

ANNUAL REPORT 2018

Outlook

A future to look forward to.



Contents

Overview

- 3 The year in brief
- 4 This is Balder
- 5 Balder's performance
- 6 CEO's comments
- 8 Balder's share and owners
- 11 Multi-year summary

Organisation

- 12 Transactions
- 13 Property development
- 15 New production

The Market

- 20 Markets and companies
- 22 The property market
- 26 Bovieran
- 27 Sato Oyj
- 28 Associated companies

Financing

- 34 Current earning capacity
- 35 Financing
- 38 Property valuation

Sustainability

- 40 Sustainability at Balder
- 42 Economic sustainability
- 44 Social sustainability
- 49 Environmental sustainability
- 51 Governance and material topics
- 55 GRI index
- 57 The auditor's statement on the sustainability report

Financial reporting

- 59 Contents
- 60 Consolidated statement of financial position including listed associated companies at market value
- 61 Report of the Board of Directors
- 65 Opportunities and risks
- 69 Financial statements
- 77 Notes to the financial statements
- 100 Audit report
- 103 Comments by the Chairman of the Board
- 103 Corporate governance
- 109 Board of Directors
- 110 Management

Additional information

- 111 Property list
- 118 Definitions
- 119 Contact information
- 119 Annual general meeting and calendar

The year in brief

Major hotel investment in Gothenburg

Balder together with Folkets Hus and Nordic Choice Hotels entered into an agreement to develop and construct a new hotel at Järntorget in Gothenburg. The 33-floor building will contain about 450 hotel rooms and is the result of the parties' common desire and ambition to preserve the distinguished Draken cinema, while developing the property and providing more meeting and accommodation capacity to Gothenburg.

Extensive development in Frölunda Park

In Frölunda Park, Balder is building approx. 550 apartments, new shops and grocery stores, is modernising existing green areas, renovating the rental apartments in Stjärnhusen and is building a new school. In April, Balder also launched an electric car pool available for the tenants in Stjärnhusen. In line with completion of the newly produced homes in the area, the residents there will also have access to the electric cars.

Increased green financing

Energy consumption is a prioritised area and all of Balder's residential projects in Sweden, which are built under the company's own management shall meet the requirements of Miljöbyggnad Silver rating. In Denmark, the company is going a step further and has decided that all residential properties shall be constructed according to the Nearly zero-energy buildings (NZEB) standard. As part of this work, Balder signed a loan agreement in May for EUR 100m with the European Investment Bank (EIB) for development of two residential projects in Copenhagen according to the NZEB standard.

Acquisition of property portfolio in Germany

In June, Balder acquired a German property portfolio consisting of seven hotel properties for approx. EUR 58m. The properties have a lettable area of just over 40,000 sq.m and about 850 hotel rooms. Balder has signed a 20-year lease for all properties with Ligula Hospitality Group, which is already a tenant of Balder in a number of hotels.

Balder is a partner in Väsby Entré

In June, Balder signed an agreement to become a so-called anchor partner in the work on Väsby Entré, which is Upplands Väsby's largest-ever urban development project. As the anchor partner, Balder will be responsible for developing more than half of Väsby Entré. Balder's participation will include developing housing as well as premises for public services and commercial use.

New hotel project in Jönköping

In February, Balder acquired the Gradienten hotel project, which will be constructed in central Jönköping. The project includes an 18-floor hotel with approx. 230 rooms, conference facilities and a restaurant. Nordic Choice Hotels has signed a 20-year lease to operate the hotel after completion, which is expected to occur in the first quarter of 2021.

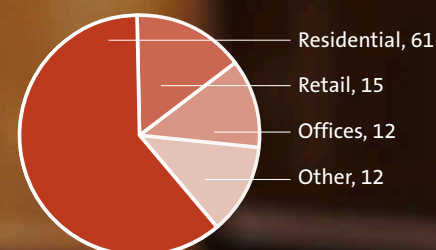


This is Balder

Business concept

Balder shall, acquire, exploit and manage commercial properties located in the central parts of big cities and residential properties in places that are growing and developing positively, based on local support.

Lettable area, %



Strategy and goals

Balder aims to generate a good profit from property management through a high level of activity and efficient management. During acquisitions, divestments and new production, the company aims to develop the portfolio according to its business concept. Balder wants to be a long-term owner with stable cash flows, satisfied customers and employees.

Long-term
development of
properties and city
districts



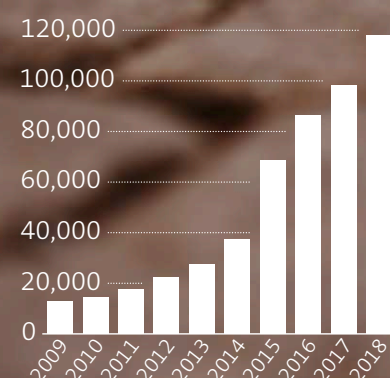
Financial goals

Equity/assets ratio minimum 40 %
Loan-to-value ratio maximum 50 %
Interest coverage ratio minimum 2.0 times

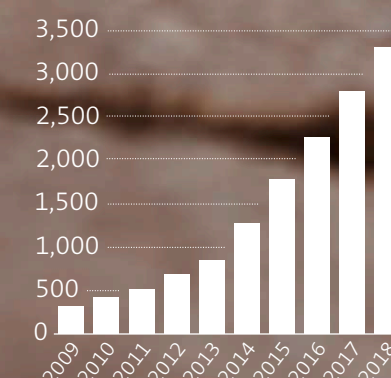
Balder's 10 largest customers

- I.A. Hedin Bil AB
- ICA Sverige AB
- Profilhotels
- Scandic Hotels AB
- Skolfastigheter i Stockholm AB
- Stockholms stad
- Stureplansgruppen
- Sndbybergs kommun
- Volvo Personvagnar AB
- Winn Hotel Group

Property value, SEKm



Profit from property management, SEKm¹⁾



1) Refers to profit from property management attributable to the parent company's shareholders.

Balder's performance

Since the start in 2005, Balder has been on a very exciting journey and the hope is that the coming years will be at least as exciting, educational and eventful.





Spårvagnen 4, Stockholm

Comments by the CEO

When we sum up 2018, we can confirm that Balder had another good year. Profit from property management per share increased during the full-year by 25 % to SEK 18.35 per share and the net asset value increased by 22 % to SEK 280 per share. The increase was due to a larger property portfolio, a continued strong rental market and very good efforts from our entire organisation. In other words, Balder is not just performing well financially but the organisation and Balder as a platform, are also getting better and better with the years.

The property value also continued to rise through investments, improved net operating income in the existing portfolio and a slightly lower yield requirement. The property market is strong overall in our markets but we see large variations between different segments and submar-

kets. Despite the strong property market, I believe that we also have strong potential to find good investment opportunities going forward. A positive factor to bear in mind is that Balder is developing through a presence in more markets. The fact that we now also have a presence in Germany and the UK provides us with new opportunities and opens new doors.

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

Investments

Net investments increased compared to the previous year and despite a continued strong interest in properties, I think that we succeeded in finding relatively good acquisitions and project investments,

including our first transaction in Germany where we bought seven hotels in collaboration with Ligula. We can also add another large and important undertaking to our long-term investment in urban and project development, through our agreement with Upplands Väsby Municipality, where we will develop Väsby Entré together. I am impressed

by the friendly and professional reception from Upplands Väsby and I look forward to cooperation that will extend far into the future.

We have so far made the assessment that the

best total yield for Balder’s shareholders is achieved by reinvestment of the profits generated. This goal remains the same and I am optimistic about the possibility of being able to continue finding investments over time that will generate a reasonably good return.

Associated companies

Our associated companies continued to perform well during the year with a profit from property management that improved by 13 %. Collector continued its increasing profit trend, although at a slower pace than what 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.

Sustainability

Balder shall be a long-term owner that bases its operations on stable cash flows and satisfied customers and employees. In order to achieve this, high demands are imposed internally and also on partners. As a long-term property owner, Balder aims to take economic, social and environmental responsibility, and conducts business operations that radiate honesty and trustworthiness.

During the year, we continued our work with the sustainability issues that were identified as the most important, and we notice an increased engagement

in these issues from employees as well as from external stakeholders. Among other things, we are continuing to work with a number of social projects in our residential areas, in order to promote employment and integration.

Financial goals

Balder’s financial goals were achieved during 2018. In order to emphasise and clarify that we are also aiming for a strong 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 %). This means in practice that the equity/assets ratio should rise a few percent (and therefore the loan-to-value ratio with the current composition of the balance sheet should fall a few percent).

Future development

The future looks bright on most fronts. I want to express a big and warm thanks to all of you who contribute to Balder’s continued development every day. It

is a real pleasure and privilege for me to serve as Balder’s CEO. I am grateful for every day, and to all of you I meet, that you are part of my life and make this possible. Now we are continuing our work in the same way as before and strengthening the company and balance sheet and we are trying to reinvest the generated profits in a smart manner.

Erik Selin

Chief Executive Officer



Balder's share and owners

*Balder's B share is listed on Nasdaq Stockholm, Large Cap.
The share price developed positively during the year and
the net asset value increased by 22 %.*

The company's overall market capitalisation as of 31 December 2018 amounted to SEK 45,360m (39,492) and the company had about 13,000 shareholders (14,000) at year-end. The price of Balder's B share was SEK 252.00 (219.40) at year-end, corresponding to a rise of 15 % (19) during the year. The increase since 1 January 2006 amounts to about 1,700 %. During the year, 72 million shares were traded equivalent to an average of 292,000 shares per trading day (317,000) or SEK 68m (65) based on the average price during the year. The turnover corresponds to an annual turnover rate of 40 % (44) and if Erik Selin Fastigheter AB's shares are excluded, the annual turnover exceeded 62 % (69) of the outstanding shares. The proportion of foreign-owned shares amounted to 26 % (24).

Equity growth

Equity per share (considering associated companies at market value) amounted to SEK 225.60 (185.02) on 31 December, equivalent to an increase of 22 % (17) during the year. Net asset value per share (NAV) increased during the same period by 22 % (15) to SEK 280.17 (229.25). The difference between equity and net asset value is that derivatives are reversed in net asset value, net of deferred tax liabilities and deferred tax assets. In the past 10 years, the net asset value per share has increased by an average of 30 % per year (26). The share price/net asset value ratio was 90 % (96) at year-end.

The profit from property management before tax attributable to the parent company's shareholders amounted to SEK 3,304m (2,804), which corresponds to an increase of 18 % (24) compared to the previous year. In the past 10 years, the profit from property management has increased by an average of 34 % per year

(32). The profit from property management per share increased by 25 % (24) during the year and in the past ten years the average increase was 26 % (23).

Dividend policy

Balder's goal is to generate the best long-term total yield for its shareholders. This is achieved by reinvesting the profits in the business in order to create further growth. For this reason, the dividend will remain low or will not be declared at all in the next few years. Balder will instead continue to grow by investing in existing properties, new construction and acquisition of new properties. The Board proposes to the Annual General Meeting that no dividend for the share should be paid for the 2018 financial year.

Share capital

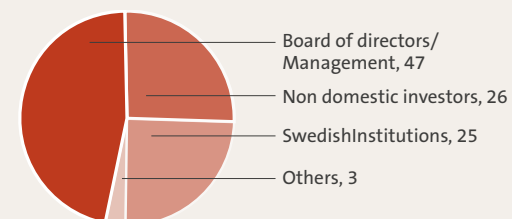
On 31 December, the share capital in Balder amounted to SEK 180,000,000 distributed among 180,000,000 shares. Each share has a quota value of SEK 1.00, whereof 11,229,432 shares are of Class A and 168,770,568 are of Class B. Balder has no repurchased shares, which means that the total number of outstanding shares amounts to 180,00,000. Each Class A share carries one vote, and each Class B share carries one tenth of one vote.

Shareholders

The principal owner in Fastighets AB Balder is Erik Selin Fastigheter AB, which owns 36.4 % of the capital and 49.9 % of the votes. Other large owners are Arvid Svensson Invest AB and Swedbank Robur fonder. At year-end 2018, the total number of shareholders amounted to about 13,000 (14,000) and 47 % (47) of the share capital was held by members of the Board and Management.

Balder's most important goal is to increase the profit from property management per share over time. The graphs on the next page show the development of the share price in relation to net asset value and profit from property management. In the left graph, an illustration is provided of the share price per share, net asset value per share and profit from property management per share. In the past five years, the net asset value increased by an average of 36 % per year and the profit from property management increased by an average of 32 % per year. In the right graph, an illustration is provided of the share price per share in relation to net asset value per share and profit from property management per share. In the past five years, the share has been traded at an average of 107 % of the net asset value and 16 times the profit from property management.

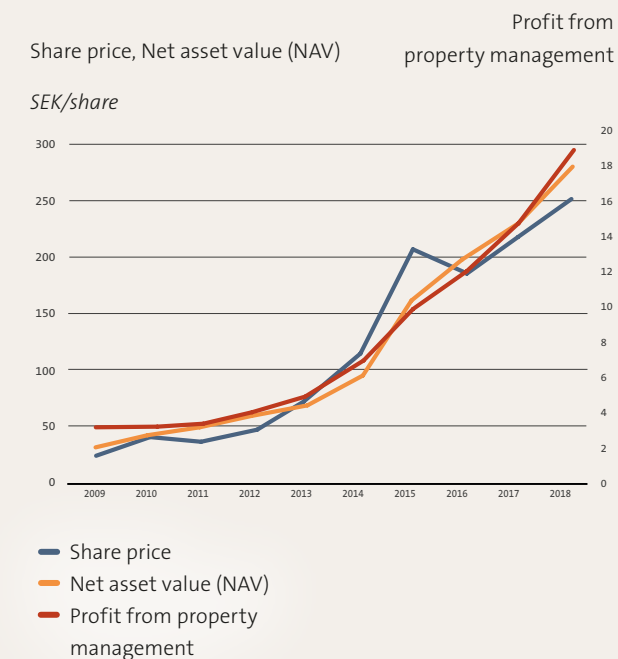
Ownership distribution, shares, %



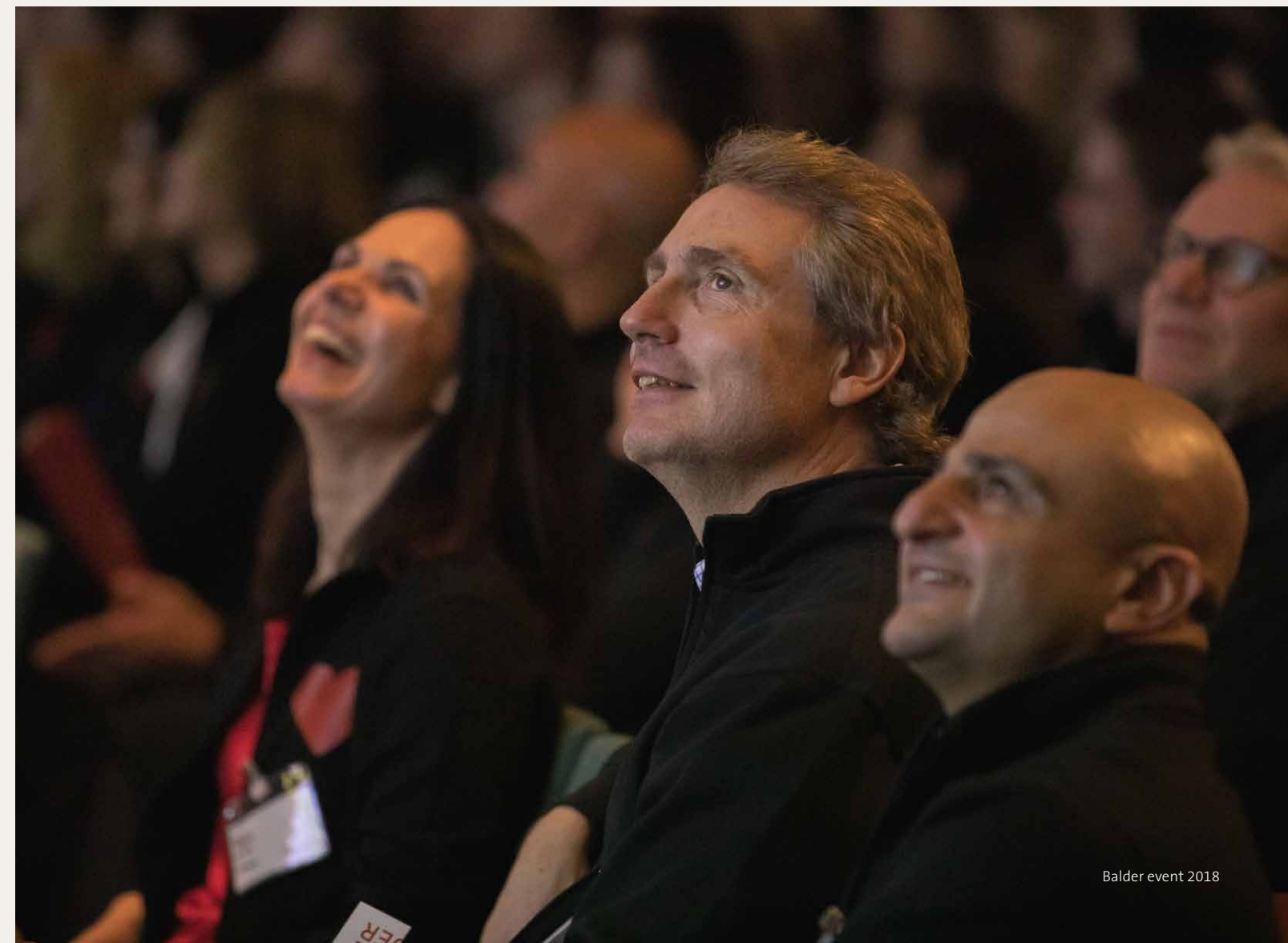
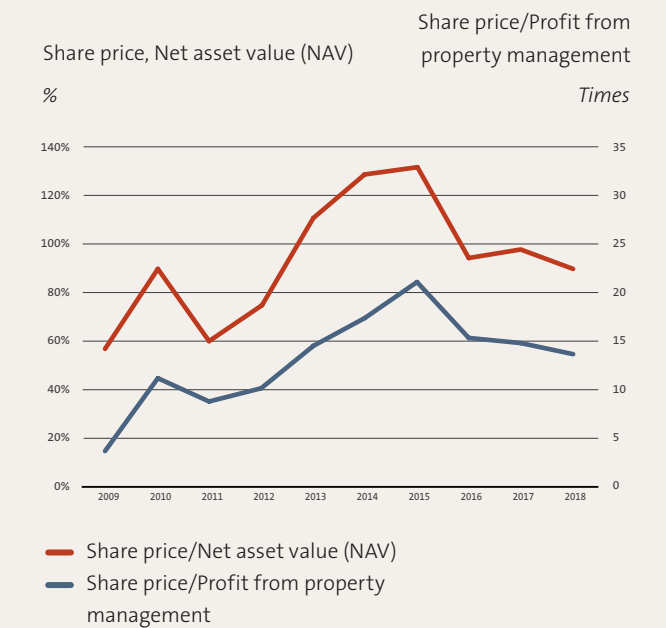
Analysts following Balder:

