW PER SHARE

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

NET LEASING

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