

Fastighets AB Balder

Year-end report

January-December 2018

- Profit from property management attributable to parent company shareholders amounted to SEK 3,304m (2,804), corresponding to an increase per share by 25 % to SEK 18.35 (14.74)
- Rental income amounted to SEK 6,714 m (5,915)
- Profit after tax attributable to parent company shareholders amounted to SEK 9,308m (7,118) corresponding to SEK 51.71 per share (38.71)
- Long term net asset value amounted to SEK 280.17 per share (229.25) and shareholders' equity (including listed associated companies at market value) amounted to SEK 225.60 per share (185.02)

Fastighets AB Balder is a listed property company which shall meet the needs of different customer groups for premises and housing based on local support. Balder's real estate portfolio had a value of SEK 118.1 billion (98.4) as of 31 December 2018. The Balder share is listed on Nasdaq Stockholm, Large Cap.



The period in brief

Comparisons stated in parenthesis refer to the corresponding period of the previous year.

October-December 2018

- Rental income amounted to SEK 1,787m (1,558) of which effect of changes in exchange rates amounted to SEK 59m.
- Net operating income amounted to SEK 1,301m (1,134) of which effect of changes in exchange rates amounted to SEK 40m.
- Profit from property management attributable to parent company shareholders increased by 17 % to SEK 876m (748), which corresponds to an increase by 17 % per share to SEK 4.86 (4.16).
- Changes in value in respect of investment properties amounted to SEK 1,657m (1,754). The average yield requirement amounted to 4.8 % (5.0) which is unchanged compared to previous quarter.
- Changes in value of interest rate derivatives have impacted the result before tax by SEK –58m (–16).
- Net profit after tax for the period amounted to SEK 2,213m (2,339).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 2,039m (2,148) which corresponds to SEK 11.33 per share (11.93).
- 8 properties (7) have been acquired at a property value of SEK 295m (1,165).
- No properties (3) were divested during the period, only condominiums and land were divested at a value of SEK 45m (135).
- Balder's Board of directors has adjusted the financial target regarding equity/assets ratio from 2019, it shall not be less than 40 % over time.
- In the end of December the associated company Sinoma Fastighets AB were acquired. Balder's share amounts to 49 %.

January-December 2018

- Rental income amounted to SEK 6,714m (5,915), of which effect of changes in exchange rates amounted to SEK 220m.
- Net operating income increased by 16 % to SEK 4,890m (4,220), of which effect of changes in exchange rates amounted to SEK 155m.
- Profit from property management attributable to parent company shareholders increased by 18 % to SEK 3,304m (2,804), which corresponds to an increase per share by 25 % to SEK 18.35 (14.74).
- Changes in value in respect of investment properties amounted to SEK 8,007m (5,336). The average yield requirement amounted to 4.8 % (5.0).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK –34m (144).
- Net profit after tax for the year amounted to SEK 10,169m (7,769).
- Net profit after tax for the year attributable to parent company shareholders amounted to SEK 9,308m (7,118) which corresponds to SEK 51.71 per share (38.71).
- 35 properties (42) have been acquired at a property value of SEK 3,861m (4,936) of which 7 hotel properties in Germany.
- No properties (114) were divested during the year, only condominiums and land were divested at a value of SEK 311m (3,008).

	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec
Rental income, SEKm	1,787	1,558	6,714	5,915	5,373	2,711	2,525	1,884	1,701
Profit from property management, SEKm ¹⁾	876	748	3,304	2,804	2,265	1,780	1,275	854	691
Changes in value of investment properties, SEKm	1,657	1,754	8,007	5,336	4,932	3,388	3,050	854	812
Changes in value of derivatives, SEKm	–58	–16	–34	144	–114	227	–624	433	–71
Profit after tax, SEKm ¹⁾	2,039	2,148	9,308	7,118	5,474	4,916	3,128	1,738	1,162
Investment properties, SEKm	116,542	98,360	116,542	98,360	86,177	68,456	37,382	27,532	22,278
Development properties, SEKm	1,598	–	1,598	–	–	–	–	–	–

Data per share, including listed associated companies at market value²⁾

Average number of shares, thousands	180,000	180,000	180,000	180,000	173,598	162,753	161,786	159,537	159,537
Profit after tax, SEK	11.33	11.93	51.71	38.71	30.38	28.98	18.10	10.11	6.69
Profit from property management, SEK	4.86	4.16	18.35	14.74	11.89	9.71	6.64	4.57	3.73
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000	180,000	172,397	162,397	159,537	159,537
Shareholders' equity, SEK	225.60	185.02	225.60	185.02	157.63	128.03	70.10	52.14	42.15
Long-term net asset value (NAV), SEK	280.17	229.25	280.17	229.25	198.49	159.14	86.33	60.50	50.37
Share price on the closing date, SEK	252.00	219.40	252.00	219.40	184.10	208.70	110.25	66.00	37.30

1) Attributable to parent company shareholders.

2) Listed associated companies at market value refers to Collector AB (publ) and Brinova Fastigheter AB (publ).

Comments by the CEO

The past year

Profit from property management per share increased by 17 % during the fourth quarter and during the full-year 2018 the increase was 25 % to SEK 18.35 per share.

The net asset value increased by 22 % to SEK 280 per share. We can therefore say that Balder performed well financially but even the organisation and Balder as a platform are getting better and better with the years. Having said that, I might add that I think our best years still lie ahead of us.

Investments

Net investments increased compared to the previous year and despite a continued strong interest in properties, I think we succeeded in finding relatively good acquisitions and project investments. It also looks hopeful on that front in the near future.

The fact that we now also have a presence in Germany and the UK provides us with new opportunities and opens new doors.

Development properties

In this report, for the first time in the balance sheet, we have a separate line item for Development properties. This part of our project property portfolio relates to projects, which are not retained as investment properties after completion but that instead are mainly sold as tenant-owner's apartments. Going forward, the profit/loss from sales of Development properties will also be recognised separately.

Recently, there have been a lot of articles, opinions and theories regarding revenue recognition, primarily in relation to tenant-owners' association projects. Balder has not applied the percentage of completion method so our balance sheet item consists of acquisition and other incurred costs. Although the housing market is slower at present than a couple of years ago, I believe that we will display a good performance over time, although we will see uneven results between quarters and years in this part of our operations.

Associated companies

Our highly regarded associated companies also continued to perform well during the year with a profit from property management that improved by 13 %. Collector continued its trend of increasing profits, although at a slower pace than we have become accustomed to. Since the start in 1999, the company has increased its profit every year and I am still positive about its future prospects. However, the share price fell sharply during the year but my focus as usual is on the company/business itself. The share price is often unfair in the short term (both too high and too low) but in the long term the share price, in principle, is always fair.

Financial goals

Balder's financial goals were achieved as of December 31. In order to emphasise and clarify that we are also aiming for a stronger balance sheet going forward, the Board decided to raise the goal for the equity/assets ratio so that it should not be less than 40 % over time (previously 35 %).

Compared to 31 December 2018, this means that the equity/assets ratio should rise a few per cent (and therefore the loan-to-value ratio with the current composition of the balance sheet should fall a few per cent).

The future

It seems bright on many fronts in my view. Even when it comes to our own dear company Balder, we have reason to be optimistic. I want to say a big and warm thank you to all of you that make this possible.

Erik Selin
Chief Executive Officer

Current earning capacity

Balder presents its earning capacity on a twelve-month basis in the table below. It is important to note that the current earning capacity should not be placed on a par with a forecast for the coming 12 months. For instance, the earning capacity contains no estimate of rental, vacancy, currency or interest rate changes.

Balder's income statement is also impacted by the development in the value of the real estate portfolio as well as future property acquisitions and/or property divestments. Additional items affecting the operating result are changes in value of derivatives. None of the above has been considered in the current earning capacity.

The earning capacity is based on the real estate portfolio's contracted rental income, estimated property costs during a normal year as well as administrative costs. The costs of the interest-bearing liabilities are based on the group's average interest rate level including the effect of derivative instruments. The tax is calculated using the effective tax rate during each period.