Johan Edberg, Handelsbanken
Erik Granström, Carnegie
Fredrik Cyon, Carnegie
Tobias Kaj, ABG Sundal Collier
Jan Ihrfelt, Kepler Cheuvreux
Albin Sandberg, Kepler Cheuvreux
Henrik Dahlgren, Danske Bank
Niclas Höglund, Nordea
Stefan Andersson, SEB

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



Share price/Net asset value and profit from property management





Ownership list 2018-12-31

Owners	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

Performance of Balder's share

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Per-share data, including listed associated companies at market value ¹⁾										
Average number of shares, thousands	180,000	180,000	173,598	162,753	161,786	159,537	159,537	158,656	149,487	112,902
Net profit for the year, SEK	51.71	38.71	30.38	28.98	18.10	10.11	6.69	4.87	8.95	2.20
Profit from property management before tax, SEK	18.35	14.74	11.89	9.71	6.64	4.57	3.73	3.00	2.79	2.79
Outstanding number of shares, thousands	180,000	180,000	180,000	172,397	162,397	159,537	159,537	159,537	149,487	149,487
Equity, SEK	225.60	185.02	157.63	128.03	70.10	52.14	42.15	35.57	31.13	22.19
Long-term net asset value (NAV), SEK	280.17	229.25	198.49	159.14	86.33	60.50	50.37	41.84	32.89	22.16
Share price on the closing date, SEK	252.00	219.40	184.10	208.70	110.25	66.00	37.30	25.30	29.40	12.50
Change in share price, %	15	19	–12	89	67	77	47	–14	135	79
Dividend, SEK	–	–	–	–	–	–	–	–	–	–
Market capitalisation										
Market capitalisation, SEKm	45,360	39,492	36,371	39,099	21,404	13,889	7,800	5,104	4,395	1,869

1) Listed associated companies at market value refer to Collector AB (publ) and Brinova Fastigheter AB (publ). From 2015, key ratios have been calculated based on listed associated companies' market value.

Multi-year summary

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Rental income, SEKm	6,714	5,915	5,373	2,711	2,525	1,884	1,701	1,466	1,333	854
Profit from property management, SEKm ¹⁾	3,304	2,804	2,265	1,780	1,275	854	691	516	417	315
Changes in value of investment properties, SEKm	8,007	5,336	4,932	3,388	3,050	854	812	990	1,047	4
Changes in value of interest rate derivatives SEKm.	–34	144	–114	227	–624	433	–71	–520	148	–23
Net profit for the year, SEKm ¹⁾	9,308	7,118	5,474	4,916	3,128	1,738	1,162	812	1,338	248
Investment properties, SEKm	116,542	98,360	86,177	68,456	37,382	27,532	22,278	17,556	14,389	12,669
Development properties, SEKm	1,598	–	–	–	–	–	–	–	–	–
Property-related key ratios										
Rental value full-year, SEK/sq.m.	1,802	1,724	1,583	1,508	1,325	1,216	1,247	1,163	1,087	1,072
Rental income full-year, SEK/sq.m.	1,737	1,651	1,507	1,455	1,254	1,148	1,166	1,088	1,016	1,002
Economic occupancy rate, %	96	96	95	96	95	94	94	94	94	94
Vacancy rate, %	4	4	5	4	5	6	6	6	6	6
Surplus ratio, %	73	71	68	72	70	68	68	68	66	69
Carrying amount, SEK/sq.m.	28,013	24,952	21,473	18,622	17,172	13,985	14,439	12,467	10,887	10,053
Number of investment properties	1,185	1,148	1,220	1,177	486	498	432	433	432	419
Lettable area, sq.m., thousands	4,025	3,739	3,806	3,430	2,177	1,969	1,543	1,408	1,322	1,260
Financial key ratios, including listed associated companies at market value ²⁾										
Return on equity per share, %	25.2	22.4	20.9	28.2	29.7	21.5	17.0	14.3	33.6	9.6
Interest coverage ratio, times	4.6	4.3	3.7	5.1	3.4	2.9	2.4	2.1	2.1	2.1
Equity/assets ratio, %	37.3	36.7	38.3	37.8	35.5	37.3	34.8	35.2	30.9	24.1
Debt/equity ratio, times	1.4	1.4	1.3	1.4	1.6	1.5	1.7	1.6	2.1	2.9
Loan-to-value ratio, %	49.9	50.9	50.0	51.6	54.6	53.3	57.3	56.0	62.3	68.9

1) Attributable to the owners of the Parent Company.

2) Listed associated companies at market value refer to Collector AB (publ) and Brinova Fastigheter AB (publ). From 2015, key ratios have been calculated based on listed associated companies' market value.

Transactions

During 2018, Balder increased its property holdings through a number of acquisitions, including a property portfolio with hotels in Germany and several commercial premises in other markets.

Balder's strategy is to own centrally located commercial properties in capital cities and large cities, which are developing positively. Today, 60 % of the commercial holdings consist of centrally located properties in Stockholm, Gothenburg, Malmö, Berlin, Copenhagen and Helsinki. Balder's property portfolio in the rest of the Nordic countries and Germany mainly consists of hotel and residential properties.

Acquisitions

During the year, seven hotel properties were acquired in Germany. The hotels are located in several places, including in Berlin and Leipzig. Balder has signed a 20-year lease in all properties with Ligula Hospitality Group, which is already a tenant of Balder in a number of hotels. The properties' lettable area amounts to just over 40,000 sq.m. with about 850 hotel rooms in total, of which approx. 40 % relate to properties in Berlin.

The property portfolio in Norway increased during the year through the acquisition of a property in central Oslo. The property mainly consists of corporate accommodation and the largest tenant is Forenom with a 13-year lease. The building was completed in early July and the lettable area amounts to about 8,500 sq.m.

During the fourth quarter, Balder together with Folksam and Redito, acquired a property portfolio from Castellum containing offices, warehouses and logistics properties. In total, the portfolio includes 38 properties with a lettable area of 174,000 sq.m. Gross rental income

amounts to SEK 152m and the largest tenants are Autoadapt, the City of Gothenburg, Alingsås Municipality, the City of Stockholm, Dagab and Despec. The holding is reported as a share in associated companies.

As part of its investment in Backaplan, one of Gothenburg's largest development areas, Balder also acquired a property during the year that contains 9,000 sq.m. of commercial floor space and future office building rights for 21,000 sq.m.

In Stockholm, approx. 83,000 sq.m. of building rights were acquired in the Solvallastaden development area. The area, which includes six blocks consisting of residential properties and commercial premises for both retail and services, shall contain 1,700–2,200 homes, as well as nursery schools and a school.

The work on creating a zoning plan has been initiated, and this is expected to gain legal force in 2021. In the same year, the new extension of the Tvärbanan light rail line's Kista branch will connect to the area.

Divestments

Balder will continue to divest properties in smaller cities where it is not considered possible to achieve a sufficiently large management unit. This is in line with Balder's strategy to own commercial properties in capital cities as well as residential properties in metropolitan areas and in places that are growing and developing positively.

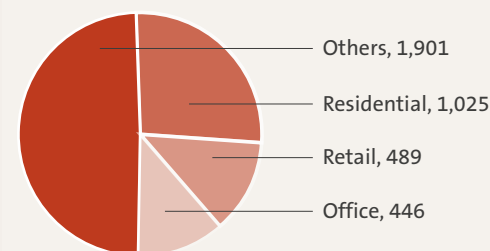
During 2018, Balder did not divest any properties, only sales of condominiums and land were carried out.

In Finland, apartments were sold by Sato at a sales value of about EUR 12.7m in total. Sato is focusing on selling apartments that do not fit with the company's long-term strategy and the divestments during the year were carried out in line with this.

During 2018, condominiums and land were sold for a total sales value of SEK 311m. The completed divestments generated a profit of SEK 86m.

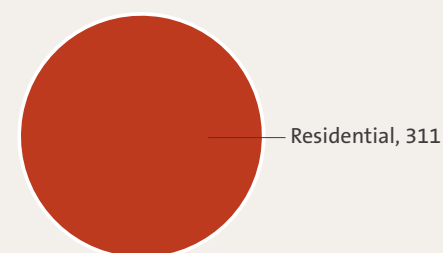
Acquisitions

per property category, SEKm



Sales

per property category, SEKm



Management

Balder's property management organisation is divided into six regions with local offices. The company's own personnel in each area are responsible for management, letting, operation and environmental issues.

Balder strives to be a long-term owner that bases its operations on stable cash flows and satisfied customers. Customer satisfaction is one of the company's most important goals and this work is prioritised in the organisation. The objective is for commercial customers to develop in Balder's premises and that their different needs both in terms of the size of premises and geographical location shall be met over time. For residential customers, the goal is that they should be happy in their homes and in their residential area and stay a long time with Balder.

Balder's own management organisation enables fast decision-making procedures, proximity to the customer, good local knowledge and the possibility to work on a long-term basis with property management. The company offers a large selection of premises and housing in different locations and at different rental rates. Balder's management organisation includes day-to-day management, project properties for reconstruction, extension and new construction.

During the year, Balder made large investments in several residential areas. Balder continually renovates properties internally and externally, including the property's common areas.

Rental apartments

Balder renovates rental apartments using timeless and sustainable material of high quality. Balder has chosen material and suppliers with the goal of creating long-lasting homes.

Common areas

In order to offer an even better home environment, Balder modernises common areas such as laundry rooms, stairwells and bicycle rooms. Balder listens to tenant requests and the goal is to develop buildings together with the tenants.

Outdoor environments

In ten locations, Balder, together with the National Board of Housing, has initiated a major investment in outdoor environments. The total investment amounts to approx. SEK 200m. The goal is, together with the tenants, to implement measures that enhance security, comfort, togetherness and sustainability.

HomeQ

During the year, Balder realised the plan to advertise and rent all rental apartments via the HomeQ market place and letting tool. Balder has thereby taken

a step towards digitalising the entire letting process for all rental apartments. The goal is to improve and streamline the letting process and to work in a uniform way throughout Sweden. The tool ensures correct and identical treatment of all applicants. The platform will automatically choose the tenant, based on Balder's letting and selection policy.

Residential

Balder offers apartments in both central locations and in the outskirts of cities, both in the form of newly produced rental apartments and rental apartments in older properties. As of 31 December 2018, the Group had about 37,600 residential contracts in total.

Having your own home is a requirement for living a secure and independent life. Balder collaborates with players that work actively with integration and treatment programmes directed towards children and young adults.

Read more about Balder's social engagement on pages 44–48.



Visualisation of investment in outdoor environment, Frolunda



"Associations like Mind play an incredibly important role in society, and for us it is very important to participate and contribute where we can."

Sharam Rahi, Vice CEO Balder

Mind
During the year, Balder entered into an agreement with the non-profit association Mind based at Kungssportsavenyn 3 in Gothenburg. In Balder's commercial premises, Minds volunteers receive calls from people in crisis on the Suicide line. Mind works for a society that pays attention to and actively fights against mental illness. At mind, people with mental illness are given respect and get the support they need.

Commercial letting

Balder offers a large variety of commercial space, ranging from office, retail and warehouse space to floor space adapted for restaurant and educational activities, for example.

The company still has a high occupancy rate and within the commercial holdings, the occupancy rate is about 95 %. In total, the company has approx. 3,000 commercial customers and the total area amounts to approx.1,572,000 sq.m.

Since 2014, Balder is one of Sweden's largest hotel property owners. The hotel portfolio comprises approx. 45 hotel properties in total. In the portfolio, there are hotels in central Copenhagen, Gothenburg, Stockholm, Malmö, Berlin, Gelsenkirchen and Helsinki.

Lease structure 2018-12-31				
Lease structure	Maturity date	Number of leases, %	Contracted rent, SEKm	Share , %
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
Parking lots 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.

New development

Balder's ambition is to create an extensive portfolio of building rights over time with the aim of producing new rental apartments, tenant-owner's apartments and commercial properties on a long-term basis.

By improving the existing property portfolio, land allocations and acquisitions, Balder wants to be a long-term player in urban and property development.

The focus lies on creating building rights on existing land and investing in areas where the company already operates, with a main emphasis on Stockholm, Gothenburg and the Öresund region, including Copenhagen. For Balder, it is important to be able to control the entire value chain, from acquisition of land to completion of buildings and areas.

The development process and value growth occurs in different phases and takes several years. Therefore it is important to work on a long-term basis and in close cooperation with municipalities and other stakeholders.

Balder is continuing its efforts to build up a business area for urban and property development and during the year continued to recruit new employees to meet the increased need with the company's growing project portfolio.

2,600 apartments currently in production. In total, Balder acquired and obtained local allocations for about 4,800 building rights.

The company has zoning plans that have gained legal force in Västra Kungsholmen in Stockholm and for Fixfabriken (associated company) and Långströmsgatan in Gothenburg.

During the year, Balder acquired a further property at Backaplan in Gothenburg with potential building rights for 23,000 sq.m. of commercial space. Together with the City of Gothenburg and other property owners in Backaplan, a new city district is planned here of about 7,000 homes and around 140,000 sq.m. of retail space and premises, with Balder, Skandia Fastigheter and Riksborgen as the dominant property owners.

The market value of Sato's property portfolio has developed positively in recent years both through acquisitions and new construction projects under its own management. During 2019, Sato has four planned construction starts, which involve a total of 280 apartments.

Nordic Choice Hotels and Folkets Hus Gothenburg have a common desire and ambition to preserve the classic Draken cinema while developing the property and providing more meeting and accommodation capacity to Gothenburg. Apart from this, Balder has eight planned construction starts in Stockholm and Gothenburg as well as two in Copenhagen.

BoStad2021
Balder is involved in the BoStad2021 initiative, which is part of Gothenburg's 400-year jubilee celebrations, with the aim of making Gothenburg an even better city. BoStad2021 is a unique collaborative project where the City of Gothenburg and the business community are working together to increase the construction rate, achieve a better mix, more accessibility and create good value apartments in a children-friendly, densely-populated and green city.

Of the 7,000 apartments, which is the adopted target for the initiative, Balder's share is about 1,100 apartments, distributed among four areas – Södra Bergsjön, Svartedalen, Västra Frölunda and Majorna.

Read more about Balder's new production on www.balder.se

Several projects during the year

During 2018, Balder completed approx. 800 apartments and started construction of approx. 1000 apartments in Sweden, Denmark and Finland. Balder has about

Future development

During 2019, Balder also plans to start the Draken hotel project at Järntorget in Gothenburg. The new hotel is the result of the fact that the parties Balder,





Sketch Väsby

Urban development Väsby

Quick facts

Residential: about 100,000 sq.m. gross floor area, about 1,000 apartments

Commercial and community service: about 15,000 sq.m. gross floor area

Architect: 3XN, Denmark

Construction start: about 2022

Väsby Entré

In direct proximity to the commuter train station in Upplands Väsby, a new city district is planned featuring pleasant urban environments and mixed-use blocks. From Väsby Entré, Arlanda, Stockholm and Uppsala are easily accessed. In July 2018, a land allocation agreement was signed where Balder will be the anchor partner, which means a responsibility for developing more than half of Väsby Entré. This is equivalent to about 1,000 new homes with mixed forms of tenure and commercial premises. Upplands Väsby has profiled itself through its investment in unique architecture, among other ways by engaging Zaha Hadid Architects for design of new bridges and the commuter train station.



Urban development Solvalla

Quick facts

Residential: about 83,000 sq.m. gross floor area, about 850 apartments

Commercial and community service: about 4,000 sq.m. gross floor area

Construction start: about 2022



Solvallastaden

Close to Solvalla racetrack, the City of Stockholm is planning a new modern district, Solvallastaden.

With a starting point in the already well-known Solvalla horse racing track, the district shall be developed with a clear sports profile, offering proximity to nature, services and activities. The proximity to Bromma Airport, Bromma Blocks shopping centre and the Tvärbanan light rail line, which will open in 2021, create excellent conditions for a high quality of life.

In October 2018, Balder acquired land from Stockholms Travsällskap relating to building rights for about 83,000 sq.m. of housing and business premises. In cooperation with the City of Stockholm, six blocks will be created in a high quality environment.



Fixfabriken

In cooperation with HSB, Balder is refining the old Fixfabriken factory site in the Majorna area of Gothenburg into about 500 tenant owner's apartments, spread over four blocks, of which half will be developed by Balder.

Majorna is known for its charming and characteristic neighbourhoods. With this as a starting point, modern homes are planned that will blend in to the existing development.

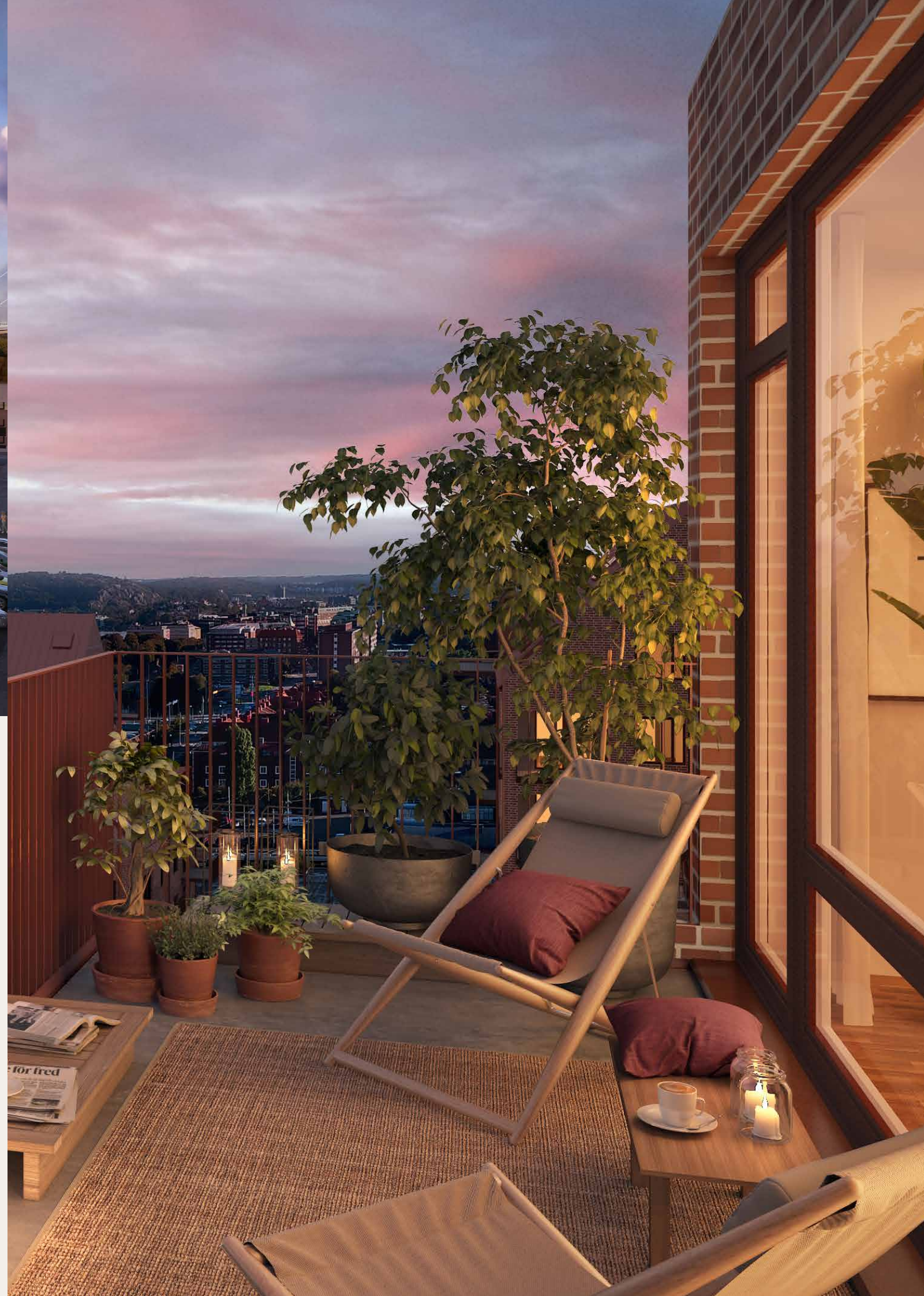
Fixfabriken is a densification project, which is included in the City of Gothenburg's Jubilee initiative BoStad2021, which aims to develop

zoning plan processes and complete 7,000 extra homes up to 2021. Apart from the 500 apartments, the zoning plan also includes a further about 500 apartments which are owned by the City of Gothenburg, as well as a nursery school and homes for the elderly.

The district is being developed gradually with a preliminary construction

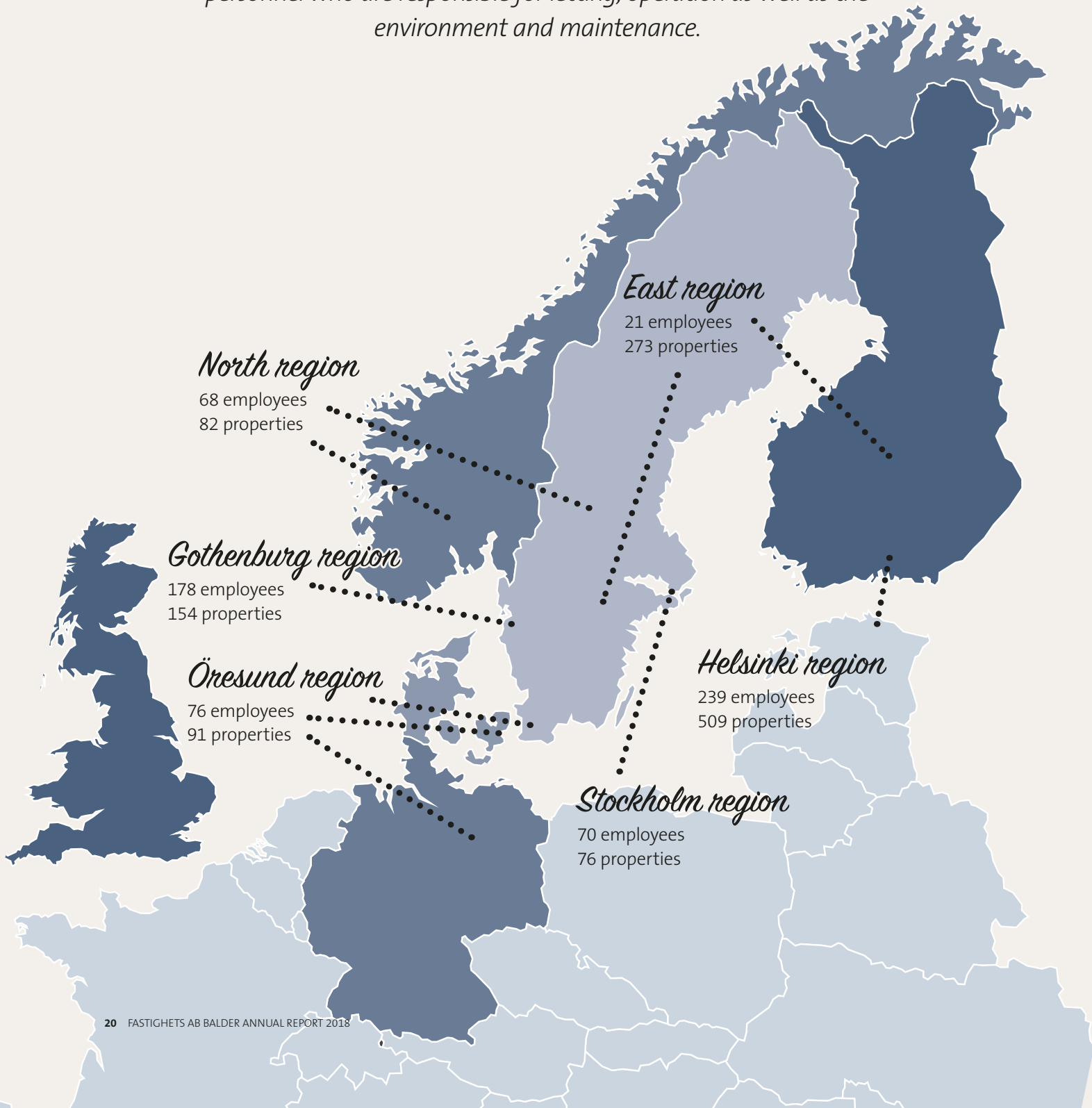
start during 2019 and first occupation from 2021.

A garage is planned under the blocks. Balder also intends to locate pool cars in the area in order to contribute to a sustainable society.



Markets and companies

Balder owns, manages and develops residential and commercial properties in Sweden, Denmark, Norway, Finland and Germany. Today the company has local offices, spread over six regions. In each region, property management is handled by the company's own personnel who are responsible for letting, operation as well as the environment and maintenance.

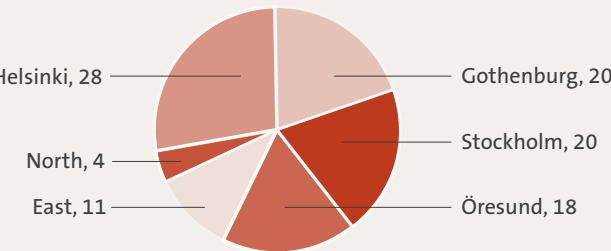


Balder's property portfolio as of 31 December 2018¹⁾

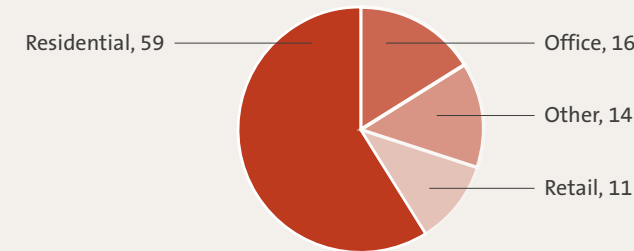
	Number of investment properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	509	1,051,614	2,393	2,276	2,346	98	30,881	26
Stockholm	76	650,668	1,247	1,916	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 property 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 property 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 year-end. Divested properties have been excluded and acquired properties have been estimated using full-year values. Other properties include hotel, educational, nursing, industrial and mixed-use properties.

Carrying amount per region, total property portfolio, %



Carrying amount per property category, total property portfolio, %





The property market

The development in the property market remained strong during the year, even if there are some clouds on the horizon in the form of a weaker global economy, rising interest rates and a slowdown in housing construction.

The Swedish property market

The development in the Swedish property market remains strong, even though market conditions and housing construction are weakening. Compared with the two previous years, transaction volume fell slightly during 2018 and amounted to just over SEK 150 billion compared to SEK 180 billion in 2017, which is still a relatively large volume historically.

The transaction volume is still mainly concentrated in Stockholm, Gothenburg and Malmö as well as certain regional cities and foreign players accounted for about 25 % of the total volume during the year.

The total yield for direct investments in properties amounted to 10.6 % during 2018 according to MSCI, compared to 10.8 % in 2017. The highest total yield was measured in the industrial segment of 13.7 %, followed by offices of 12.9 %.

The residential market

The fall in the tenant owner's apartment market which commenced in autumn 2017 stabilised slightly during 2018, as prices rose at a national level. Despite the increase, prices in both Stockholm and in Gothenburg are still almost 10 % lower

than the peak levels in 2017. Stricter lending rules and increased uncertainty about the price trend in the secondhand market also had a major impact on the new production market for tenant's owner's apartments, with longer selling times and price reductions or other types of discounts as a result. The turbulence in the private residential market has benefitted the rental apartment market to some extent where there are more potential customers and current vacancies are almost non-existent in strong sub-markets..

The office market

The rental market for office premises has been strong in recent years with good rental growth, especially in Stockholm and Gothenburg.

In both of these markets, there are now a large number of planned and ongoing projects, which are expected to be completed in the next few years. This is contributing to an increased supply of modern office premises in attractive locations, after several years of comparatively low additions. The presence of coworking operators and property owners that have developed their own flexible office concepts has increased dramatically during the year. This trend has been most evident in Stockholm, but there are also examples in Gothenburg, Malmö and in some regional cities.

Outlook

The expectations approaching 2019 are of a gradual slowdown in international and Swedish market conditions. In the Swedish property market, there is also uncertainty in the form of a weak performance in retail, which affects the store segment, while

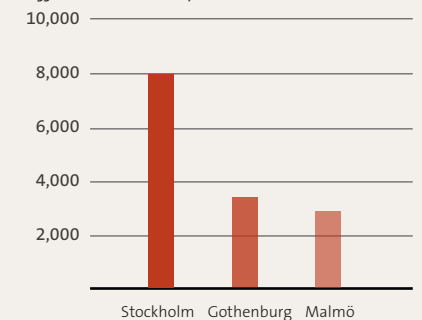
factors such as the lack of a clear and long-term housing policy and price concerns in the private residential market are creating uncertainty in the housing segment when it comes to new production. On the positive side, there is still a huge housing need in the country's larger cities, which provides the basis for a continued stable development in the rental housing market. The office market also remains strong where several major lets at high rental rates occurred during the year, but where the higher new production rate combined with weaker economic development could slow down rental growth in the medium term.

Source: Svefa

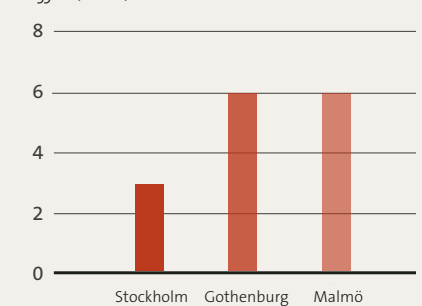
1) MSCI's IPD Swedish Property Index measures the yield on direct investments in properties and contains a database of almost 4,200 properties with a combined value of just over SEK 800 billion.

2) Coworking involves flexible office solutions in an open-plan environment with access to a workspace where those working are usually not employed by the same employer.

Rental rates office, CBD, SEK/sq.m



Vacancy rate office, CBD, %



CBD = Central Business District

Source: Fastighetsvärlden



The Danish property market

Strong growth, low interest rates, the willingness of creditors to lend, political stability and a fixed exchange rate policy to the euro, mean that Denmark retains its prominent place as one of Europe's most attractive countries for property investments.

The total transaction volume of properties amounted to DKK 71 billion during 2018, which was a decrease from the record year of 2017, when the volume was DKK 88 billion. The decrease was not due to declining interest on the part of investors, but rather due to the high price expectations of sellers.

Foreign investors still have a strong position when it comes to investments in the Danish market and account for roughly 50 % of the overall transaction volume, which is in line with 2017. Swedish investors alone accounted for about 23 %.

The extension of Copenhagen's metro, the so-called Cityringen, will link up newly built areas and districts with the rest of Copenhagen, which means that previously secondary property locations will now become more attractive.

Copenhagen is also a popular tourist destination. The number of hotel nights in the city amounted to 7.4 million during 2018, which was an increase of 3 % from 2017. This in turn has meant a continued interest for investments in hotel properties.

The residential market

The market for condominiums continued to develop positively during 2018, although a certain slowdown was noted during the

second half of the year. One of the reasons for this was stricter lending rules and the more stringent requirements relating to the buyer's financial position that have been introduced. Condominium prices rose on average by about 4 % and by about 6 % in Copenhagen. The expectations heading into 2019 are that the housing market in larger cities will stabilise at around the current level and that prices in the rest of Denmark will rise slightly.

Of the total transaction volume, residential accounted for about 46 %. The transaction volume for residential properties amounted to DKK 33 billion in 2018.

Foreign investors accounted for 60 % of the transaction volume. In particular, Swedish property companies and property funds accounted for a large proportion of the acquisitions carried out during the year.

Average prices of condominiums in Denmark, DKK per sq.m. (85 sq.m. apartment)

	2018	2017
Copenhagen	41,750	39,400
Århus	31,100	29,650
All of Denmark	30,400	29,250

Source: Danske bank

The office market

The office market developed positively during the year and displayed lower vacancies and higher rental rates. Office rents in central Copenhagen increased by almost 5 % during 2018 and were

in the DKK 1,650–1,950 sq.m. range, excluding property tax and operating expenses. Demand for premises in slightly more secondary locations also increased, where the rental rates are between DKK 1,300–1,600 per sq.m.

The increased demand will be offset by the ongoing new production of office properties. Good access to land and building rights in Greater Copenhagen means that large rent increases are unlikely in the next few years.