Current earning capacity on a twelve-months basis

SEKm	2018 31 Dec	2018 30 Sep	2018 30 June	2018 31 March	2017 31 Dec	2017 30 Sep	2017 30 June	2017 31 March	2016 31 Dec	2016 30 Sep	2016 30 June
Rental income	7,000	6,800	6,665	6,430	6,240	5,920	5,860	5,700	5,800	5,470	5,325
Property costs	-1,885	-1,845	-1,815	-1,760	-1,720	-1,655	-1,690	-1,660	-1,695	-1,690	-1,685
Net operating income	5,115	4,955	4,850	4,670	4,520	4,265	4,170	4,040	4,105	3,780	3,640
Management and administrative costs	-595	-590	-590	-565	-550	-510	-490	-490	-490	-490	-480
Profit from property management from associated companies	735	660	650	650	640	600	530	530	505	470	420
Operating profit	5,255	5,025	4,910	4,755	4,610	4,355	4,210	4,080	4,120	3,760	3,580
Net financial items	-1,125	-1,100	-1,120	-1,120	-1,060	-1,050	-950	-950	-1,040	-1,025	-1,010
Of which non-controlling interests	-565	-555	-555	-550	-525	-475	-455	-450	-445	-445	-380
Profit from property management¹⁾	3,565	3,370	3,235	3,085	3,025	2,830	2,805	2,680	2,635	2,290	2,190
Tax	-750	-730	-700	-665	-650	-610	-605	-580	-570	-490	-470
Profit after tax	2,815	2,640	2,535	2,420	2,375	2,220	2,200	2,100	2,065	1,800	1,720
Profit from property management per share, SEK	19.81	18.72	17.97	17.14	16.81	15.72	14.47	13.78	13.52	11.92	11.55

1) Attributable to parent company shareholders.

In the current earning capacity the exchange rate at the end of the reporting period has been used for translation of the foreign subsidiaries' income statement items.

Consolidated statement of financial position including listed associated companies at market value

Under IFRS, Collector AB (publ) and Brinova Fastigheter AB (publ) should not be recognised at market value when Balder reports its participation in the profit from associated companies from these companies. In order to clarify the listed associated companies at market value, Collector and Brinova is reported below at the share price as of 31 December.

SEKm	2018 31 Dec	2017 31 Dec
Assets		
Investment properties	116,542	98,360
Development properties	1,598	–
Other fixed assets	123	107
Participations in associated companies ^{1,2)}	6,682	6,707
Other receivables	2,198	1,508
Cash and cash equivalents and financial investments	1,328	1,585
Total assets	128,471	108,268
Shareholders' equity and liabilities		
Shareholders' equity ³⁾	47,871	39,725
Deferred tax liability	8,857	7,041
Interest-bearing liabilities	67,205	58,384
–of which Hybrid capital ⁴⁾	3,596	3,447
Derivatives	965	922
Other liabilities	3,573	2,196
Total equity and liabilities	128,471	108,268
1) Including Balder's market value of Collector AB (publ) Collector's share price (SEK)	2,240 49.50	3,677 81.25
2) Including Balder's market value of Brinova Fastigheter AB (publ) Brinova's share price (SEK)	319 17.30	220 11.95
3) Of which non-controlling interests	7,262	6,422
4) 50 % of Hybrid capital is treated as equity by the rating agencies and thus decreases the interest-bearing liabilities when calculating the debt/equity ratio and the net debt to total assets ratio	1,798	1,724

Consolidated statement of changes in equity

SEKm	2018 31 Dec	2017 31 Dec
Opening equity	39,725	36,791
Transition effect IFRS 9	–92	–
Changed accounting principles in Sato Oyj (IAS 12)	–124	–
Total comprehensive income for the year	10,143	7,791
Dividend preference shares	–	–50
Retiring of preference capital	–	–3,500
Transactions with non-controlling interests	–111	–8
Dividend to non-controlling interests	–135	–
Non-controlling interests, arising on the acquisitions of subsidiary	8	6
The change during the year of listed associated companies at market value	–1,545	–1,304
Closing equity	47,871	39,725

Income, costs and results

Profit from property management

Profit from property management for the year amounted to SEK 3,877m (3,284), of which effect of changes in exchange rates amounted to SEK 95m. Profit from property management attributable to parent company shareholders increased by 18 % and amounted to SEK 3,304m (2,804), which corresponds to an increase per share by 25 % to SEK 18.35 (14.74). Profit from property management includes SEK 658m (583) in respect of associated companies.

Net profit after tax

Net profit after tax for the year amounted to SEK 10,169m (7,769). Net profit after tax for the year attributable to parent company shareholders amounted to SEK 9,308m (7,118), corresponding to SEK 51.71 per share (38.71). Profit before tax was affected by changes in value in respect of investment properties of SEK 8,007m (5,336), changes in value of interest rate derivatives of SEK –34m (144) and profit from participations in associated companies of SEK 881m (1,010).

Rental income

Rental income increased by 14 % to SEK 6,714 m (5,915), of which the effect of changes in exchange rates was SEK 220m. The increase was primarily due to acquisitions, new leases and completed projects for own management. The leasing portfolio was estimated to have a rental value on 31 December of SEK 7,260m (6,511). The average rental level for the entire real estate portfolio amounted to SEK 1,802/sq.m. (1,724) excluding project properties.

The like for like rental income has increased with 2.7 % after adjustments for currency changes.

Rental income shows a considerable diversification of risks as regards tenants, sectors and locations. The economic occupancy rate amounted to 96 % (96) on 31 December. The total rental value of unlet areas at the end of the year amounted to SEK 260m (271) on an annual basis.

Property costs

Property costs amounted to SEK –1,824m (–1,695) during the year, of which the effect of changes in exchange rates was SEK –65m.

Net operating income increased by 16 % to SEK 4,890m (4,220), which implies a surplus ratio of 73 % (71).

Operating costs normally vary with the seasons. The first and fourth quarters have higher costs than the other quarters, while the third quarter usually has the lowest cost level.

Changes in value of investment properties

Balder carried out an individual internal valuation on 31 December of the entire real estate portfolio, see page 9. Unrealised changes in value during the year amounted to SEK 7,922m (5,151). Realised changes in value amounted to SEK 86m (184). The average yield requirement as of 31 December amounted to 4.8 % (5.0), which is 0.2 percentage

points lower compared to year-end last year. The change in value during the year is attributable to the market's lower yield requirement and improved net operating income.

Management and administrative costs

Management and administrative costs amounted to SEK –592m (–543) during the year, of which the effect of changes in exchange rates was SEK –23m.

Participations in the profits of associated companies

Balder owns property managing and project developing associated companies, see note 15 in Balder's Annual Report for 2017, and 44.1 % in Collector AB (publ) which is listed. Brinova Fastigheter AB (publ) is also listed and Balder's share amounts to 25.5 %. In order to clarify these associated companies value in Balder, Balder also reports a consolidated statement of financial position including listed associated companies at market value, see page 5.

During the fourth quarter, Balder invested in Sinoma Fastighets AB together with Folksam and Redito. Balder's ownership share is 49 %. The market value of the property portfolio amounts to approximately SEK 1,800m and consists of 38 properties with a lettable area of 174 thousand sq.m. The property portfolio mainly consists of office, warehouse and logistic properties in Stockholm and Gothenburg.

Profit from participations in associated companies amounted to SEK 881m (1,010) and Balder's participation in the associated companies profit from property management amounted to SEK 658m (583).

Profit before tax was impacted by unrealised changes in value in respect of properties and interest rate derivatives of SEK 407m (675). The tax expense for the year amounted to SEK –184m (–248).

Net financial items and changes in value of derivatives

Net financial items amounted to SEK –1,076m (–984), of which the effect of changes in exchange rates was SEK –37m. Changes in value of interest rate derivatives amounted to SEK –34m (144). The negative change in value of derivatives during the year is due to the fact that the interest rates have fallen during the year. Unrealised changes in value do not affect the cash flow.

The average interest rate was 1.7 % (1.8) on the closing date and 1.8 % (1.9) for the year.

Taxes

The group's tax cost amounted to SEK –1,897m (–1,386), of which effect of changes in exchange rates amounted to SEK –46m. Current tax for the year amounts to SEK –306m (–221), mainly attributable to Sato Oyj, and also a deferred tax expense of SEK –1,591m (–1,164). Current tax attributable to parent company shareholders amounted to SEK –188m (–113).

The group's deferred tax liability has been calculated as the value of the net of fiscal deficits and the temporary differences between the carrying amounts and values for tax purposes of properties and interest rate derivatives. Deferred tax liabilities amounted to SEK 8,857m (7,041).

Following the decision on changed corporate taxation, the deferred tax liability has been recalculated to the new tax rate 20.6 % regarding the Swedish operations. The measurement of the loss carry-forwards that are expected to be utilised during the years 2019-2020 has been calculated using the current tax rates for each year. Overall, a positive non-recurring accounting effect arose of net SEK 345m for the period to and including December 2018, when the deferred tax liability was measured at the new tax rates.

Changed corporate taxation

In June, the Government decided to approve the proposal on changed corporate taxation. In brief, the decision means that the interest deduction will be limited to 30 % of taxable EBITDA. In addition, the tax rate is being reduced in two stages from the current rate of 22 % to 21.4 % from 2019 and to 20.6 % from 2021. The new rules apply from 1 January 2019.

Fourth quarter 2018

Profit from property management for the fourth quarter of 2018 increased by 15 % and amounted to SEK 1,015m (883). Profit from property management attributable to parent company shareholders for the fourth quarter of 2018 increased by 17 % and amounted to SEK 876m (748) which corresponds to an increase per share of 17 % to SEK 4.86 (4.16). Profit from property management included SEK 172m (158) in respect of associated companies. Rental income amounted to SEK 1,787m (1,558) and property costs amounted to SEK -486m (-424), which meant that net operating income increased by 15 % to SEK 1,301m (1,134), of which the effect of changes in exchange rates was SEK 40m. The surplus ratio amounted to 73 % (73).

Net profit after tax for the period amounted to SEK 2,213m (2,339). Profit after tax attributable to parent company shareholders amounted to SEK 2,039m (2,148) corresponding to SEK 11.33 per share (11.93). The result was affected by changes in value in respect of investment properties of SEK 1,657m (1,754), changes in value of interest rate derivatives of SEK -58m (-16) and profit from participations in associated companies of SEK 290m (269).

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 2,871m (2,508). Investing activities have burdened the cash flow by SEK -11,435m (-6,215).

During the year, acquisition of investment properties of SEK -3,861m (-4,936), investments in existing properties and projects of SEK -6,210m (-3,718), investments in property, plant and equipment, financial investments, associated companies and transactions with non-controlling interests SEK -1,832m (-531), redemption of preference capital

SEK -m (-3,500), dividends paid preference shares of SEK -m (-150), and realised changes derivatives SEK -m (-417) and dividend to non-controlling interests SEK -135m (-) adds up to SEK -12,037m (-13,252).

These have been financed through cash flow from operating activities of SEK 3,667m (2,490), by property divestments of SEK 311m (2,830), financial investments of SEK 133m (7), associated companies SEK -m (120), dividend from associated companies of SEK 24m (13) and net borrowings of SEK 7,180m (7,786), which adds up to SEK 11,314m (13,246).

Total cash flow for the year amounted to SEK -723m (-6). In addition to unutilised credit facilities of SEK 8,470m (5,940), the group's cash and cash equivalents, financial investments and unutilised overdraft facilities amounted to SEK 1,678m (1,935) on 31 December.

Employees and organisation

The number of employees on 31 December amounted to 652 persons (610), of whom 290 were women (277). Balder is organised into six regions. The head office with group-wide functions is located in Gothenburg.

Parent Company

The parent company's operations mainly consist of performing group-wide services but an important part relates to sales of services, principally to associated companies. Sales in the parent company amounted to SEK 289m (252) during the year.

Net profit after tax amounted to SEK 1,590m (1,234). Dividends from subsidiaries was included with SEK 1,608m (909), other net financial items amounted to SEK 110m (350) of which net interest income/expense amounted to SEK 940m (927), exchange rates differences amounted to SEK -729m (-565), changes in value of interest rate derivatives amounted to SEK -34m (133) and group contributions paid amounted to SEK -87m (-41).

Reported exchange differences mainly refer to the translation of the company's euro bonds, which from a group perspective are used for hedging of foreign net investments.

Proposed dividend

The board intends to propose to the annual general meeting that no share dividend shall be declared (-).

Annual Report and Annual General Meeting

The annual report for 2018 will be available on Balder's website, balder.se, from week 15, 2019.

Fastighets AB Balder's annual general meeting will take place on Wednesday, 8 May 2019 at 4.00 p.m. at Elite Park Avenue Hotel, Kungssportsavenyn 36 in Gothenburg.

Real estate portfolio

On 31 December Balder owned 1,185 investment properties (1,148) with a lettable area of 4,025 thousand sq.m. (3,739) and a value of SEK 116,542m (98,360). Balder's total rental value excluding projects amounted to SEK 7,252m (6,445).

In addition to investment properties Balder owns development properties. The value of the total property portfolio amounted to SEK 118,140m (98,360).

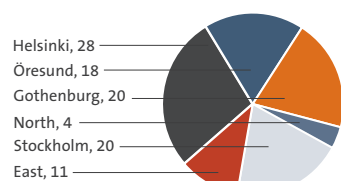
Balder's commercial properties are mainly located in the central parts of the major cities. Balder's residential properties are located in metropolitan areas and places that are growing and developing positively. Balder's ambition is to continue growing in selected markets.

Balder's real estate portfolio on 2018-12-31¹⁾

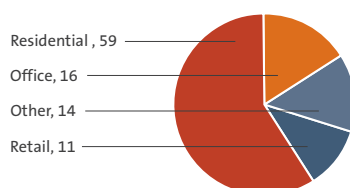
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	509	1,051,614	2,393	2,276	2,346	98	30,881	26
Stockholm	76	650,668	1,247	1,916	1,184	95	23,523	20
Gothenburg	154	926,961	1,329	1,434	1,275	96	22,448	19
Öresund	91	577,980	1,028	1,778	973	95	19,184	16
East	273	621,735	995	1,601	960	96	12,436	11
North	82	195,749	259	1,326	254	98	4,271	4
Total excluding projects	1,185	4,024,706	7,252	1,802	6,992	96	112,742	96
Projects for own management			8		8		3,799	3
Total investment properties	1,185	4,024,706	7,260	1,802	7,000	96	116,542	99
Development properties							1,598	1
Total real estate portfolio	1,185	4,024,706	7,260	1,802	7,000	96	118,140	100
Distributed by property category								
Residential	944	2,452,348	4,485	1,829	4,370	97	64,559	55
Office	70	474,925	1,020	2,147	925	91	18,925	16
Retail	103	594,531	804	1,352	776	97	12,842	11
Other	68	502,902	944	1,878	921	98	16,417	14
Total excluding projects	1,185	4,024,706	7,252	1,802	6,992	96	112,742	96
Projects for own management			8		8		3,799	3
Total investment properties	1,185	4,024,706	7,260	1,802	7,000	96	116,542	99
Development properties							1,598	1
Total real estate portfolio	1,185	4,024,706	7,260	1,802	7,000	96	118,140	100

1) The above table refers to the properties owned by Balder at the end of the year. Sold properties have been excluded and acquired properties have been estimated using full-year values. Other properties include hotel, educational, care, industrial and mixed-use properties.

Carrying amount distributed by region, total real estate portfolio, %



Carrying amount distributed by property category, total real estate portfolio, %



Changes in real estate portfolio

Investment properties

The value of Balder's investment properties is based on internal valuations. The properties in Sweden, Denmark, Norway and Germany are valued using the cash flow based method. In Finland, in addition to the cash flow based method, the sales comparison method and valuation at acquisition cost are used. Properties under construction and project properties for own management are valued at market value reduced by estimated building expenditure and project risk, which usually results in valuation at cost. On 31 December, Balder's average yield requirement amounted to 4.8 % (5.0) excluding project properties for own management, which is 0.2 percentage points lower than last year.

In order to quality-assure its internal valuations, Balder regularly allows parts of its portfolio to be externally valued and obtain second opinions on internal valuations. During the year, external valuations or second opinions have been carried out regarding approximately 43 % (43) of the properties. The difference between the external valuations and the internal valuations was less than 1 %. Historically, deviations between external and internal valuations have been insignificant.

Unrealised changes in value investment properties

The overall carrying amount of Balder's investment properties amounted to SEK 116,542m (98,360) on 31 December. The unrealised change in value during the year amounted to SEK 7,922m (5,151) and is attributable to the market's lower yield requirement and improved net operating income.

Investments, acquisitions and divestments

During the year, a total of SEK 10,071m (8,654) was invested, of which SEK 3,861m (4,936) related to acquisitions and SEK 6,210m (3,718) related to investments in existing properties and projects for own management. During the year only

condominiums and land have been divested at a sales value of SEK 311m (3,008). Profit from property sales amounted to SEK 86m (184). The change in the real estate portfolio during the year is presented in the table below.

Project properties for own management

On 31 December, Balder has project properties for own management amounting to SEK 3.8 billion. Projects with ongoing construction are included with SEK 3.7 billion and projects where construction has not yet started amounts to SEK 0.1 billion. The ongoing construction work has an estimated total investment of approximately SEK 6.8 billion, which means that SEK 3.1 billion remains to be invested. Most of the ongoing projects relate to residential projects. The projects mainly comprise about 1,000 apartments in Copenhagen and about 1,000 apartments in Helsinki. The investments relate to owner apartments for rental use.