The vacancy rate for unlet offices in Copenhagen inner city is around 5.8 % compared to about 9.6 % in Greater Copenhagen. In the inner city, there are vacancies mainly in older office properties, which do not meet the requirements of today's tenants.

The transaction volume for office properties during 2018 amounted to DKK 11.9 billion compared to DKK 13.4 billion during 2017. The downturn was mainly due to a smaller supply of office properties than in previous years.

Investors are expected to continue to have strong demand, primarily for modern properties with attractive locations and strong cash flows, especially in Copenhagen but also in Denmark's other major cities. As access to these attractive properties is limited, interest in investing in office properties with more secondary locations has increased.

Source: JLL, Sadolin/Albaek, Home

The Finnish property market

Finland's property market is expected to continue to show a strong development. Both 2016 and 2017 were record years and the trend also continued during 2018. The economic growth in Finland is very strong and the growth rate is back at a level not seen in the country since the top levels before the financial crisis in 2008.

During 2018, the gross national product amounted to 2.8 %. It is mainly increased employment, higher domestic consumption, a better economy and continued high new production on the property side that makes Finland attractive both for domestic and foreign property investors. This combined with low interest rates, good access to capital and competitive yield levels has resulted in a sharp rise in transaction volumes in recent years.

However, as a consequence of a weaker development in the global economy generally, growth is expected to slow during 2019 and 2020 in most areas, including in the export sector and in terms of investments.

During 2018, the transaction volume in the property market amounted to EUR 9.3 billion. The high transaction volume was mainly the result of a few

transactions where new foreign players invested in the Finnish property market and acquired large individual property portfolios.

The largest transaction volume, 32 %, was seen among office properties. After that, retail properties accounted for 25 % and residential properties accounted for 16 %. Foreign investors decreased their share, however, from about 70 % during 2017 to 57 % during 2018. Swedish investors accounted for about EUR 1.8 billion and were found within listed property companies and property funds. Domestic investors are mainly increasing their portfolios through investments in new local projects.

Investments in new construction are continuing to increase, particularly in and around Helsinki and in larger cities. Just in Helsinki and the nearby cities of Esbo and Vantaa, 60,000 sq.m. of office space was completed during 2018. Construction starts of new apartments that are expected to be completed during 2019 amounted to 8,000 units in the Helsinki area.

The office market

However, vacancies and the rental trend in Helsinki are varied when it comes

to office properties. There is a mix of properties where older and less modern properties have high vacancy rates, close to 12–13 %, and a lower rental trend compared to attractive and more modern properties, which have low vacancy rates of about 5 % and a rising rental trend from a stable level. Conversion of older properties into more modern office buildings or new apartments is continually in progress.

The yield for office properties in central Helsinki was around 3.75 % and for apartments in good locations it was around 3.80 %.

Investors, both large global and local, have been active on the acquisition side with regard to retail properties. Helsinki is still the city where the most attractive retail areas are located.

The residential market

Despite the rapid growth in newly built homes, residential rents are continuing to increase in all major cities, however, at a slightly slower rate than in recent years. During 2018, residential rents in Helsinki rose by 2.50–3.00 %.

The Norwegian property market

Like the other Nordic countries, the Norwegian economy developed positively during the year. Growth is expected to be strong in the coming years. In September 2018, Norway's Central Bank raised its key interest rate from 0.5 % to 0.75 % and signalled that interest rates will gradually increase in the next few years, although at a slow pace. When it comes to urbanisation, unemployment and consumption, Norway is displaying a Nordic pattern, with inflows to larger cities, higher employment rates and increased private consumption.

Of Norway's citizens, approx. 80 % live in homes they themselves own. The limi-

ted supply of residential properties with rental rights means that the transaction side in the residential property segment is low. There are a number of private players that own large portfolios of rental apartment buildings.

During 2018, the transaction market amounted to NOK 94 billion, which was the second highest figure since the peak of NOK 123 billion in 2015.

Of the total transaction volume, the proportion of offices was approx. 36 % and residential accounted for 10 %. Foreign investors accounted for 18 % and private domestic investors for almost 40 %. It is estimated that the proportion of foreign

interested parties would be larger if there was a bigger selection of properties, despite low yield levels and a rising interest rate market.

The yield level for office properties with good locations in Oslo was around 3.75 %. The yield level is expected to rise slightly going forward, mainly due the rental trend.

The vacancy situation for office properties in Oslo amounted to 6.1 %, which was slightly lower than previous years. Rental rates in the best location, i.e. CBD, were in the NOK 3,900–4,700 range and are expected to increase by approx. 10 % in the next two years.



Quick facts

Sales in progress: Salem

Ongoing construction projects: Eskilstuna, Karlstad

Occupation: Vänersborg, Borgholm

Planned projects: Staffanstorps, Södertälje, Haninge-Vega, Ystad, Svedala och Trelleborg.

Sato Oyj

As one of Finland's largest property companies, Sato contributes to development of housing, primarily in metropolitan areas. At year-end, the company owned almost 26,000 apartments.

Balder owns 54.4 % of Sato Oyj, which is Finland's second largest property company focused on housing. The company's focus is to invest in apartments, which are located in Greater Helsinki, Tampere and Turku. Today 80 % of the property portfolio is located in Greater Helsinki and 13 % in Tampere and Turku. Turku, 4 % in Jyväskylä and Uleåborg as well as 3 % in St Petersburg

During the year, Sato completed almost 400 new homes, and applications for construction of a further 1,000 apartments have been registered. Among other things, planning of the development of the Hakunila area in Vantaa was initiated, where Sato already owns more than 700 apartments.

Another major project is in Myrämäki in Vantaa, where the plan is to build 62,000 sq.m. of housing and 14,000 sq.m. of commercial space. Apart from new construction, Sato also carried out a large number of renovation projects during the year, including in Hakunila in Vantaa and in Kaleva in Tammerfors.

The customer in focus

Sato had a positive development during the year, among other things due to the successful Customer First strategy, which involves a focus on letting issues, increased engagement from partners and improved communication with tenants. As a part of this work, a new digital service was launched during the year, OmaSato,

which brings together all the services for tenants and makes them accessible around-the-clock. OmaSato contributes to more flexible and efficient service and has been well received by tenants.

During the year, Sato also initiated cooperation with Reuse Centre regarding recycling of white goods, in order to promote reuse and sustainable recycling as far as possible.

Read more on www.sato.fi

Bovieran

Bovieran AB is a wholly-owned subsidiary of the Balder Group. Over the years that the housing concept has been in existence, a large number of senior citizens around Sweden have found a new home in Bovieran's properties.

Bovieran works based on the vision to be the leading developer of homes with unique meeting places for togetherness and socialising. The properties have been designed to create the best possible conditions for getting to know new people. The goal is to tackle loneliness and provide new opportunities to build strong social networks.

During 2018, Bovieran beat its own record for the number of registrations of interest when more than 600 persons registered their interest for Bovieran in Salem. During the winter, the two first buildings

in the new Flora concept, were ready for occupation in Vänersborg and Borgholm.

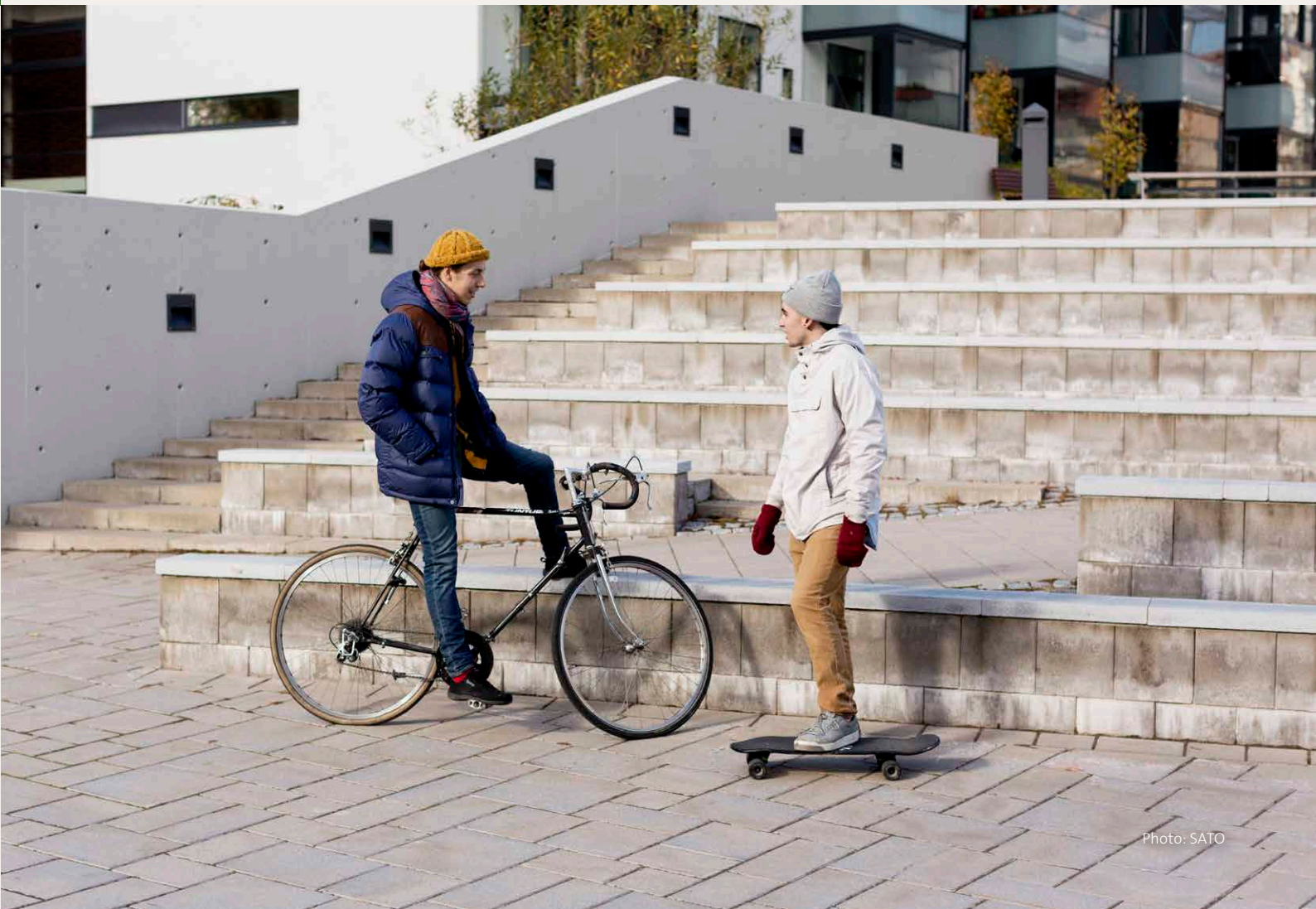
New locations and concepts

Since Bovieran's expansion to Denmark during 2017, the company has acquired two plots of land in the country and more are on the way. When it was time to start sales of the apartments in Frederikssund, the project got off to a flying start with long queues of interested parties. Bovieran has also made good progress in the work on its third type of building.

Bovieran Nova, which will be a wooden building with a flexible format.

Regardless of where the new apartments have been built, an important basic philosophy has always provided the foundation for the work: to offer a 55+ housing concept, togetherness and new friends. An important confirmation of the concept's success came in early 2018 when Bovieran came joint second in Prognoscentret's annual CSI survey of new production buyers.

Read more on www.bovieran.se



Associated companies

Balder's part-owned associated companies together own 127 investment properties. Balder's share of the carrying amount is SEK 10,356m.

Balder is a part-owner in property-managing associated companies, in associated companies that conduct project development and in the bank Collector, see Note 15, Participations in associated companies.

In late December, Balder established new cooperation with Folksam regarding commercial properties in Stockholm and Gothenburg in Sinoma Fastighets AB. Balder's participating interest amounts to 49 %.

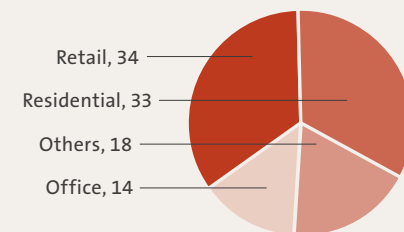
The property-managing associated companies also include Centur, Tulia, Trenum, Balder Skåne and Första Långgatan Fastigheter, Serena Properties and Rosengård while Sjaelsö Management and SHH Bostad have project development in focus.

The 50 %-owned property-managing associated companies and Balder's participating interest of 56 % in Serena Properties together own 127 investment

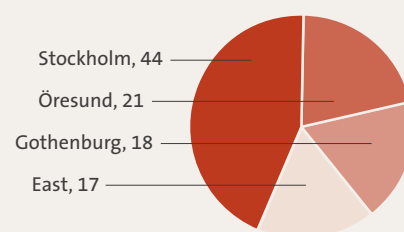
properties (118) and project properties with a total carrying amount of SEK 20,364m (15,751), a total lettable area of about 841,000 sq.m. (748,000) and a total rental value amounting to SEK 1,170m (974). Profit from property management for all associated companies, in other words, profit excluding changes in value and tax, amounted to SEK 1,468m (1,326), of which Balder's participation amounted to SEK 658m (583). The companies' profit after tax amounted to SEK 1,960m (2,084), of which Balder's participation amounted to SEK 881m (1,010).

Balder's profit was affected by changes in value of properties and derivatives of SEK 407m (675) before tax. For more information about Balder's associated companies, see Note 15, Participations in associated companies.

*Carrying amount
per property category, total property portfolio, %*



*Carrying amount
per region, total property portfolio, %*



Balder's participation in the property holdings of part-owned associated companies ¹⁾

	Number of investment properties ²⁾	Lettable area, sq.m.	Rental value, SEKm	Rental income, SEK, sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
2018-12-31								
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 property 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 property portfolio	127	432,925	599	1,363	583	97	10,356	100

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

2) Refers to the entire associated companies portfolio



Karin Wilund, Payroll administrator

Trenum AB

Trenum is 50 %-owned by AP3, the Third Swedish National Pension Fund and Balder and invests in residential properties in Sweden. The company's focus is mainly on investments in new production of rental properties in Swedish growth regions. Apart from the three major metropolitan regions, growth areas with positive population trends are also in focus.

Trenum owned 28 investment properties (24) at year-end with a lettable area of 186,000 sq.m. (166,000) and a rental value of SEK 286m (245) and 9 project properties (–). The carrying amount of the properties amounted to SEK 6,320m (4,215). The properties are located in the Stockholm and Öresund regions.

rying amount of the properties amounted to SEK 6,085m (4,978). The properties are located in the Stockholm, Gothenburg and Öresund regions.

Tulia AB

Balder owns 50 % of Tulia and the remaining part is owned by André Åkerlund AB. At year-end, Tulia owned 31 properties (27) with mainly central locations in Stockholm. The company's total lettable area at year-end amounted to 91,000 sq.m. (85,000) and the carrying amount of the properties totalled SEK 3,692m (3,152) with a rental value amounting to SEK 204m (173).

Collector AB

The company is listed on Nasdaq Stockholm Large Cap, and Balder is the principal owner with a participating interest of about 44 %. Collector is an innovative, digital niche bank offering financing solutions for private and corporate customers. The company has offices in Gothenburg, Stockholm, Helsinki and Oslo.

The balance sheet total at year-end amounted to SEK 29,818m (22,371), sales amounted to SEK 2,321m (1,933) and profit before tax totalled SEK 721m (668) and the market capitalisation was SEK 5,083m (8,343).

Balder also recognises Collector at market value in the consolidated statement of financial position, in order to clarify Collector's value in Balder, see page 60. Read more about Collector at www.collector.se

Balder's participation in the property holdings of part-owned associated companies

SEKm	2018	2017	2016
Rental income	521	386	282
Property costs	–96	–73	–50
Net operating income	425	313	232
	2018-12-31	2017-12-31	2016-12-31
Carrying amount properties, SEKm	10 356	7 999	5 991
Number of properties	127	118	81
Lettable area, sq.m. thousands	433	382	219

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

	2018-12-31	2017-12-31
Assets		
Properties	10 356	7 999
Other assets	50	41
Cash and cash equivalents	111	105
Total assets	10 517	8 145
Equity and liabilities		
Equity/shareholders' 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



Steam Hotel, Centur, Västerås

Brinova Fastigheter AB

Balder together with Backahill is the principal owner in Brinova. The company is listed on Nasdaq Stockholm Small Cap and Balder's participating interest is 25.5 %. The property holdings are geographically concentrated towards southern Sweden and the goal is to create a company with public buildings and residential properties in focus.

At year-end, the company owned 73 investment properties (62) with a value of SEK 3,759 (3,137). The properties are located in the Öresund region.

The total lettable area amounted to 218,000 sq.m (204,000) with a rental value amounting to SEK 275m (249). Read more on www.brinova.se

Serena Properties AB

Balder owns 56 % of the company, 43 % of the shares are owned by the Finnish pension insurance company Varma and 1 % by the investment company Redito AB. Serena is a Swedish property company

that focuses on property investments in the Nordic region, with properties in strong retail locations in focus. Through active management and a local presence, the company aims to develop retail locations in collaboration with customers in order to create long-term competitive and sustainable retail centres.