Development properties

On 31 December 2018, development properties of SEK 1,598m (–) were separated from investment properties and reclassified to a separate line item in the consolidated balance sheet. A development property is a property that is held for refinement with the intention of being divested. These properties are continually recognised at cost and profit/loss is recognised when each property is completed, sold and handed over to the buyer. On 31 December, Balder has development properties amounting to SEK 1.6 billion. Projects with ongoing construction are included with SEK 0.5 billion and projects where construction has not begun amounts to SEK 1.1 billion. The projects with ongoing construction has an estimated total investment of approximately SEK 1.7 billion, which means that SEK 1.2 billion remains to invest. The majority of the development projects in progress refer to tenant-owner's apartments and primarily involve approx. 600 tenant-owner's apartments in Sweden.

Change in carrying amount of properties

	2018		2017	
	SEKm	Number ¹⁾	SEKm	Number ¹⁾
Investment properties, 1 January	98,360	1,148	86,177	1,220
Investments in existing properties and projects	6,210		3,718	
Acquisitions	3,861	35	4,936	42
Sales/Reclassifications	–225	2	–2,824	–114
Change in value of investment properties, unrealised	7,922		5,151	
Currency changes	2,012		1,202	
Reclassification to development properties ²⁾	–1,598		–	
Investment properties, 31 December	116,542	1,185	98,360	1,148
Development properties, 1 January	–	–	–	–
Reclassification from investment properties ²⁾	1,598		–	
Development properties, 31 December	1,598	–	–	–
Total real estate portfolio, 31 December	118,140	–	98,360	–

1) Number of investment properties.

2) On 31 December 2018 ongoing projects in the form of development properties have been reclassified and thus separated from investment properties.

Property transactions 2018

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Acquisitions					
One	1	Årsta 68:1	Uppsala	Retail	7,558
One	1	Flygspanaren 8	Norrtälje	Retail	1,884
One	1	Inom Vallgraven 19:4	Gothenburg	Office	1,035
One	1	Hemsta 14:2	Gävle	Retail	4,100
One	1	Hemsta 14:3	Gävle	Retail	1,448
One	1	Maden 4	Sundbyberg	Retail	11,137
Two	1	Kartan 1	Sundbyberg	Other	20,778
Two	1	Bollspelaren 1	Sundbyberg	Other	9,843
Two	1	Terränglöparen 11	Sundbyberg	Office	24,807
Two	1	Kasernen 1	Sundbyberg	Other	1,548
Two	1	Kasernen 2	Sundbyberg	Other	1,594
Two	1	Kasernen 3	Sundbyberg	Other	1,555
Two	1	Bivacken 2	Sundbyberg	Other	4,687
Two	1	Kvartermästaren 1	Sundbyberg	Retail	4,136
Two	1	Murmästaren 9	Stockholm	Residential	4,620
Two	1	Lakkegata 3	Oslo, Norway	Residential	8,551
Two	7	Flera fastigheter	Germany	Hotel	40,381
Three	1	Ritmallen 2	Sollentuna	Residential	11,011
Three	1	Grytan 4	Malmö	Other	2,790
Three	1	Grytan 9	Malmö	Other	13,998
Three	1	Backa 171:4	Gothenburg	Office	8,837
Four	1	Skeppshandeln 2	Stockholm	Project	–
Four	1	Spekedal 1:104	Kungsbacka	Residential	2,519
Four	1	Spekedal 1:92	Kungsbacka	Residential	681
Four	1	Varla 2:394	Kungsbacka	Other	685
Four	1	Varla 2:367	Kungsbacka	Other	563
Four	1	Varla 2:429	Kungsbacka	Other	1,172
Four	1	Kungsbacka 6:28	Kungsbacka	Other	2,675
Four	1	Kungsbacka 6:29	Kungsbacka	Other	5,019
Totalt	35				199,612

Associated companies

Balder owns 50 % of a number of property companies where Balder handles the management and administration, for further information, see page 24-27 in Balder's Annual Report for 2017. Balder's 50 %-owned associated companies are shown in the table below together with Balder's share of 56 % (56) in Serena Properties AB where Balder has a joint control, for company website, see Serenaproperties.se.

Apart from the 50 %-owned associated companies, Balder owns 44.1 % (44.1) in Collector AB (publ), 33 % (31) of Tornet

Bostadsproduktion AB, 25.5 % (25.5) of Brinova Fastigheter AB (publ), 49 % (49) in Sjaelsö Management ApS, 20 % (20) in SHH Bostad AB, 25 % (25) in Rosengård Fastighets AB and 49 % (-) in Sinoma Fastighets AB. For more information about these associated companies, see each company's website: Collector.se, Tornet.se, Brinova.se, Sjaelsoemanagement.dk, Shhbostad.se and Rosengardfastigheter.se.

Balder's participation in the 50 %-owned associated companies' real estate portfolio on 2018-12-31¹⁾

	Number of properties ²⁾	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Stockholm	60	164,823	240	1,459	233	97	4,220	41
Gothenburg	18	104,199	132	1,263	128	97	1,800	17
Öresund	24	66,852	99	1,483	98	99	1,598	15
East	25	97,052	119	1,224	115	97	1,625	16
Total excluding projects	127	432,925	590	1,363	574	97	9,244	89
Projects for own management			9		9		1,112	11
Total real estate portfolio	127	432,925	599	1,363	583	97	10,356	100
Distributed by property category								
Residential	38	63,717	112	1,764	111	99	2,375	23
Office	13	38,448	89	2,316	85	96	1,432	14
Retail	58	229,108	268	1,169	259	97	3,536	34
Other	18	101,653	121	1,187	119	99	1,901	18
Total excluding projects	127	432,925	590	1,363	574	97	9,244	89
Projects for own management			9		9		1,112	11
Total real estate portfolio	127	432,925	599	1,363	583	97	10,356	100

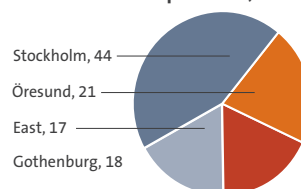
1) The above table refers to the properties owned by the associated companies at the end of the year. Sold properties have been excluded and acquired properties have been estimated using full-year values. Other properties include hotel, educational, care, industrial and mixed-use properties.

2) Refers to the entire portfolio of the associated companies.

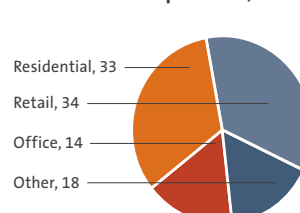
Balder's participation in the balance sheets of 50 %-owned associated companies

SEKm	2018 31 Dec	2017 31 Dec
Assets		
Properties	10,356	7,999
Other assets	50	41
Cash and cash equivalents	111	105
Total assets	10,517	8,145
Shareholders' equity and liabilities		
Equity/interest-bearing shareholder loan	4,499	3,474
Deferred tax liability	529	443
Interest-bearing liabilities	5,199	4,107
Other liabilities	290	121
Total equity and liabilities	10,517	8,145

Carrying amount distributed by region, total real estate portfolio, %



Carrying amount distributed by property category, total real estate portfolio, %



Customers

In order to limit the risk of lower rental income and consequently a weakened occupancy rate, Balder strives to develop long-term relationships with the company's existing customers. Balder has a good diversification as regards the distribution between commercial properties and residential properties as well as the geographical distribution. The diversification strengthens the possibilities of maintaining a steady and satisfactory occupancy rate. Balder's commercial

leases have an average lease term of 7.8 years (7.4). Balder's 10 largest leases represent 5.4 % (5.3) of total rental income and the average lease term amounts to 11.9 years (11.9).

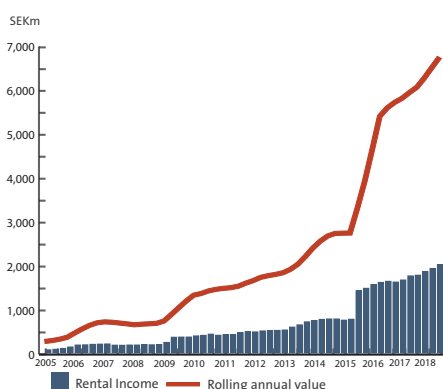
No individual lease accounts for more than 0.9 % (0.8) of Balder's total rental income and no individual customer accounts for more than 4.1 % (4.3) of total rental income.

Lease maturity structure 2018-12-31

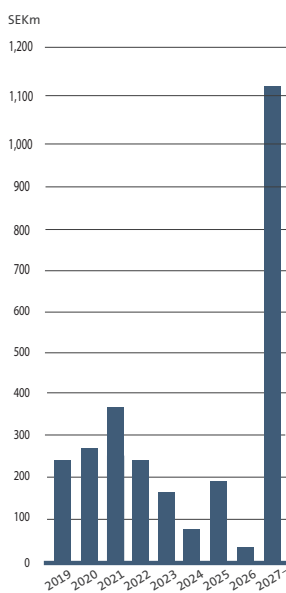
Maturity date	Number of leases	Proportion, %	Contracted rent, SEKm	Proportion, %
2019	1,093	36	236	3
2020	670	22	266	4
2021	576	19	367	5
2022	305	10	240	3
2023–	373	12	1,589	23
Total	3,017	100	2,698	39
Residential ¹⁾	37,606		4,238	61
Car park ¹⁾	4,869		18	0
Garage ¹⁾	3,813		47	1
Total	49,305		7,000	100

1) Normally runs subject to a period of notice of three months.

Rental Income



Maturity structure of commercial lease contracts



Balder's 10 largest customers

as of 2018-12-31

- I.A. Hedin Bil AB
- ICA Sverige AB
- Profihotels
- Scandic Hotels AB
- The Stockholm School Properties Company
- City of Stockholm
- Stureplansgruppen
- The municipality of Sundbyberg
- Volvo Personvagnar AB
- Winn Hotel Group

Financing

Balder has assets in Sweden, Norway, Denmark, Finland and Germany which means that the Group is exposed to currency risks. Balder therefore has a diversified financing structure where we use bonds and bank financing in several currencies. The single largest source of funding is bonds issued on the European bond market in Euro, followed by bank loans in various currencies, a MTN programme in Swedish kronor and a commercial paper programme in Euro and Swedish kronor. In addition to these financing sources, Bal-

der also has issued Hybrid capital which has a maturity of 60 years and is considered as 50 % equity by the credit rating agencies. Balder has Investment Grade ratings from credit rating agencies Moody's and S&P.

Balder's Board of directors has decided to adjust the financial target regarding equity/assets ratio, it shall not be less than 40 % over time. The outcome as of 31 December amounted to 37.3 %.

Financial Key ratios

	2018 31 Dec	2017 31 Dec
Interest-bearing liabilities excl. Hybrid capital, SEKm	63,609	54,936
Hybrid capital, SEKm	3,596	3,447
Available liquidity including confirmed loan commitments, SEKm	10,148	7,875
Average fixed credit term, years	5.6	5.5
Average interest rate refixing period, years	3.1	4.0
Net debt to total assets (financial covenant ¹⁾ < 65), %	49.9	50.9
Interest coverage ratio (financial covenant ¹⁾ > 1,8), times	4.6	4.3
Secured debt/Total assets (financial covenant ¹⁾ < 45), %	20.0	21.9
Credit rating S&P	BBB Stable outlook	BBB Stable outlook
Credit rating Moody's	Baa3 Positive outlook	Baa3 Positive outlook
Calculation of net debt		
Interest-bearing liabilities excl. Hybrid capital, SEKm	63,609	54,936
Hybrid capital (50 % is treated as equity by rating agencies), SEKm	1,798	1,724
Cash and cash equivalents and financial investments, SEKm	-1,328	-1,585
Net debt	64,079	55,075

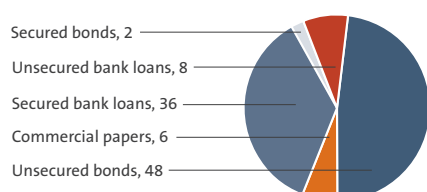
1) Financial covenants refers to obligations that Balder has to its financiers in the form of financial key ratios.

Financial targets

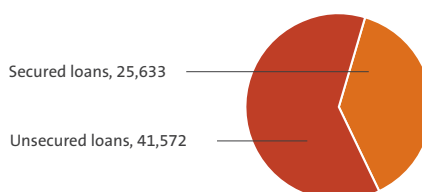
		Target	Outcome ²⁾
Equity/assets ratio, %	min.	40.0	37.3
Net debt to total assets, %	max.	50.0	49.9
Interest coverage ratio, times	min.	2.0	4.6

2) Key ratios including listed associated companies at market value.

Financing sources, %



Distribution secured and unsecured loans, SEKm



Net debt to total assets



Fixed interest term



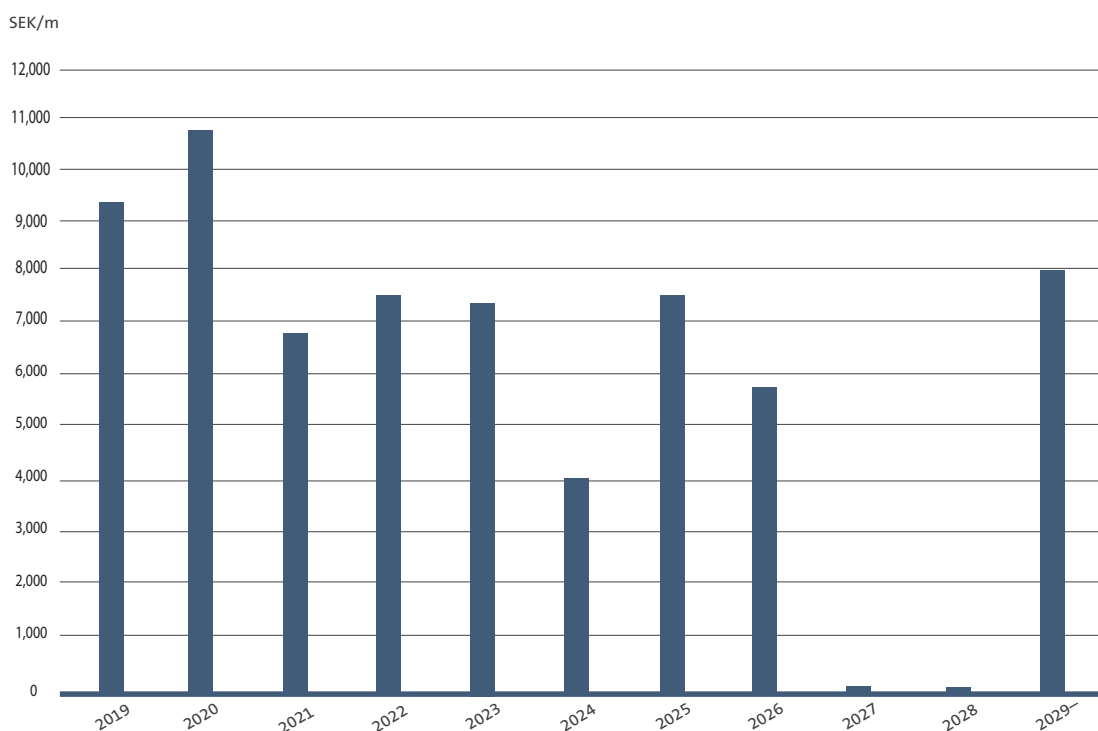
Interest maturity structure on 2018-12-31

Year	Fixed interest term		
	SEKm	Interest, %	Proportion, %
Within one year	29,809	0.9	44
1-2 years	5,513	2.0	8
2-3 years	5,866	2.5	9
3-4 years	5,787	1.5	9
4-5 years	4,648	3.0	7
5-6 years	646	2.5	1
6-7 years	6,989	2.1	10
7-8 years	6,440	2.3	10
8-9 years	—	—	—
9-10 years	—	—	—
> 10 years	1,508	3.2	2
Total	67,205	1.7	100

Fixed credit term on 2018-12-31

Year	Fixed credit term	
	SEKm	Proportion, %
Within one year	9,365	14
1-2 years	10,715	16
2-3 years	6,766	10
3-4 years	7,458	11
4-5 years	7,344	11
5-6 years	4,039	6
6-7 years	7,508	11
7-8 years	5,748	9
8-9 years	149	0
9-10 years	143	0
> 10 years	7,972	12
Total	67,205	100

Debt maturities on 2018-12-31



Other disclosures

Events after the end of the year

After the end of the reporting period, Balder acquired its first property in London, 8 Fenchurch Place, in central London. The property has a lettable area of just over 9,000 sq.m. and is rented mainly to insurance companies and consulting companies with a remaining average term of 9 years. The investment amounts to GBP 75 million and has rents of GBP 4.4 million. Closing will take place during the first quarter of 2019.

After the end of the reporting period no other significant events has occurred.

Related party transactions

Balder receives fees from associated companies and Erik Selin Fastigheter AB for property and company management services. These fees amounted to SEK 53m (46) during the year and are reported in management and administrative costs. In addition, services are bought from Collector AB (publ). All transactions have been priced on market terms.

Risks and uncertainties

Balder's operations, financial position and results may be affected by a number of risks and uncertainty factors. These are described in the Annual Report for 2017, on pages 54-57. Otherwise, no significant changes has been noted.