At year-end, the company owned 26 investment properties (24) with a value of SEK 2,905m (2,063). The properties are mainly located in Finland.

The total lettable area amounted to 204,000 sq.m (161,000) with a rental value amounting to SEK 251m (179). The company is recognised as an associated company since the owners exercise joint control. Read more on www.serenaproperties.se.

Första Långgatan Fastigheter i GBG HB

Balder together with Elof Hansson owns the company Första Långgatan Fastigheter i Gbg HB, which is the owner of the property Göteborg Masthugget 11:13. The property is located, adjacent to Masthuggstorget

and the lettable area amounts to 32,000 sq.m. of premises and apartments. The rental value amounts to SEK 60m (56).

Balder Skåne AB

The company is owned in equal shares by Balder and K-Fastigheter and it mainly owns residential properties.

At year-end, the company owned 5 investment properties (5) with a value of SEK 511m (493). The total lettable area amounted to 17,000 sq.m. (16,000) with a rental value amounting to SEK 29m (29).

Tornet Bostadsproduktion AB

Balder, Peab and Folksam aquired Riksbyggen's shares in the company during the year and each party owns one third each. Tornet is a company that concentrates on property management, project development and property investments. The project development relates to new construction of residential properties. At year-end, the company owned 20 investment properties (16)

and 6 project properties (8) with a value of SEK 3,428m (2,830). The properties are located in the Stockholm, Gothenburg and Öresund regions. The total lettable area amounted to 76,000 sq.m. (63,000) with a rental value amounting to SEK 144m (106). Read more at www.tornet.se.

Sjaelsö Management ApS

Balder owns 49 % of the company and the remaining 51 % is owned by the company's CEO Flemming Joseph Jensen and a number of key people in the company. The company is one of the largest players within project development and construction management in Denmark. Sales amounted to SEK 121m (114) and profit after tax amounted to SEK 30m (51).

SHH Bostad AB

Balder owns about 20 % and the other owners are mainly the company's management team. The company is a nationwide housing development company, which creates efficient and cost-effective

housing in places that require affordable rental and tenant owner's apartments. The operations include the entire value chain from acquisition of land, planning and design, production, sales of rental and tenant owner's apartments and long-term management of internally produced rental apartments for third parties. Sales amounted to SEK 606m (835) and profit amounted to SEK –5m (32). Read more on www.shhbostad.se.

Rosengård Fastigheter AB

The company is owned in equal shares of 25 % by Fastighets AB Balder, Heimstaden AB, MKB Fastighets AB and Victoria Park AB. The company, with 1,660 residential apartments in the Rosengård district, wants to realise the objective of a more integrated Malmö. Existing apartments will be developed and integrated with the Culture Casbah urban development project. The aim is that Rosengård should be a safe, sought-after and central part of Malmö.

At year-end, the company owned 10 investment properties (10) with a value of SEK 1,217m (1,100). The total lettable area amounted to 134,000 sq.m (134,000) with a rental value amounting to SEK 143m (143). Read more on www.rosengardfastigheter.se.

Sinoma Fastighets AB

Balder owns 49 % of the company, 50 % of the shares are owned by Folksam and 1 % by the investment company Redito AB. Late in 2018, the company acquired a property portfolio containing 38 properties with offices, warehouse and logistics properties in Stockholm and Gothenburg. The lettable area amounts to 174,000 sq.m. with a rental value amounting to SEK 152m. The properties were acquired for a property value of about SEK 1,800m.



The old Televerket

From having operated both as a barracks and telegraph station, the building today is a hub offering training facilities, healthcare and offices.

On 6 November 1793, the first sod was turned for the building that would become the home of the Royal Göta Artillery Regiment. The building was designed by Gothenburg's first city architect, Carl Wilhelm Carlberg, and was completed on 1 October 1799.

Back then, Ekelundstorget was the name of the area, which is today bordered by Kungsgatan, Kaserntorget and Kaserngränden. In 1804, 218

buildings in the area were destroyed in the largest fire in the city's history in terms of the number of houses affected, and from the ruins it was decided that Ekelundstorget would be expanded and would change name to Kaserntorget. Despite the fact that the barracks was relatively unscathed in the fire, the decision was taken to demolish the building and reuse the stone in a new construction.

Televerket moves in

However, it would take another 100 years before the telephone exchange would open. When the regiment moved its operations to Kviberg's newly constructed barracks, the property was sold to the Royal Telegraph Agency (Kungliga Telegrafverket), which based on drawings from Hans Hedlund, completed Televerket's building during the years 1909–1912. Hedlund had become famous for his

keen interest in the choice of materials and this time the choice was for the solid materials brick and natural stone. The new five-storey building was built in characteristic Art Nouveau style and was inaugurated on 13 May 1913.

Some of the baroque doors from the old barracks building were preserved and are still standing. Stone decorations by the artist Carl Eldh and the sculptor Carl Fagerberg adorn the sides of the facade and the main entrance, and the

telephony hall is considered to have one of the best preserved interiors of the Art Nouveau period. Today, the old telegraph exchange is a cultural history listed building and is protected by the Heritage Conservation Act.

The characteristic building today is mostly used by Västra Götaland's public primary care. Local care centres account for almost half of the premises' activities. The former property owner Telia still rents 3,000 sq.m., which means that the

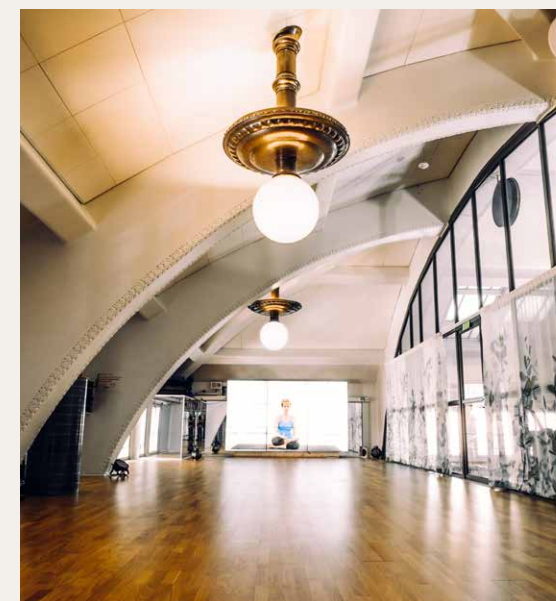
building continues to operate as a hub for Gothenburg's telecommunications.

In the evenings, there is a hum from the restaurants on the ground floor and at the very top is Fysiken – a gym owned by Gothenburg's five students unions and is one of the city's most frequented training facilities.

Balder has owned the property since 2011.

"The old telegraph building has become a landmark in Gothenburg and is a prestigious building that we are managing and developing with great pride."

– Peter Liljeros, Manager Kaserntorget



Current earning capacity

The earning capacity is based on the property portfolio’s contracted rental income, estimated property costs during a normal year as well as administrative expenses.

Balder presents its earning capacity on a 12-month basis in the table below. The earning capacity is based on the property portfolio’s contracted rental income, estimated property costs during a normal year as well as administrative expenses. The costs of the interest-bearing liabilities are based on the Group’s average interest rate level including the effect of derivative

instruments. Tax is calculated using the effective tax rate during each period.

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 property 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 this has been considered in the current earning capacity.

<i>Current earning capacity on a 12-month basis</i> SEKm	2018 31 dec	2017 31 dec	2016 31 dec	2015 31 dec	2014 31 dec	2013 31 dec
Rental income	7,000	6,240	5,800	5,045	2,730	2,260
Property costs	−1,885	−1,720	−1,695	−1,635	−800	−735
Net operating income	5,115	4,520	4,105	3,410	1,930	1,525
Management costs and administrative expenses	−595	−550	−490	−425	−165	−165
Profit from property management from associated companies	735	640	505	340	220	170
Operating profit	5,255	4,610	4,120	3,325	1,985	1,530
Net financial items	−1,125	−1,060	−1,040	−880	−585	−535
Less non-controlling interests	−565	−525	−445	−410	—	—
Profit from property management¹⁾	3,565	3,025	2,635	2,035	1,400	995
Tax	−750	−650	−570	−439	−308	−219
Profit after tax	2,815	2,375	2,065	1,596	1,092	776
Profit from property management per share, SEK	19.81	16.81	13.52	10.64	7.39	4.99

1) Attributable to the parent companys’ shareholders

In the current earning capacity, the closing day rate was used in translation of foreign subsidiaries’ profit/loss items.

Financing

Balder ensures long-term sustainable financing through a diversified financing structure. During the year, the company has also raised green financing from the European Investment Bank EIB.

Balder has assets in Sweden, Norway, Denmark, Germany and Finland, which means that the Group is exposed to currency risks. Therefore in order to reduce its risks and ensure long-term sustainable financing, the company has a well-diversified financing structure with bonds and bank financing in several different currencies. Balder values long-term relationships with its lenders and cooperates with a number of Nordic banks.

A lender’s assessment of credit risk considers factors such as the location of the properties and the diversification of the property portfolio with regards to geography and asset classes. Balder’s assets mostly consist of residential properties, which are characterised by long-term stable cash flows since the risk is spread among a large number of customers. The long-term security in the cash flow from residential properties means these assets can be pledged to a higher degree than commercial properties. Balders’ property holdings are currently composed of about 60 % residential properties and a large proportion of these are located in Copenhagen, Helsinki,

Stockholm, Gothenburg and other growth areas in Sweden and Finland. The majority of Balder’s commercial properties are located in the central parts of Stockholm, Gothenburg and Malmö.

Financing sources

The largest individual financing source is Euro bonds issued in the European bond market, followed by bank loans in various currencies, an MTN program in Swedish kronor and a commercial paper programme in Euro and Swedish kronor. Aside from these financing sources, Balder has also issued hybrid capital with a maturity of 60 years. The hybrid capital is subordinate to other financial liabilities and therefore half of it is treated as equity by credit rating agencies.

During the year, the framework of Balder’s MTN program was increased from SEK 5,000m to SEK 10,000m. In total, SEK 7,100m was outstanding at year-end. Issues for a total SEK 3,400m were carried out between January and August. No issues were carried out during the autumn. During the year, a number of green loans were raised with Swedish banks both

within the Balder Group and in associated companies. During the second quarter, Balder also signed a loan agreement for EUR 100m with the European Investment Bank (EIB) for development of two residential projects in Copenhagen according to Nearly zero-energy building (NZEB) standards.

Rating

Balder has an investment grade rating from Moody’s of Baa3 with a positive outlook and an investment grade rating from S&P of BBB with a stable outlook. Among other things, the rating reflects the fact that Balder operates in a large and stable real estate market with properties in the largest Nordic cities. Through the ratings from Moody’s and S&P, Balder can continue to access the European capital market, obtain long terms for tying-up of capital, diversify its funding base and thus secure long-term capital for continued growth. Balder’s subsidiary Sato also has a rating from Moody’s of Baa3 with a stable outlook.

Financial goals

	Target	Outcome ¹⁾
Equity/assets ratio, %	min. 40.0	37.3
Loan-to-value ratio, %	max. 50.0	49.9
Interest coverage ratio, times	min. 2.0	4.6

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

Financial key ratios

	2018 31 dec	2017 31 dec
Interest-bearing liabilities excluding 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
Loan-to-value ratio (financial covenant < 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 % treated as equity by the 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 obligations refer to obligations that Balder has to its financiers in the form of financial key ratios, so-called covenants.

Interest-bearing liabilities

Of Balder's total financing, about 56 % consists of capital market financing and the rest is bank financing and subsidised governmental loans, where the latter are held in Finland. Balder's interest-bearing liabilities amounted to SEK 67,205m on 31 December. The secured liabilities in relation to total assets amounted to 20.0 % (21.9) as of 31 December. On the same date, the loan-to-value ratio was 49.9 % (50.9). Balder's fixed credit term amounted to 5.6 years (5.5), the interest rate refixing period was 3.1 years (4.0) and the average interest rate amounted to 1.7 % (1.8) including the effect from interest rate derivatives.

Net financial items

Net financial items, excluding changes in value in interest rate derivatives, amounted to SEK –1,076m (–984), which is a result of a larger average debt. However, the average interest rate was lower during the year. At year-end, Balder's average interest rate was 1.7 % (1.8).

Liquidity

Balder utilises credit facilities to balance its liquidity needs. At year-end, Balder's disposable liquid assets amounted to SEK 1,678m (1,935), which was composed of cash and cash equivalents, unutilised credit facilities and financial investments. Apart from the available liquid assets,

Balder at year-end had credit facilities of SEK 8,470m (5,940), of which SEK 8,470m (5,940) were unutilised. Balder's cash flow is relatively evenly distributed during the year as about 63 % of rental income relates to residential rents, which are paid monthly. Remaining rents are mainly paid quarterly.

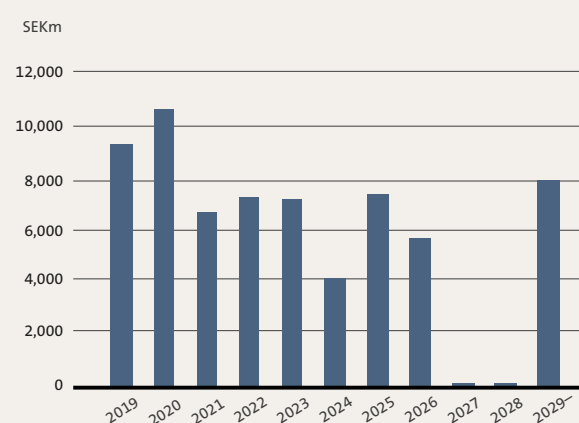
Financial policy

The financial operations at Balder are conducted in accordance with the goals that the Board establishes annually in the financial policy. The goals are set in order to limit the financial risks that Balder is exposed to, which mainly relate to interest rate, refinancing and liquidity risk. The financial goal regarding the equity/

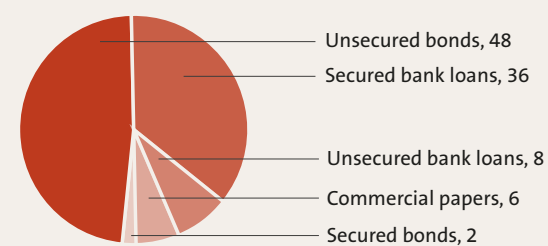
assets ratio was adjusted ahead of 2019 so that the equity/assets ratio over time shall not be less than 40 %. The previous goal was 35 %. The overriding goals of the financial policy are:

- to secure the supply of short-term and long-term capital,
- that the equity/assets ratio over time should not be less than 40 %,
- that the interest coverage ratio should not be less than 2.0 times,
- that the loan-to-value ratio should not exceed 50 %.

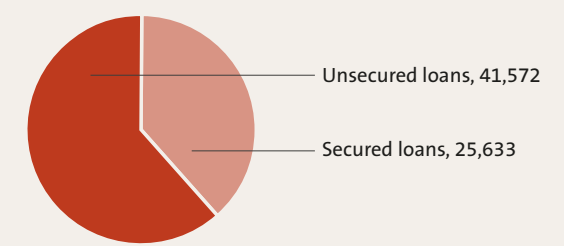
Debt maturities on 2018-12-31



Financing sources, %



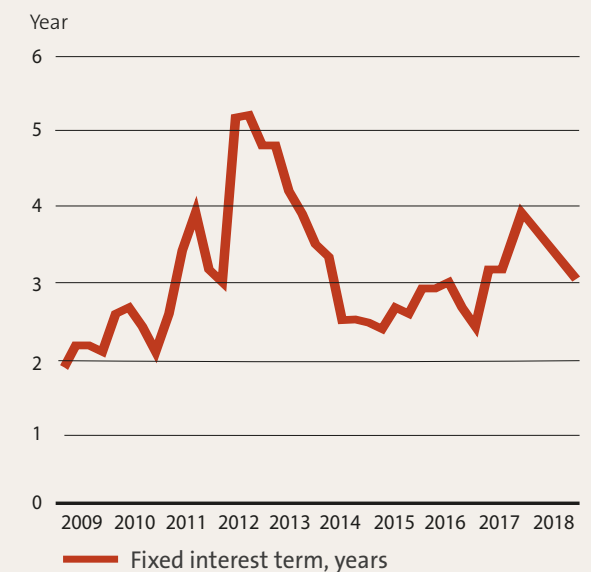
Distribution, secured and unsecured financing, SEKm



Net debt to total assets ratio



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

Property valuation

Balder's investment properties consist of about 1,200 properties, of which more than 900 are residential properties. At the end of 2018, the market value of the investment properties amounted to SEK 116,542m.

Investment properties

The market value of the properties amounted to SEK 116,542m at the end of 2018. The value of the investment properties is based on internal valuations. In the valuations, the rental trend for the property portfolio is expected to follow inflation over time. Commercial leases include indexation, which means that the rent develops at the same rate as the consumer price index, CPI, during the leasing period. Residential properties have historically developed a little better than the CPI, but in its valuations, Balder has assumed that rents develop in line with inflation. The total rental value of Balder's property portfolio amounted to SEK 7,260m on 31 December 2018.

Valuation methods

Three different valuation methods are used in the internal valuations. These are the yield method, the sales comparison method and the acquisition cost method. During property valuations in Sweden, Norway, Denmark and Germany, the yield method is used and during property valuations in Finland, all three methods are used.