Accounting policies

Balder applies IFRS (International Financial Reporting Standards) as adopted by the European Union in its consolidated accounts and the interpretations of these (IFRIC). This interim report is prepared in accordance with IAS 34, Interim Financial Reporting. In addition, relevant provisions of the Swedish Annual Accounts Act and the Swedish Securities Markets Act have also been applied. The parent company has prepared its financial statements in accordance with the Annual Accounts Act, the Securities Markets Act and RFR 2, Accounting for Legal Entities. The accounting principles follow those reported in the Annual Report 2017, with addition for reporting of development properties that are reported on a separate line in the consolidated balance sheet as of December 31, 2018, see page 9, and application of IFRS 9 as below.

New accounting policies from and including 1 January 2018

From and including 1 January 2018, the Group has adopted the following new standard:

IFRS 9 Financial Instruments

The change with IFRS 9 compared to previously applied principles relates to the new model for measurement of credit losses. The model measures expected credit losses by taking account of future-oriented information. Compared with the previous model, which was based on actual losses, this will mean an earlier recognition of credit losses.

In the Annual Report for 2017, the impact of the transition was presented in Note 1 with an increased provision for accounts receivable losses, which had a net effect on equity of SEK —16m. In connection with the preparation of the Q1 report, it has also been noted that the associated company Collector reported an impact of the transition with regard to recognition of expected credit losses, whereupon the total impact of the transition on the Balder Group's equity amounted to SEK —92m for the introduction of IFRS 9. In accordance with the standard's transitional arrangements, comparative figures have not been restated for 2017.

Besides this the accounting policies and calculation methods applied are unchanged compared with the Annual Report for 2017.

New accounting policies from and including 1 January 2019

IFRS 16 Leases - Effect of introduction of the standard

The Group applies IFRS 16 Leases from 1 January 2019. No distinction is made between operating and finance leases any more. According to the new standard, a non-current asset (right to use a leased asset) and a financial liability relating to the liability to pay lease payments shall be recognised in the balance sheet. During the year, Balder carried out a detailed review of all leases where the Group is a lessee. During the review, site leasehold agreements were identified as the most important leases, which means that the implementation of the standard essentially means that leases relating to site leasehold rights will be recognised in the consolidated balance sheet. However, the introduction of the standard will have a limited impact on the financial statements, as the Group essentially operates as a lessor and leases where the Group is a lessee only arise to a limited extent relative to the rest of the Group's operations.

The Group will apply the modified retrospective method, which means that rights-of-use assets (site leasehold agreements), are measured at an amount equivalent to the lease liability as of 1 January 2019. The transition to IFRS 16 will thus not have any impact on the Group's equity. As the modified retrospective method will be applied, comparative figures for 2018 will not be restated.

The Group has chosen to apply the exemption not to recognise short-term leases and leases of low value assets as right-of-use assets and lease liabilities in the balance sheet. Payments related to these leases will instead be recognised as an expense on a straight line basis over the lease term. For lease obligations relating to site leasehold rights, the Group expects to recognise right-of-use assets amounting to approx. SEK 1,585m and lease liabilities of approx. SEK 1,585m on 1 January 2019. There will be no net effect from deferred tax as the asset and liability are of equal value at the time of transition to IFRS 16. The right-of-use asset will be recognised at fair value as these represent part of the Group's investment properties.

The expense for ground rents, as an effect of the transition to IFRS 16, will be recognised in its entirety, as a financial expense as these are considered to be interest according to IFRS 16. According to the currently applied principles, these are included as part of the property expenses and affect net operating income. The recognised expense for ground rents in 2018 totalled SEK –63m.

The Group's leases largely consist of leases where the Group is a lessor. A review of these agreements has not resulted in any change in the currently applied principles in connection with the transition to IFRS 16.

The Board's proposal to the Annual General Meeting 2019

Ahead of the annual general meeting on 8 May 2019, the board intends to propose the meeting to decide:

- That no share dividend shall be declared.
- Authorise the board until the next annual general meeting, to repurchase and transfer B shares in Balder equivalent to not more than 10 % of all shares in the company.
- Authorise the board until the next annual general meeting, on one or more occasions, to resolve on new issue of shares of Class B. The authorisation shall comprise a maximum of 20 million shares of Class B. It shall be possible to subscribe for the shares in cash, in kind or through right of set-off.

This interim report has not been subject to review by the company's auditors.

Gothenburg 27 February 2019

Erik Selin
Chief Executive Officer

Consolidated statement of comprehensive income

SEKm	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Rental income	1,787	1,558	6,714	5,915
Property costs	-486	-424	-1,824	-1,695
Net operating income	1,301	1,134	4,890	4,220
Management and administrative costs	-156	-138	-592	-543
Participations in the profits of associated companies	290	269	881	1,010
– of which profit from property management	172	158	658	583
– of which changes in value	179	175	407	675
– of which tax	-61	-64	-184	-248
Other income/costs	-1	2	-3	8
Net financial items	-302	-273	-1,076	-984
Profit including changes in value and tax in associated companies	1,134	994	4,100	3,711
– of which Profit from property management	1,015	883	3,877	3,284
<i>Changes in value</i>				
Changes in value investment properties, realised	36	46	86	184
Changes in value investment properties, unrealised	1,613	1,671	7,914	5,115
Changes in value derivatives	-58	-16	-34	144
Changes in value total	1,591	1,701	7,965	5,443
Profit before tax	2,725	2,695	12,065	9,154
Income tax	-511	-356	-1,897	-1,386
Net profit for the period/year	2,213	2,339	10,169	7,769
<i>Net profit for the period/year attributable to:</i>				
Parent company shareholders	2,039	2,148	9,308	7,118
Non-controlling interests	174	191	861	650
	2,213	2,339	10,169	7,769
Other comprehensive income – items that may be subsequently reclassified to profit or loss				
Translation difference relating to foreign operations	-58	12	-45	-103
Cash flow hedges after tax	-43	20	9	121
Participation in other comprehensive income of associated companies	-4	5	10	4
Total comprehensive income for the period/year	2,109	2,376	10,143	7,791
<i>Total comprehensive income for the period/year attributable to:</i>				
Parent company shareholders	1,969	1,997	9,003	6,906
Non-controlling interests	140	379	1,140	885
	2,109	2,376	10,143	7,791
Profit from property management	1,015	883	3,877	3,284
Of which non-controlling interests part of Profit from property management	-140	-135	-573	-480
Profit from property management attributable to parent company shareholder	876	748	3,304	2,804
Profit from property management per share, SEK	4.86	4.16	18.35	14.74
Profit after tax per share, SEK	11.33	11.93	51.71	38.71

There is no dilutive effect as no potential shares arise.

Consolidated statement of financial position

SEKm	2018 31 Dec	2017 31 Dec
Assets		
Investment properties	116,542	98,360
Development properties	1,598	–
Other fixed assets	123	107
Participations in associated companies	6,219	4,699
Other receivables	2,198	1,508
Cash and cash equivalents and financial investments	1,328	1,585
Total assets	128,008	106,260
Shareholders' equity and liabilities		
Shareholders' equity ¹⁾	47,408	37,718
Deferred tax liability	8,857	7,041
Interest-bearing liabilities	67,205	58,384
–of which Hybrid capital ²⁾	3,596	3,447
Derivatives	965	922
Other liabilities	3,573	2,196
Total equity and liabilities	128,008	106,260
1) Of which non-controlling interests	7,262	6,422
2) 50 % of Hybrid capital is treated as equity by the rating agencies and thus decreases interest-bearing liabilities when calculating the debt/equity ratio and net debt to total assets ratio	1,798	1,724

Consolidated statement of changes in equity

SEKm	2018 31 Dec	2017 31 Dec
Opening equity	37,718	33,479
Transition effect IFRS 9	–92	–
Changed accounting principles in Sato Oyj (IAS 12)	–124	–
Total comprehensive income for the year	10,143	7,791
Dividend preference shares	–	–50
Retiring of preference capital	–	–3,500
Transactions with non-controlling interests	–111	–8
Dividend to non-controlling interests	–135	–
Non-controlling interests arising on the acquisition of subsidiary	8	6
Closing equity	47,408	37,718