The yield method

During valuation according to the yield method, the market value of the properties reflects the future cash flow that is computed at present value using a yield requirement. The more predictable the future cash flow, the easier it is to determine the market value of the properties. The cash flows of residential properties are usually very predictable as the income is divided among a large number of customers, which makes it easy to determine at what rent an apartment will be let out at in the event of a vacancy. Balder's commercial properties have an

average lease term of 7.8 years. The 10 largest leases represent 5.4 % of the total rental income, with an average lease term of 11.9 years. These circumstances mean that a large proportion of Balder's future cash flows that make up the future market value are known.

The properties where the future cash flow is least predictable are mainly concentrated in the central areas of the large cities of Stockholm, Gothenburg and Malmö. It is in those properties that Balder is most dependent on future lettings and it is also where an estimate must be made in the valuations of what rent a premises can be let out for in the event it becomes vacant. The big cities offer good transparency with comparative rental rates, which means that rental rates can be determined with great certainty. However, the timing of further letting is more difficult to determine, which means that an assumption must be made based on market demand, historical interest and similar premises. An estimate is also made of the future development of the immediate surroundings as well as the position of the property within its market segment.

Properties under construction and project properties for own management are valued at market value less estimated building expenditure and project risk, which usually corresponds to a valuation at cost.

The sales comparison method

The sales comparison method is used in Finland for the properties that consist of apartments, which can be sold as separate units without restrictions. During valuation of these properties, quoted prices in the market for comparable objects during the past 24 months are used as a basis. Using quoted prices as a starting point, an average

price is calculated, which is adjusted by a "rental building deduction" based on the property's location, profile and technical standard. The exception from the above is properties that were completed during the past two years and properties acquired within the past 12 months.

Acquisition cost method

The acquisition cost method is applied for properties under construction and properties subject to rent control in Finland. Initially, these properties are valued at cost plus transaction costs and subsequently at cost less depreciation and impairment losses. Also see Note 13.

Operating and maintenance payments

During valuation, assumptions have been made regarding future operating and maintenance payments. The assumptions are based on historic outcomes and future projections as well as estimated standardised costs. Operating and maintenance payments are adjusted upwards each year by inflation.

Yield requirement and cost of capital

Yield requirements and cost of capital used in valuations have been derived from comparable transactions in the property market. Important factors in choosing a yield requirement are location, rental rate, vacancy rate and the condition of the property. Market assessments of properties always involve a certain amount of uncertainty in the assumptions and estimates made. The uncertainty in respect of individual properties is normally considered to be in the range of +/- 5–10 %. Balder continually monitors the transactions that are completed in the market in order to substantiate and guarantee the internal valuations. Balder also conducts continual

discussions with external actors regarding acquisition and divestment of properties, which provides additional guidance.

On 31 December, Balder's average yield amounted to 4.8 % (5.0). The average yield requirement for commercial properties amounted to 5.0 % (4.8) and to 4.6 % (5.2) for residential properties.

Change in value of investment properties

In 2018, Balder acquired properties for SEK 3,861m (4,936) in total. Divestments during the year amounted to SEK 311m (3,008), which generated a profit of SEK 86m (184). According to Balder's internal valuations, the carrying amount of the investment properties at year-end amounted to SEK 116,542m (98,360), which corresponds to an unrealised change in value of SEK 7,922m (5,151).

The largest proportion of the market value is found in the Stockholm, Helsinki and Gothenburg regions, which combined represent a property value of SEK 76,852m, excluding projects.

External valuations

In order to quality-assure its internal valuations, the company allows parts of the portfolio to be externally valued regularly and obtains second opinions on the internal valuations. Historically, deviations between Balder's internal and external valuations have been insignificant. During the year, external valuations or second opinions were obtained for approx. 43 % (43) of the properties, equivalent to approx. SEK 50 billion. The difference between the external valuations and the internal valuations was less than 1 %.

The external valuations were carried out during the year by Newsec and JLL. Second opinions were obtained during the year from JLL.

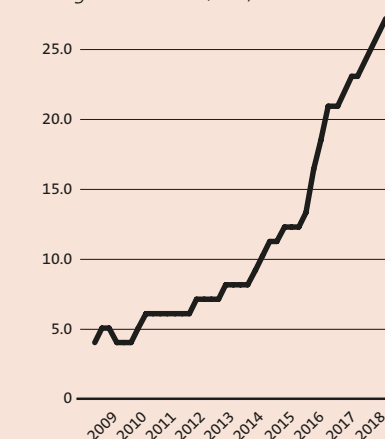
Development properties

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 a profit/loss is recognised when each property is completed, sold and handed over to the buyer.

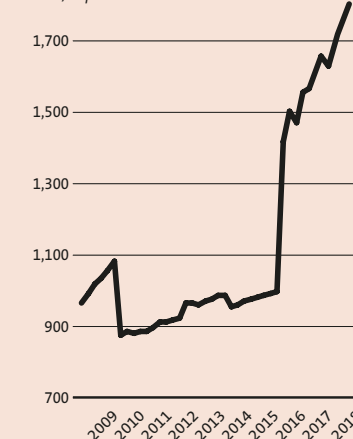
Region	Residential	Commercial properties	
	requirement for estimation of residual value, %	Yield requirement for estimation of residual value, %	The mean value of yield requirements for estimation of residual value, %
Helsinki ¹⁾	4.00–7.00	–	–
Stockholm	2.50–6.00	2.50–7.00	4.3
Gothenburg	2.25–6.00	3.50–7.75	4.9
Öresund	2.75–4.75	4.00–7.25	4.4
East ¹⁾	3.25–8.00	4.00–10.50	–
North	3.50–5.00	5.50–7.00	4.3

1) Refers to properties valued using the yield method.

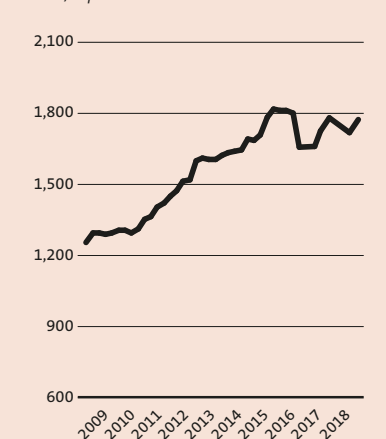
Net operating income



Rental value, residential



Rental value, commercial



Sustainability at Balder

As a long-term property owner, Balder aims to take economic, social and environmental responsibility. A number of material topics were identified in each area.

Balder shall be a long-term owner that bases its operations on stable cash flows and satisfied customers and employees. In order to achieve this, high demands are imposed internally, but also on partners. Balder's operations should radiate honesty and trustworthiness.

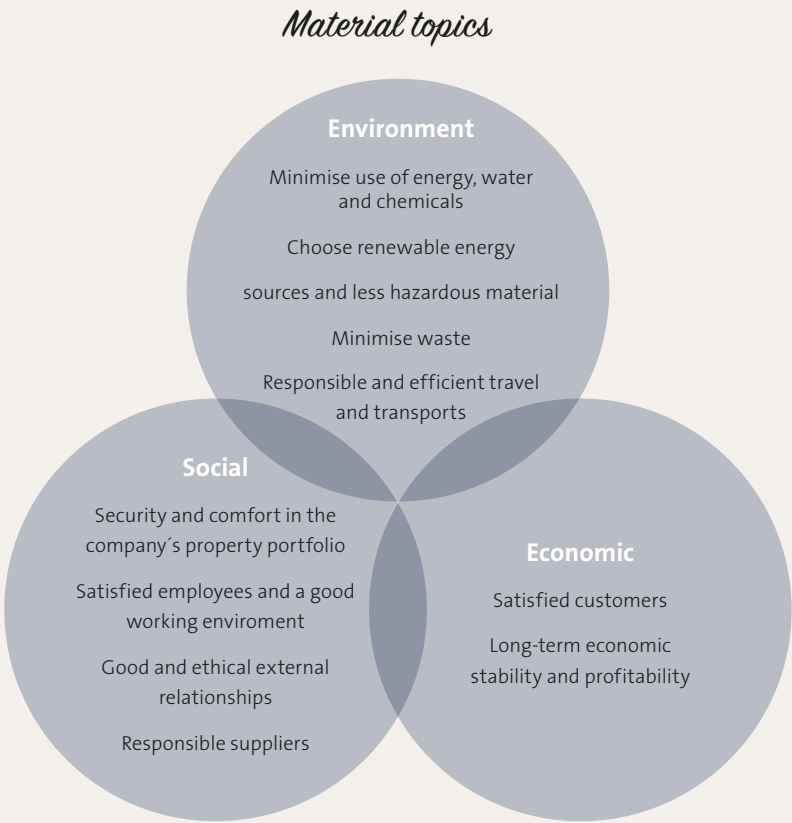
The sustainability work is based on the company's business concept and key values. Balder has also conducted stakeholder dialogues and a materiality analysis in order to identify what issues are most important in the sustainability field and where the company can contribute most. By working with these topics, Balder can create value, not just for the company itself, but also for customers, employees, owners, suppliers and society generally.

Read more about stakeholder dialogues and the materiality analysis on page 51.

Business model and value creation
Balder's business concept is to acquire, develop and manage commercial properties located in the central parts of big cities and residential properties in places that are growing and developing positively, based on local support.

The company's operations mainly consist of management, new development and transactions, as well as central functions that support these areas. The business concept steers approved policies and the company's overall goals, while taking account of the material sustainability topics, which were identified. All business operations are based on the company's key values Passion, New thinking, Simplicity, Proximity.

Balder aims to listen to customers and tenants and to satisfy them as far as possible. Increased comfort and security are some of the social topics that the company



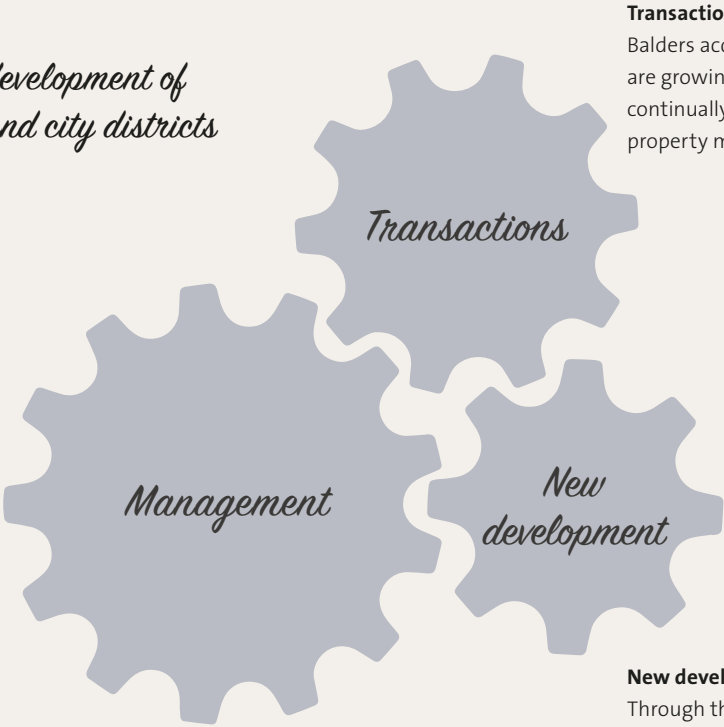
works with. During investments in existing or new properties, resource efficiency and social topics are considered, in order to contribute to the development of city districts and areas. Through continually streamlining and improving working methods, negative environmental impacts can be minimised, for example through reduced energy and water use or lower quantities of waste.

Another important basic factor is that the operations are run ethically. This is ensured through internal steering documents such as the Code of Conduct as well as other policies and routines. For example, as a property company, processes within

letting, recruitment and choice of suppliers are particularly important. Policies and routines are intended to guide and ensure respectful and businesslike relations while minimising risks, for example, of discrimination and corruption. The steering documents along with the company's key values are intended to create good relationships and a good corporate culture, which in turn generates long-term value for the company and its owners and also for customers, employees and society.

For information about policies and governance of the sustainability work, see pages 51–54.

Long-term development of properties and city districts



Property Management
Balder places a strong focus on management close to customers with local engagement and own personnel. The operations are pervaded by short decision-making paths and an open atmosphere.

Transactions
Balders acquires properties in places that are growing and developing positively. By continually following the development of the property market, opportunities are utilised.

New development
Through the project organisation, the existing portfolio is developed and new production of residential projects is conducted in the metropolitan areas Stockholm, Gothenburg and Copenhagen.

Balder's key values

Passion

The work should be performed with consideration and respect for both customers and colleagues.

Simplicity

The direct approach is usually the best. Employees help each other to develop by spreading ideas within the organisation.

New thinking

We are not afraid to think outside the box and the company supports the ideas of employees through a strong entrepreneurial spirit.

Proximity

We have short decision-making paths. We are present and act on the basis of the best possible local knowledge. Proximity creates confidence.

Economic sustainability

Balder shall be a long-term owner that bases its operations on stable cash flows and satisfied customers. The company generates growth by acquiring, managing and developing properties.

Balder aims to generate a good profit from property management through a high level of activity and efficient management. For long-term economic sustainability, it is crucial that customers are satisfied and remain in the company's properties.

Long-term economic stability

The portfolio is developed in connection with acquisitions, divestments and new production. Balder ensures long-term sustainable financing through a diversified financing structure. Thanks to a strong cash flow, flexibility is achieved, for example in terms of the form of tenure and the timing of constructions starts.

Good financing is based on stable income statements and balance sheets. Balder also has a goal that the loan-to-value ratio over time should not exceed 50 %. The sustainability perspective in financing activities will be further strengthened going forward. To date, this has occurred by the company raising so-called green loans as part of the financing for new projects. Green loans are entered into with a green asset as security, which in the property sector usually consists of buildings constructed with a low environmental impact and that are certified. Balder plans to continue to increase the proportion of green financing going forward.

Satisfied customers

Customer satisfaction is one of Balder's most important goals and this work is prioritised in the organisation. The objective is for commercial customers to be able to develop in the company's premises and that their different needs in terms of the size of premises and geographical location are met. For residential

customers, the goal is that they should be happy in their homes and stay a long time with Balder.

Thanks to a hands-on management approach, its own customer service and central functions, the company has a good insight into properties and areas and can offer tenants prompt and knowledgeable service.

The tenants are continually involved through surveys, discussions and meetings about ideas and suggestions for the development of services, premises and housing, the property or occasionally about the entire local area. Based on this, measures to promote increased customer satisfaction in the best way are ranked and prioritised.

For commercial tenants, local needs and the general design of the property naturally differ due to the different operations conducted. For some tenants, locks and alarms and restricted access are very important factors while for others, it is about accessibility and openness in order to meet their customers. Generally speaking, prioritised issues for the company's commercial tenants are access to sorting at source, good contact with the management operations, information, cleaning in and around the property as well as prompt and flexible help when required.

During the autumn of 2018, Balder carried out a major customer survey for the fifth time via AktivBo. This survey is conducted regularly at 18 month to 2 year intervals and covers half of all residential tenants and all commercial tenants. Since the start of the surveys Balder's result has continuously improved for both residential and commercial tenants.

Employees from all functions in Balder took part in distributing almost 8,500 surveys and at the same time had the opportunity to meet tenants. In the reporting of the company's CSI results, all of Balder's employees are present, regardless of function, in order to clarify, be reminded, and be aware of tenants' compliments, criticisms and requests.

For the commercial tenants, the result for the service index improved in this year's CSI survey. Among other things, a better result was noted for cleaning and refuse collection in the properties. The customers also perceive that they have very good possibilities to obtain help from Balder's personnel when they need it.

The rating for Balder's environmental work also improved, and tenants feel that there are good possibilities to act in environmentally friendly way.

For residential customers, the result also improved in this year's CSI. An improved result was noted regarding the possibility of reporting defects, as well as contact, accessibility and treatment from Balder's personnel, among other things.

Strict requirements relating to homes

For the first time, the year's survey also included a large number of renovated apartments. The result showed that regardless of the area, tenants are very satisfied with their apartments, both in terms of materials and design.

Tenants in newly renovated apartments usually have higher demands in relation to services, their homes and the common areas of the property. Generally, tenants are satisfied with the property's common areas but with the

newly renovated apartment, there are new much stricter demands. There are also equivalent demands from tenants within new production.

It is important that the high standards of the apartment are also reflected in the other areas of the property and for this reason Balder works intensively to improve these areas, for the benefit of all

tenants and their visitors. Among other things, Balder is modernising the common areas and other areas of the property, such as in the entrance, basement, laundry room and outdoor environment.

All materials are chosen based on the perspective that Balder will take responsibility for what is used in the construction and what is left for future gene-

rations. The company's work is carried out sustainably and with the greatest consideration for the environment. Focus lies on accessibility, security, functionality and on creating meeting places.



Social sustainability

Balder engages in society-related issues both locally and regionally and strives to ensure that people feel comfortable in and around their homes, offices and premises.

Social engagement is a natural part of Balder's work and a way to help promote sustainable social development. In order to succeed with this, great commitment is required from the employees but the company must also collaborate with other players.