Consolidated statement of cash flows

SEKm	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Net operating income	1,301	1,134	4,890	4,220
Other income/costs	-1	2	-3	8
Management and administrative costs	-156	-138	-592	-543
Reversal of depreciation	6	1	20	19
Net financial items paid	-209	-204	-1,099	-961
Taxes paid	-71	-65	-345	-235
Cash flow from operating activities before change in working capital	872	730	2,871	2,508
Change in operating receivables	-291	11	-394	-86
Change in operating liabilities	634	114	1,189	69
Cash flow from operating activities	1,215	855	3,667	2,490
Acquisition of properties	-295	-1,165	-3,861	-4,936
Acquisition/Divestment of property, plant and equipment	-23	-11	-44	-27
Purchase of financial investments	-235	-17	-593	-41
Acquisition of shares in associated companies/Capital contribution to associated companies/Loans to associated companies	-835	-69	-1,085	-456
Investment in existing properties and projects	-1,806	-1,456	-6,210	-3,718
Transactions with non-controlling interests	-	-	-111	-8
Sale of properties	45	135	311	2,830
Sale of financial investments	126	-1	133	7
Sale of shares in associated companies	-	-	-	120
Dividend paid from associated companies	-	-	24	13
Cash flow from investing activities	-3,023	-2,583	-11,435	-6,215
Dividend paid for preference shares	-	-	-	-150
Redemption of preference capital	-	-3,500	-	-3,500
Dividend paid to non-controlling interests	-	-	-135	-
Changes in value derivatives, realised	-	-	-	-417
Loans raised	2,788	3,443	12,148	24,896
Amortisation/redemption of loans sold properties/changes in overdraft facilities	-894	-1,956	-4,967	-17,110
Cash flow from financing activities	1,894	-2,014	7,046	3,719
Cash flow for the period/year	85	-3,742	-723	-6
Cash and cash equivalents at the start of the period/year	472	5,023	1,281	1,287
Cash and cash equivalents at the end of the period/year	558	1,281	558	1,281
Cash and cash equivalents	558	1,281	558	1,281
Unutilised overdraft facilities	350	350	350	350
Unutilised credit facilities	8,470	5,940	8,470	5,940
Financial investments	770	305	770	305
Available liquidity including confirmed credit commitments	10,148	7,875	10,148	7,875

Segment information

SEKm	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Rental income				
Helsinki	585	534	2,302	2,044
Stockholm	286	245	1,057	920
Gothenburg	335	302	1,255	1,153
Öresund	267	191	919	666
East	243	229	940	919
North	71	56	240	214
Total	1,787	1,558	6,714	5,915
Net operating income				
Helsinki	385	363	1,583	1,352
Stockholm	225	190	821	704
Gothenburg	260	231	951	861
Öresund	214	148	721	510
East	164	160	645	642
North	53	41	168	151
Total	1,301	1,134	4,890	4,220

The group's internal reporting of operations is divided into the above segments. Total net operating income corresponds with reported net operating income in the income statement. The difference between net operating income of SEK 4,890m (4,220) and profit before tax of SEK 12,065m (9,154) consists of changes in value of investment properties of SEK 8,007m (5,336), other income/costs SEK -3m (8), management and administrative costs of SEK -592m (-543), participations in profits of associated companies of SEK 881m (1,010), net financial items of SEK -1,076m (-984) and changes in value of derivatives of SEK -34m (144).

SEKm	2018 31 Dec	2017 31 Dec
Real estate portfolio		
Helsinki	30,881	26,918
Stockholm	23,523	17,675
Gothenburg	22,448	19,376
Öresund	19,184	14,591
East	12,436	11,402
North	4,271	3,334
Total excluding projects	112,742	93,297
Projects for own management	3,799	5,063
Total investment properties	116,542	98,360
Development properties	1,598	-
Total real estate portfolio	118,140	98,360

The carrying amounts of properties have during the year changed by investments, acquisitions, divestments, unrealised changes in value and currency changes, with SEK 3,963m in Helsinki region, SEK 5,848m in the Stockholm region, SEK 3,072m in the Gothenburg region, SEK 4,593m in the Öresund region, SEK 937m in the North region and by SEK 1,034m in the East region. The group's projects for own management has decreased by SEK -1,264m while the group's development properties has increased by SEK 1,598m. Sato's property portfolio is divided between the regions Helsinki and East. The real estate holdings in Norway is classified in the North region and the properties in Germany in the Öresund region.

Key ratios including listed associated companies at market value

	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Share-related ¹⁾				
Average number of shares, thousands	180,000	180,000	180,000	180,000
Profit after tax, SEK	11.33	11.93	51.71	38.71
Profit after tax excluding unrealised changes in value, SEK	3.52	4.44	17.25	14.36
Profit from property management, SEK	4.86	4.16	18.35	14.74
Net operating income, SEK	5.96	5.08	22.00	18.79
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000
Shareholders' equity, SEK	225.60	185.02	225.60	185.02
Long-term net asset value (NAV), SEK	280.17	229.25	280.17	229.25
Share price on the closing date, SEK	252.00	219.40	252.00	219.40
Property-related				
Rental value full-year, SEK/sq.m.	1,802	1,724	1,802	1,724
Rental income full-year, SEK/sq.m.	1,737	1,651	1,737	1,651
Economic occupancy rate, %	96	96	96	96
Vacancy rate, %	4	4	4	4
Surplus ratio, %	73	73	73	71
Carrying amount, SEK/sq.m.	28,013	24,952	28,013	24,952
Number of properties	1,185	1,148	1,185	1,148
Lettable area, sq.m. thousands	4,025	3,739	4,025	3,739
Profit from property management, attributable to parent company shareholders, SEKm	876	748	3,304	2,804
Financial				
Return on equity, %	10.3	13.7	25.2	22.6
Return on total assets, %	5.4	5.8	11.1	9.9
Interest coverage ratio, times	4.4	4.2	4.6	4.3
Equity/assets ratio, %	37.3	36.7	37.3	36.7
Debt/equity ratio, times	1.4	1.4	1.4	1.4
Net debt to total assets, %	49.9	50.9	49.9	50.9

Key ratios excluding listed associated companies at market value

	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Share-related ¹⁾				
Shareholders' equity, SEK	223.03	173.86	223.03	173.86
Financial				
Return on equity, %	10.5	14.7	26.1	24.7
Return on total assets, %	5.4	5.9	11.2	10.2
Equity/assets ratio, %	37.0	35.5	37.0	35.5
Debt/equity ratio, times	1.4	1.5	1.4	1.5
Net debt to total assets, %	50.1	51.8	50.1	51.8

1) There is no dilutive effect as no potential shares arise.

Condensed parent company income statement

SEKm	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Net sales	92	66	289	252
Administrative costs	-96	-81	-292	-278
Operating profit	-4	-15	-4	-26
Profit from financial items				
Dividends from subsidiaries	-	-	1,608	909
Other net financial items	80	-235	110	350
– of which exchange rate differences	33	-467	-729	-565
Changes in value of derivatives	-58	-16	-34	133
Profit before appropriations and taxes	17	-266	1,680	1,367
Appropriations				
Group contributions paid	-87	-41	-87	-41
Profit before tax	-70	-308	1,594	1,326
Deferred tax	14	68	-3	-92
Net profit for the period/year ¹⁾	-56	-240	1,590	1,234

1) The parent company has no items reported in other comprehensive income and therefore total comprehensive income for the period/year is equal with net profit for the period/year.

Condensed parent company balance sheet

SEKm	2018 31 Dec	2017 31 Dec
Assets		
Property, plant and equipment	18	9
Financial non-current assets	11,319	5,472
Receivables from group companies	38,337	36,790
Current receivables	197	199
Cash and cash equivalents and financial investments	1,000	1,152
Total assets	50,870	43,621
Shareholders' equity and liabilities		
Shareholders' equity	11,227	9,637
Interest-bearing liabilities	33,275	28,774
– of which Hybrid capital	3,596	3,447
Liabilities to group companies	5,282	4,443
Derivatives	446	412
Other liabilities	640	355
Total equity and liabilities	50,870	43,621

The share and owners

Balder's share is listed on Nasdaq Stockholm, Large Cap segment. The company's market capitalisation as of 31 December amounted to SEK 45,360m (39,492).

The principal owner in Fastighets AB Balder is Erik Selin Fastigheter AB, which owns 36.4 % (36.4) of the capital and 49.9 % (49.9) of the votes. Foreign ownership amounts to approximately 26 % (24) of outstanding shares.

The share

At the end of the year, approximately 13,000 shareholders (14,000) held shares. During the year, approximately 72.1 million shares were traded (79.1) which corresponds to an average of about 292,000 shares per trading day (317,000). The annual turnover rate amounted to 40 % (44). The price of the share was SEK 252.00 (219.40) on 31 December, corresponding to an increase of 14.9 % since previous year-end.

Share capital

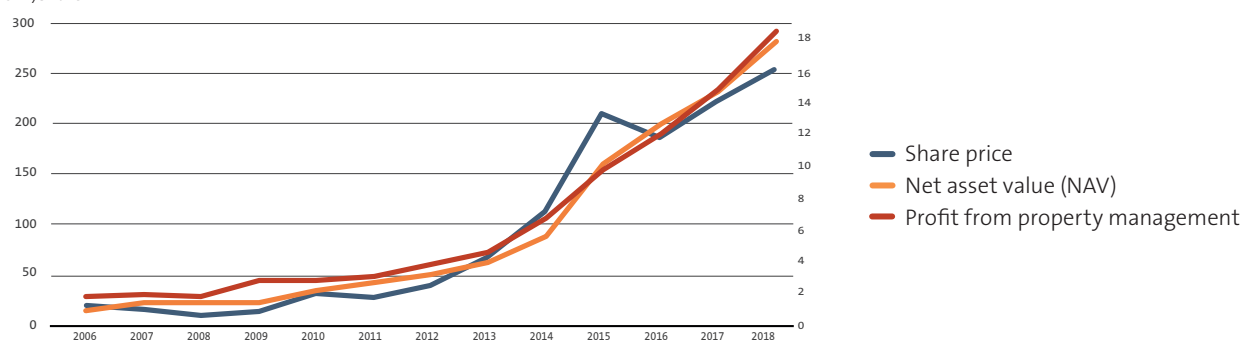
On 31 December, the share capital in Balder amounted to SEK 180,000,000 distributed among 180,000,000 shares. Each share has a quota value of SEK 1, where of 11,229,432 shares are of Class A and 168,770,568 of Class B. The total number of outstanding shares as of 31 December amounts to 180,000,000. Each Class A share carries one vote and each Class B share carries one tenth of one vote.

Development share price, net asset value and profit from property management

Share price, Net asset value (NAV)

Profit from property management

SEK/share



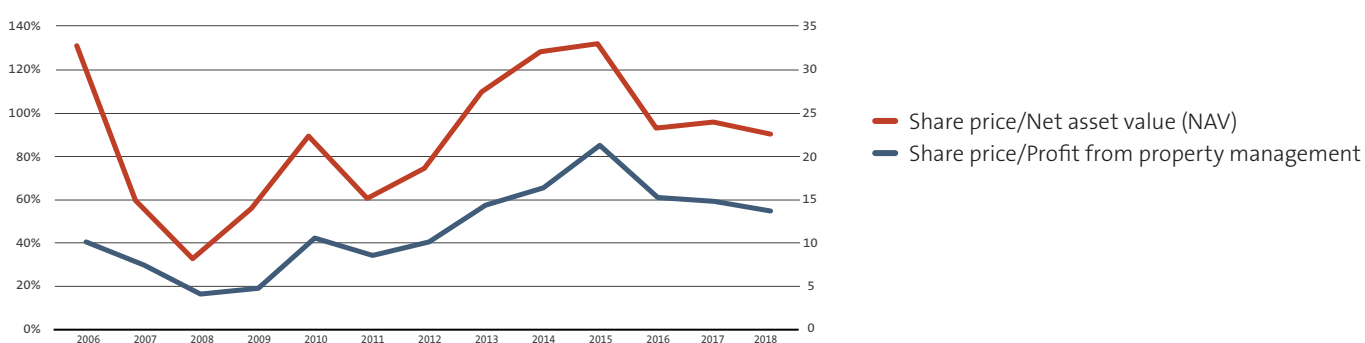
Share price/Net asset value and Share price/profit from property management

Share price/Net asset value (NAV)

Share price/Profit from property management

%

times



Ownership list as of 2018-12-31

Owner	A shares	B shares	Total number of shares	Capital, %	Votes, %
Erik Selin via company	8,309,328	57,210,900	65,520,228	36.4	49.9
Arvid Svensson Invest AB	2,915,892	13,542,540	16,458,432	9.1	15.2
Swedbank Robur fonder	—	8,948,111	8,948,111	5.0	3.2
SEB Investment Management	—	7,805,607	7,805,607	4.3	2.8
Länsförsäkringar fondförvaltning AB	—	6,367,710	6,367,710	3.5	2.3
Handelsbanken Fonder AB	—	5,441,575	5,441,575	3.0	1.9
Second Swedish National Pension Fund	—	4,155,593	4,155,593	2.3	1.5
Vanguard	—	3,301,480	3,301,480	1.8	1.2
CBNY-Norges Bank	—	2,586,858	2,586,858	1.4	0.9
Afa Försäkring	—	1,845,041	1,845,041	1.0	0.7
Other	4,212	57,565,153	57,569,365	32.0	20.5
Total	11,229,432	168,770,568	180,000,000	100	100

Definitions

The company presents a number of financial metrics in the interim report that are not defined according to IFRS (so-called Alternative Performance Measures according to ESMA's guidelines). These performance measures provide valuable supplementary information to investors, the company's management and other stakeholders since they facilitate effective evaluation and analysis of the company's financial position and performance. These alternative performance measures are not always comparable with measures used by other companies and shall therefore be considered as a complement to measures defined according to IFRS. Fastighets AB Balder will apply these alternative performance measures consistently over time. The key ratios are alternative performance measures according to ESMA's guidelines unless otherwise stated. A description follows below of how Fastighets AB Balder's key ratios are defined and calculated.

Financial

Return on equity, %

Profit after tax in relation to average equity. The values were converted to a full-year basis in the interim accounts without taking account of seasonal variations that normally arise in the operations and with the exception of changes in value.

Return on total assets, %

Profit before tax with addition of net financial items in relation to average balance sheet total. The values were converted to a full-year basis in the interim accounts without taking account of seasonal variations that normally arise in the operations and with the exception of changes in value.

Net debt to total assets, %

Net debt in relation to total assets.

Profit from property management, SEKm

Profit before tax with reversal of changes in value. Reversal of changes in value and tax as regards participation in profits of associated companies also takes place. When calculating profit from property management before tax attributable to parent company shareholders, the profit from property management is also reduced with the non-controlling interests' share.

Average interest, %

Interest expenses in the period recalculated to annual value in relation to the average interest-bearing liabilities.

Net debt, SEKm

Interest-bearing liabilities decreased by cash and cash equivalents, financial investments and 50 % of Hybrid capital which is treated as 50 % equity by the rating agencies.

Interest coverage ratio, times

Profit before tax with reversal of net financial items, changes in value and changes in value and tax as regards participation in profits of associated companies, in relation to net financial items.

Debt/equity ratio, times

Interest-bearing liabilities decreased by 50 % of Hybrid capital in relation to shareholders' equity.

Equity/assets ratio, %

Shareholders' equity including non-controlling interests in relation to the balance sheet total at the end of the year.

Share related

Equity per share, SEK

Shareholders' equity in relation to the number of outstanding shares at the end of the year.

Profit from property management per share, SEK

Profit from property management divided by the average number of outstanding shares.

Average number of shares

The number of outstanding shares at the start of the year, adjusted by the number of shares issued during the year weighted by the number of days that the shares have been outstanding in relation to the total number of days during the year.

Long term net asset value per share (NAV), SEK

Equity per share with reversal of interest rate derivatives and deferred tax according to balance sheet.

Profit after tax per share, SEK

Profit attributable to the average number of shares.

Property related

Yield, %

Estimated net operating income on an annual basis in relation to the fair value of the properties at the end of the year.

Net operating income, SEKm

Rental income less property costs.

Economic occupancy rate, % ¹⁾

Contracted rent for leases which are running at the end of the year in relation to rental value.

Development properties

Refers to properties constructed with the intention of being divested after completion.

Real estate portfolio

Refers to both investment properties and development properties.

Property category

Classified according to the principal use of the property. The break-down is made into office, retail, residential and other properties. Other properties include hotel, educational, care, industrial/warehouse and mixed-use properties. The property category is determined by what the largest part of the property is used for.

Property costs, SEKm

This item includes direct property costs, such as operating expenses, utility expenses, maintenance, ground rent and property tax.

Investment properties

Refers to properties that are held with the objective of generating rental income or an increase in value or a combination of these.

Rental value, SEKm ¹⁾

Contracted rent and estimated market rent for vacant premises.

Surplus ratio, %

Net operating income in relation to rental income.

1) The key ratio is operational and is not considered to be an alternative key ratio according to ESMA's guidelines.

The information in this report is such that Fastighets AB Balder (publ) is obliged to disclose according to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. This information has been published at 08.00 a.m. on February 27, 2019.

This report is a translation of the Swedish Interim Report January-December 2018. In the event of any disparities between this report and the Swedish version, the latter will have priority.

Contact

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Financial information

Overall information about the company's operations, board of directors and management, financial reporting and press releases, may be found on Balder's website, balder.se.

Calendar

Annual General Meeting	8 May 2019
Interim report Jan-Mar 2019	8 May 2019
Interim report Jan-June 2019	17 July 2019
Interim report Jan-Sep 2019	25 October 2019
Year-end report 2019	27 February 2020

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