Satisfied employees and good working environment

Balder's employees continually help to develop the company. For this to happen, good working conditions that promote diversity, new thinking and collaboration must be ensured while supporting the company's values.

The property management organisation is divided into six regions with local offices in all areas. The local offices are responsible for management, letting, operation and environmental issues. Balder's personnel that work with new production of properties are based in Gothenburg, Helsinki, Copenhagen and Stockholm. During the year, Balder recruited additional new employees in order to meet the increased need due to the company's growing project portfolio.

In order to support the organisation, there are head office functions such as Accounts, HR, Finance, Marketing and IT. The Group also has management and support functions in Denmark.

Skills development

Balder is dependent on employees with the right competencies in order to continue driving the development of the business. Training and development are key factors for retaining staff and promoting internal commitment. Balder works continually with internal training and information to employees. All employees have a performance review with their line manager every year. The company offers the opportunity for skills development within Balder Academy, which is the company's digital training tool.

Among other things, Balder Academy offers introduction courses for new employees, in order to give them an insight into how Balder works, what values the company has and what different functions the company works with. After start of employment, Balder Academy provides employees with a customised training package depending on what role in the company the person will have. The training modules are available as a knowledge bank where employees can access the content whenever they want. Balder Academy is also responsible for skills development e.g. when new roles and functions arise in the company.

Balder also has internal training for the head office functions, which involves practical training in the property manage-

ment operations. The aim is to increase employees' understanding of each other's roles and the work performed in the property management operations, which is Balder's core business. During the year, 70 employees participated in this training. By being involved and seeing each other's working day, employees can learn from each other, increase understanding and hopefully create an even better working environment.

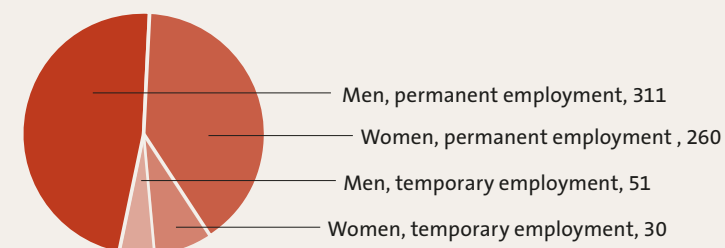
Good working environment

Balder strives to create a good working environment based on equality and diversity, where employee integrity is safeguarded. All forms of harassment are prohibited, as well as victimisation. The company rejects all forms of compulsory labour and safeguards employees' freedom of expression and right of association. During the year, there were no reported cases of discrimination. In Balder, 333 employees have collective bargaining agreements.

Attractive employer

In order for Balder to achieve its overall goal to be an attractive employer the company must be able to recruit and retain employees with the right competencies. It is also crucial that these employees are happy and feel a commitment to Balder, and perceive that they have the chance to develop in the company. Balder works continually on creating the right conditions to achieve this.

Employees per form of employment



Employees	2018-12-31	2017-12-31
Number of employees	652	610
– of whom, women	290	277
– of whom, men	362	333



Anton Kvarnström Property caretaker (left)
Martin Ernstson, Regional manager (right)

Fastighetsakademin

Through its involvement in Fastighetsakademin, a vocational training college in Gothenburg, Balder has a great opportunity to support students who show an interest in learning more about different professions in the property sector. Balder contributes with knowledge about its operations in order to give the training a clearer connection to working life. The company also offers a number of trainee posts in various occupational roles.

Balder Take off

Balder Take off is a new work experience project that started during 2018. The project means that the trainee (the pilot) supported by an instructor (air-traffic controller) from Balder works with a case (flight path) which shall generate new innovative development opportunities for the company. The aim is that Balder can identify the best talent in the sector at an early stage, while the company contributes to development of the sector

and provides leadership training for the instructors who gain their first management experience.

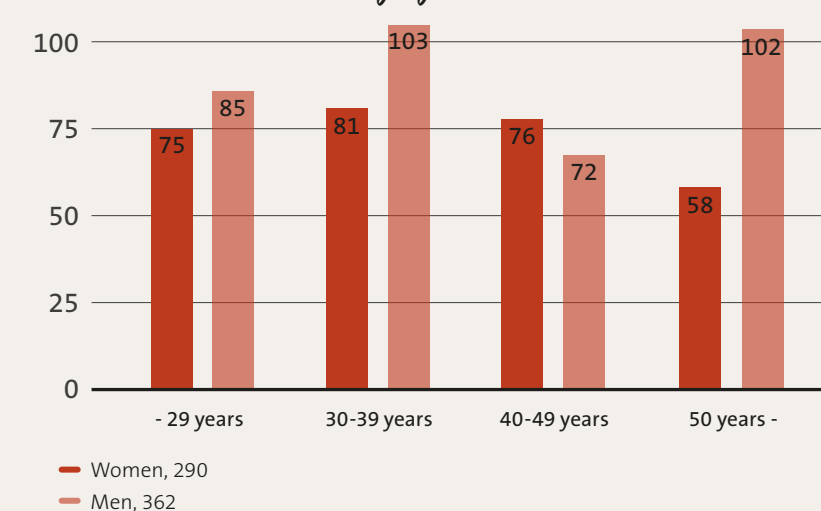
Suggestions for improvement

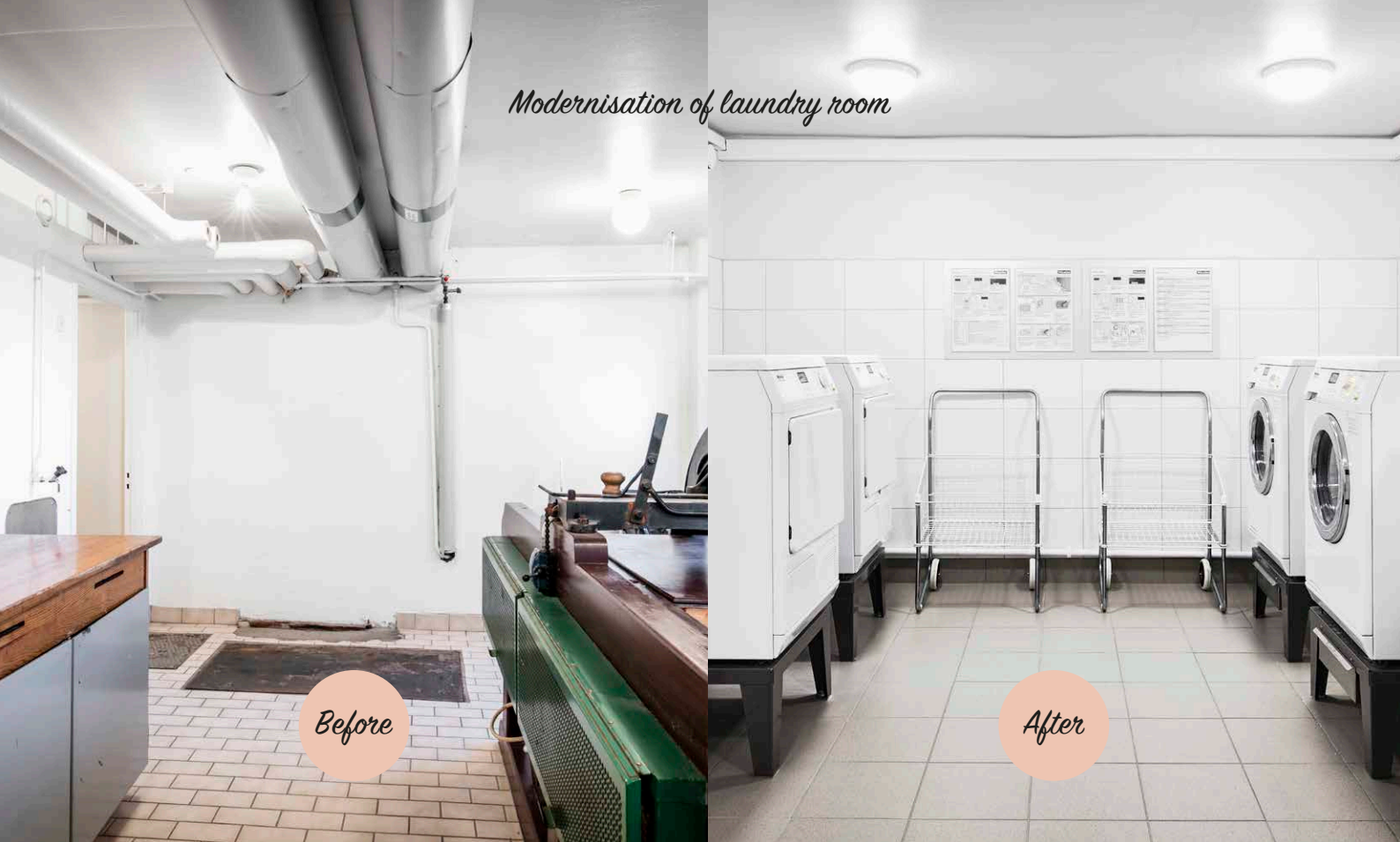
With the aim of making continual improvements, Balder has started a forum where colleagues can make suggestions for improvement on an ongoing basis, which can benefit the operations in different ways. Incoming suggestions are delegated to the person with the relevant responsibility for review, action and feedback.

Digitalisation and internal communication

During 2018, a number of digital systems were purchased to modernise the technical platforms and offer good systems adapted for customers and personnel. The systems will be launched in 2019 and will help to further streamline processes and increase quality. Improved communication possibilities create even greater potential for cooperation and exchange of knowledge among employees in different locations.

Gender distribution per age group, number





Balder's Board and Management team
Balder's Board of Directors is composed of five members, including the CEO. The Board meets regularly and takes decisions according to an established formal work plan regarding the most important issues affecting the company. For information about the company's diversity policy for the composition of the Board, see the Corporate Governance Report.

The CEO has a Management team, which consists of five persons, in addition to the CEO. The CEO has delegated responsibility in respect of the areas finance, accounts, acquisitions/divestments and HR. The Management team meets once each month.

Good and ethical external relationships

Balder's Code of Conduct was adopted by the Company's Board and provides guidance for all employees and shall be used as a tool in the day-to-day operations both internally and externally. The Code of Conduct is based on the company's key values and on international guidelines such as the UN Global Compact's ten principles for human rights, labour, the environment and anti-corruption, the OECD's Guidelines for Multinational Enterprises, the ILO's Core Conventions and the UN Guiding Principles on Business

and Human Rights. Each employee is responsible for following the Code of Conduct. The company and personnel managers are responsible for ensuring that all employees understand, can get advice and act according to the Code of Conduct.

Balder does not tolerate any forms of corruption, extortion and bribery. The company's operations shall be conducted in an open and honest way, which does not in any way impede competitiveness or benefit any particular party. This applies internally and externally in relation to partners, customers and other stakeholders. Situations where personal interests conflict with the company's interests shall be avoided, and all employees are expected to be careful with the company's resources and handle information with the best interests of the company in mind.

All forms of harassment, abuse and crimes are prohibited and shall be reported to the line manager or handled according to established routines. Balder has also introduced a whistleblower function, where the possibility exists to make anonymous reports of violations. This is handled by the company's security company. During the year, no cases of corruption were reported, nor were any

cases of breaches of laws or regulations.

All letting of apartments shall be handled according to the company's selection policy, which has been drawn up to obtain an impartial assessment when choosing tenants. No party shall be disadvantaged in the selection process due to gender, sexual orientation, ethnicity, religion or other beliefs, disability, transgender identity/expression or age.

Compliance and awareness of the Code of Conduct and other policies are followed up on a yearly basis and are worked into the company's internal training systems. The content in these documents is also reviewed annually, in order to ensure alignment with the company's operations and key issues. For more information about policies, see pages 51–54.

Responsible suppliers

Balder works with suppliers within both the product and services sectors. The suppliers are broadly found in the construction, property, energy and media sectors. Both major contractor firms and smaller suppliers of services and skills make up the supplier base.

All larger procurements are subject to competition and central procurements are conducted in order to increase the

control of suppliers and the whole purchasing chain. By creating central agreements, economies of scale can be achieved and the product range can be standardised. Environmental impacts can also be reduced, for example through shared transports. When selecting suppliers and during follow-up of delivered quality, internal criteria are used to ensure compliance with laws and regulatory requirements and also with the company's approved policies and guidelines.

The total cost of a purchase is always in focus. Factors considered here include quality, service, logistics, environment and price. The decision regarding which supplier, product or service to use is based on an overall appraisal of the components involved. During the contractual period, continual follow-ups of the supplier's ability to fulfil the agreements are made.

During the year, the trend towards higher cost effectiveness continued. New agreements with better terms were concluded with suppliers. The strategic direction of coordinated solutions and measures is now starting to have a clear impression on the financial performance and is contributing to lower environmental impacts.

One example is renovation of apartments, where a great emphasis has been placed on environmentally friendly material, energy-conserving functionality and on minimising transports of material to building sites. All of the suppliers involved are Swedish, Finnish or Danish companies, which to some extent import material from other countries.

During the past year, more suppliers have been connected to the central purchasing system. This means better opportunities for more efficient invoice management, categorisation, control of purchasing volumes and an improved basis for reducing the number of suppliers.

Security and comfort in the property portfolio

For Balder, it is important to contribute to developing entire areas and districts where the company owns properties and to thereby create security and comfort for tenants.

In order to increase security in the company's areas, Balder together with different local players such as municipalities, schools, the police, local associations and the local business community participates in a number of different projects. The aim is to work actively with integration, secu-

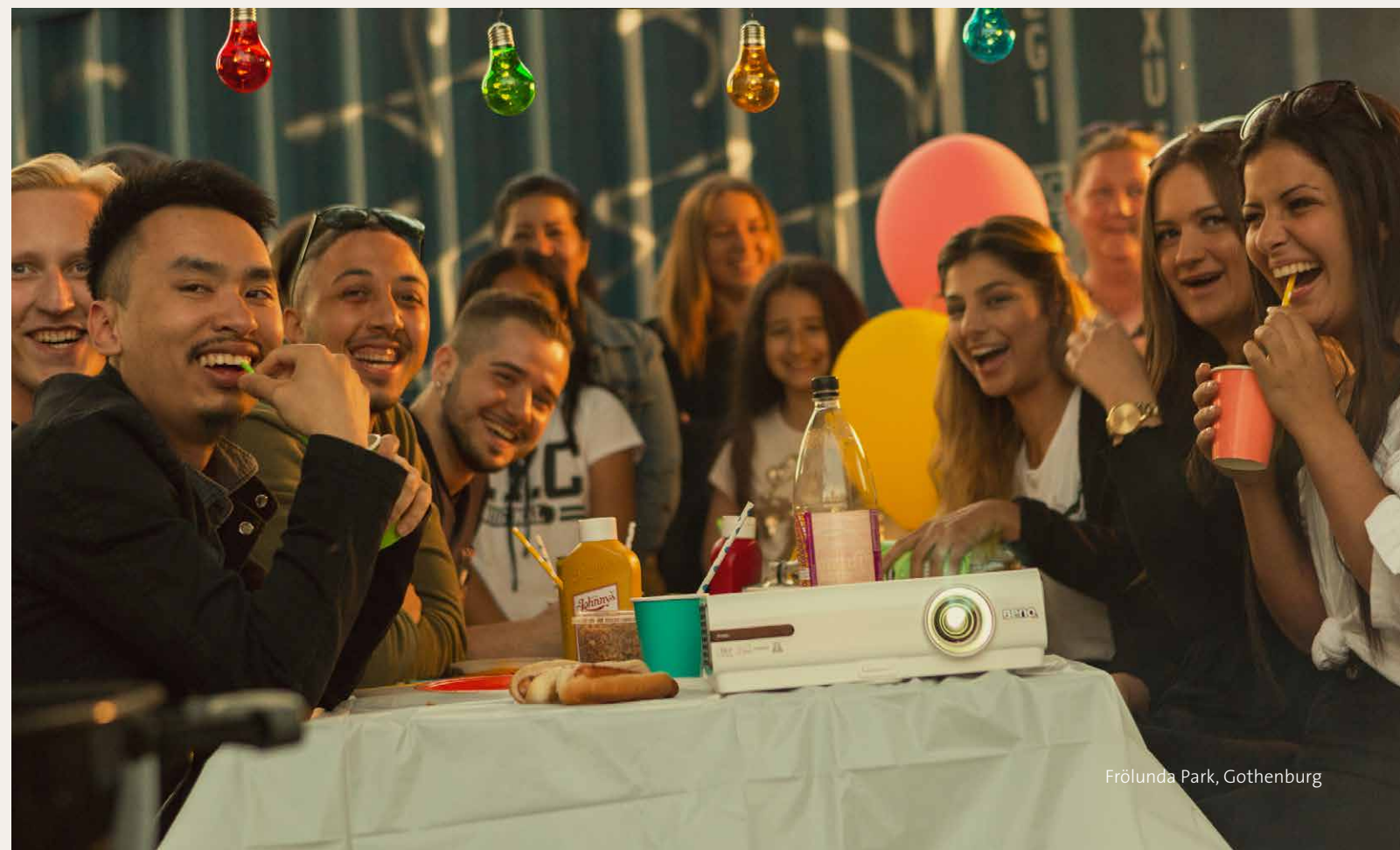
rity and comfort in the districts and areas where Balder owns properties.

For example, various types of projects are conducted involving neighbourhood watch and security officers, but also activities of a more social character, such as collective bbq evenings and cultivation projects.

Every year, Balder also employs a large number of young people as summer workers in the company's areas.

In ten locations, Balder has initiated a major investment in the outdoor environment. The goal, together with the tenants, is to implement measures that promote security, comfort, solidarity and sustainability. The ambition is to create places that encourage people to socialise with neighbours, take part in a spontaneous game, play with children, invite people for a bbq evening or just sit and enjoy the greenery.

The so-called service index, which is measured in the CSI increased again during the year compared to earlier measurements. Among other things, a better result was noted in respect of security in the home, common areas and in the areas around the property. The tenants in the residential portfolio also perceived improved safety against break-ins.





Residential area, Mariestad

Sponsorship and cooperation

Balder has chosen to focus on organisations which are active in areas that support young people, education and integration. The company attaches great importance to security and comfort in its own property areas and therefore when appropriate, Balder sponsors youth activities and security-enhancing activities.

Having your own home is a requirement for living a secure and independent life. Balder collaborates with players that work actively with integration and treatment programmes directed towards children

and young adults, for example Rebo.

Balder is also a partner of the Swedish Crown Princess Couple's Foundation. The Foundation highlights, finances and initiates projects that promote good health and strengthen solidarity among children and young people in Sweden. Balder and the other partners are helping to create a strong capital base so that the Foundation can distribute grants to more projects, increase support to organisations and initiate projects in important areas.

Environmental sustainability

Balder strives to be a long-term and sustainable property owner and takes responsibility in every process, as far as possible, to reduce its environmental impacts.

Through systematic and preventive work, which is integrated into the operations, Balder strives to continually improve the company's environmental performance. This is done, among other ways, by reducing energy use, improving waste management and applying the precautionary approach when choosing material or in chemical management. It is just as important to work to ensure that people feel happy in the company's properties by offering a good indoor environment.

Balder is subject to environmental legislation in many areas and works actively to meet the requirements in both new production and in the day-to-day management. Some of the company's focus areas are energy, waste management, indoor climate and potential environmental risks such as radon, PCB, and asbestos.

Balder does not conduct any operations that require permits according to the Environmental Code. On the other hand, a reporting duty exists in respect of refrigerants. However, Balder's tenants may conduct businesses that require permits or that have a reporting duty. During the year, there were no registered breaches of environmental legislation and regulations.

Major efforts have commenced in order to optimise the operations in Balder's holdings. A new working method has been developed with a focus on making inventories, optimisation and follow-up to increase awareness. A new operating portal for property monitoring is under development involving operating images of the indoor climate, water temperatures,

substations, fans and energy monitoring. The new working method will save both time and costs as reaction times will be cut, while the operating portal will give the management operations better opportunities to work preemptively with these issues. In connection with larger conversions, measures to improve energy efficiency, such as replacing windows, insulation and new installations are considered.

Balder also works with building certifications. In new productions for the company's own management, the goal is that the properties should fulfill the requirements of Miljöbyggnad Silver rating.

Energy use

Balder's largest environmental impact relates to the properties' energy use. This is our most prioritised issue from an environmental standpoint but also from an economic perspective. In recent years, Balder has worked to reduce the energy use in its properties.

In several areas, special software was installed in the properties in order to further optimise energy consumption. The project has delivered very good results so far and will be implemented in more properties going forward.

Further measures that were taken, for example included replacing windows, additional insulation of façades, adjustment or replacement of ventilation equipment and replacement of light fittings.

A few of Balder's properties use fossil fuels as a main fuel, when regular energy sources are not sufficient. The goal is to

produce action plans to replace the fossil fuels, which are used for heating, with more environmentally friendly alternatives.

Water consumption

Access to freshwater has not been a major issue in Sweden previously but after the dry summers in recent years and reduced groundwater reserves, the issue has come increasingly into focus. Balder uses the municipal water system and works on following up and reducing water consumption. Among other things, constant flow valves are mounted on mixers and shower nozzles, and proactive work to map the risk of leaks is carried out.

Waste

Balder's goal is to reduce the quantity of waste that goes to landfill and to maximise recycling, among other ways by providing effective waste management in the properties. The company works continually to identify improvement measures, which can be implemented to increase the possibilities for customers to sort waste.

Balder also works on encouraging and facilitating the sorting of waste by ensuring that the waste disposal rooms are clean, bright and secure and that the containers are well marked and that the information is clear.

As several of Balder's refuse collection companies are currently unable to report follow-up in kg, the initial goal is to reduce waste costs, which will also deliver a reduction in the total waste volume.

The work on producing more detailed follow-up statistics will continue going forward.

Transports and material

Aside from energy, transports have a large environmental impact for Balder. The company is now in an increased new production phase, which means greater environmental consequences in terms of energy and material use. As a result of this, environmental impacts from transports and materials in connection with construction have become increasingly important. The company at present does

not have the possibility to follow up transports performed by contractors in connection with new construction, but strives to establish such follow-up going forward.

As most of the company's properties are located in metropolitan areas, and also in areas which are growing and under densification, there are often good possibilities to reduce transports to and from the properties in the form of, for example public transport and cycle paths. Balder also works actively with municipalities and other players in order to develop mobility solutions that reduce transport

emissions. For instance, the company offers electric cars and cycle pools in several properties, as well as a free monthly travel card for public transport for new tenants.

Balder's travel policy aims to simplify booking and choice of more environmentally friendly means of transport. Alternatives to business trips, such as video conferencing and telephone meetings are also encouraged in order to contribute to reduced emissions. The work on following up and reducing emissions from both internal and external transports will continue going forward.

Consumption and production

	2018	2017
Consumption* total degree-day based, kWh	230,201,086	239,889,446
Consumption* kWh per sq.m. degree-day based	152,50	163,53
Water consumption total, m³	1,879,818	1,938,207
Water consumption total m³ per sq.m.	1,25	1,32
Production of renewable electricity, MWh	15,816	17,943

* Refers to consumption of electricity, heating and district cooling.

Balder has two windfarms since 2009, one north of Falkenberg and one in Öland. The ten wind turbines have a yearly contribution of renewable energy equivalent to household electricity for about 7,800 apartments.

Governance and material topics

In order to define what issues should be in focus in Balder's sustainability work, dialogues were conducted with stakeholders and a materiality analysis was performed.

Stakeholder dialogue and materiality analysis

In internal workshops, Balder identified the stakeholder groups which are most important for the company's operations, and conducted dialogues with these groups.

Stakeholder groups were initially identified and prioritised based on their influence on the company. The stakeholder dialogue was conducted after that by sending out a questionnaire to a number of selected organisations for each stakeholder group, primarily commercial customers, the Swedish Union of Tenants,

investors and suppliers. In certain cases, the questionnaire was replaced or followed up with personal meetings where the issues were discussed and developed.

The stakeholder group residential customers was involved in Balder's CSI survey. As regards the stakeholder group employees, comprehensive work was performed on developing a new template for employee performance reviews, which was rolled out during 2018.

The reaction from respondents to the stakeholder dialogue was very positive and the plan is to conduct the stakeholder dialogue annually as a natural part of the

sustainability reporting and the company's development work.

The most important topics for each stakeholder group differ, and therefore in the workshops conducted, these different issues were discussed and weighed up, in order to contribute to the materiality analysis that forms the basis for Balder's sustainability work and this report.

The key topics identified in the materiality analysis can be found in the table on the next page, together with the policies, goals and KPIs that are linked to Balder's social, economic and environmental sustainability work.



Area	Material topics	Policies	Goals	KPIs	GRI-indicator
Economic	Satisfied customers	Code of Conduct	Financial goals, see page 35	CSI	201-1
	Long-term economic stability and profitability	Sustainability policy	Improvement of CSI performance	Economic performance	
Social	Security and comfort in the company's property portfolio	Equality and diversity policy	Improvement of CSI performance	CSI	205-2
	Satisfied employees and a good working environment	Working environment policy	No reported incidents of anti-corruption	Number of reported incidents of anti-corruption	205-3
				Number of reported incidents of discrimination	404-3
	Good ethical external relationships	Code of Conduct	No reported incidents of discrimination		405-1
	Responsible suppliers	Sustainability policy			406-1
					419-1
Environment	Minimise use of energy, water and chemicals	Environmental policy	Reduce energy use and choose sustainable energy sources	Energy use	302-1
	Choose renewable energy sources and less hazardous material	Sustainability policy	Strive for environmentally friendly transports	Water use	303-1
					CRE1
	Minimise waste		Reduce substances that are hazardous to the environment and use resource-efficient material		CRE2
	Responsible and efficient travel and transports		Reduce the volume of waste and increase the sorting rate.		307-1

Responsibility and boundaries

Balder's responsibility primarily covers its own operations, but the company tries as far as possible to contribute to a positive development in a wider perspective, among other ways by imposing requirements on suppliers and developing sustainable urban districts and areas.

The material topics are important for Balder based on the following perspectives:

Economic

In order to continue operating and growing, the company depends on long-term economic stability and profitability. This is achieved through solid management of the company's resources, but also depends on satisfied customers that want to continue renting homes and premises from Balder.

Social

For Balder, it is very important to take responsibility for more than just the buildings the company owns, since this creates significant value. This is achieved by promoting security and comfort in the areas where the properties are located.

It is also accomplished by maintaining good and ethical external relationships, and also through cooperation with other players in order to develop districts and areas together. In the same way, the relationship with suppliers is very important, and Balder has zero tolerance against corruption and bribery.

Environment

Buildings have a large environmental

impact in society and therefore this is a key issue for Balder. By minimising use of energy, water and chemicals, Balder aims to reduce the company's environmental impact. For the same reason, the company aims as far as possible to choose renewable energy sources and less hazardous materials. In order to contribute to the circular economy, the company also aims to minimise the volume of waste, and to increase recycling whenever possible. Both in property management and new construction, the company depends on transports, and continual work is in progress to optimise these as much as possible to also reduce environmental impacts.



Lease administrators at Balder

Governance of the sustainability work

Sustainability is integrated in Balder's day-to-day operations. Together with the existing environmental policy, the key topics provided guidance for the company's adopted sustainability policy. These policies interact with the company's business concept, strategies, goals and other policies for running the company in a long-term sustainable way.

The Board is ultimately responsible for the company's Code of Conduct and sustainability policy, and decides on these issues. The company's Management team is responsible for implementing policies and ensuring that they are followed. The CEO and Management team also have ultimate responsibility for the economic performance, and for ensuring that the company's business is conducted in an ethically correct manner. Managers from the property management organisation and new production are responsible for

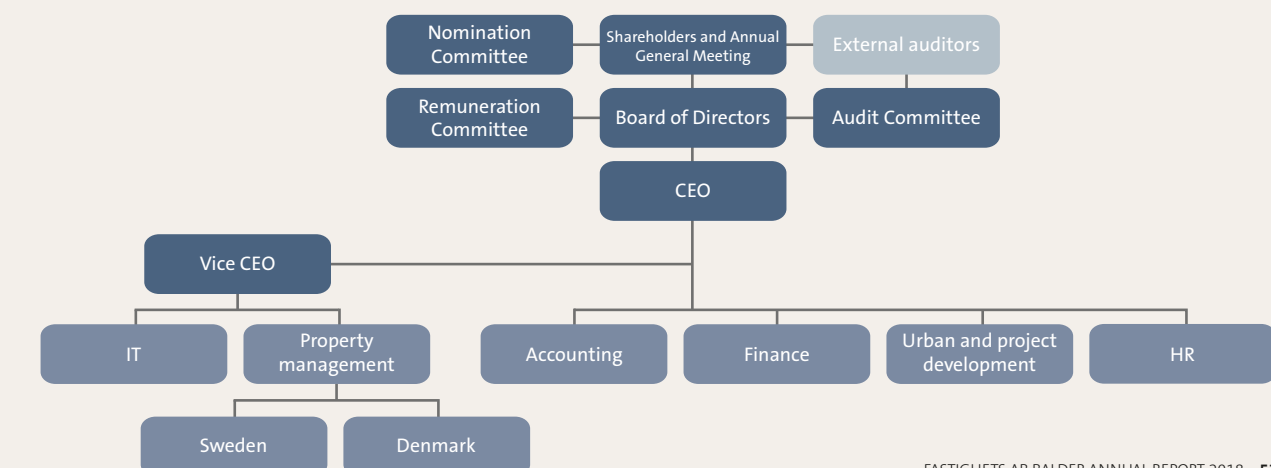
ensuring that the material environmental topics are taken into account in the day-to-day operations, as well as topics relating to social sustainability in the company's areas. All managers with staff responsibility together with HR, are responsible for maintaining a good working environment with satisfied employees.

The company has a sustainability manager who coordinates the internal work, as well as the external communications and reporting. The work with the sustainability report has been continually reviewed with the company's Management team and Board.

The Code of Conduct and related policies are based on international guidelines such as the UN's Global Compact's principles for human rights, labour, the environment and anti-corruption, the UN Guiding Principles on Business and Human Rights, the ILO's Core Conventions and the OECD's Guidelines for Multinational Enterprises.

Management and development of properties, just like all business activity, is associated with risks and these must be handled responsibly and in a controlled manner. Balder works continually on identifying and reducing the risks that can impact the operations. Handled in the right way, risks can generate opportunities and be value-creating. For more information about risks and opportunities, see pages 65–68.

For Balder's wholly-owned subsidiaries, the same environmental policy and environmental goals apply as for Fastighets AB Balder. For Sato Oyj, see the company's website, www.sato.fi. For the environmental policies and environmental goals of other subsidiaries, see each company's website. For more information about Balder's subsidiaries, See Note 27.



GRI index

About the report

Balder has prepared a sustainability report in accordance with Chapter 6 of the Annual Accounts Act. The sustainability report is included in this document, which also contains the company's statutory Annual Report for 2018.

The sustainability report consists of pages 40–54 and 68. Where specific areas are found in the statutory sustainability report, they are shown in the table below. The auditor's statement on the statutory sustainability report is found on page 57.

Balder's Sustainability Report follows the financial year and is published annually. The previous report was published in April 2018. No significant changes occurred in the operations during the reporting period. This is Balder's second sustainability report and it is prepared in accordance with GRI Standards, Core option. The report has not been reviewed by third party.

Boundaries and calculation methods

The figures that are reported relate to the parent company and wholly-owned

subsidiaries and properties in Sweden that were owned by Fastighets AB Balder during the entire financial year 2018. Properties that are owned by part-owned associated companies are not included.

Balder's environmental data is based on measurements from the main meters for each type of media in the properties. These measurements show the actual energy that is purchased for the properties. In those cases where the tenant themselves pays for all technical installations and purchasing in the properties, this is not included in the total.

Consumption of media is compiled through gathering data from Balder's central energy management system. This data is verified through manual reading of meters once a month.

Compared to last year, aggregate consumption data is reported based on the degree-day method, in order to provide better opportunities for comparison.

Balder strives as far as possible to report key ratios related to the material topics identified, and also in respect of the areas defined in the Annual Accounts Act. As

the company has grown very rapidly in recent years, all follow-up routines have still not been put in place, therefore this will be improved going forward. For example, a major digitalisation project is underway in order to update internal systems for follow-up of employee-related data and governance and follow-up of the management organisation.

Several areas will therefore be updated when it comes to governance and follow-up going forward. Apart from employee-related data, this also applies to key ratios linked to emissions, material, waste, chemicals and suppliers. Since this is the first year where reporting is based on selected indications, comparative years are missing to some degree.

Area in Annual Accounts Act	Example of Balder's work	Reference
Material topics	Annual review of materiality analysis, and carrying out of stakeholder dialogues.	40, 51
Environment	Structured work in order to minimise use of energy, water and chemicals, reduce emissions from transports and minimise waste.	49–50
Social conditions	Initiatives to create lively and safe areas and districts where tenants and others are happy and remain the company.	46–48
Employees	Attract and retain competent employees and continue to develop them.	44–46
Human rights	Continued work for increased diversity both internally and externally, development of areas and districts and a fair letting process.	44–48
Anti-corruption	Continued training in the Code of Conduct and policies, and follow-up of suppliers and partners.	46–47
Business model	The processes for management, new production and transactions are continually refined, in order to create further value for the company's stakeholders.	40–41
Policies and follow-up	Internal training in the Code of Conduct and other policies. Whistleblower function for reporting of possible breaches.	51–53
Risks	Continual analysis of risks and action plans for handling these issues. Balder has identified risks in the areas environment, social conditions and employees as well as ethics and corruption.	68

Material topics	GRI standard	Disclosure	Page reference	Comments
GRI 102: General Disclosures 2016				
Organisational profile	102-1	Name of the organisation	4, 61	
	102-2	Activities, brands, products, and services	4, 12-15	
	102-3	Location of headquarters	119	
	102-4	Location of operations	20	
	102-5	Ownership and legal form	8–10, 61	
	102-6	Markets served	20-25	
	102-7	Scale of the organisation	11, 20	
	102-8	Information on employees and other workers	44, 83–84	
	102-9	Supply chain	46–47	
	102-10	Significant changes to the organisation and its supply chain	54	
	102-11	Precautionary Principle or approach	49	
	102-12	External initiatives	48	
	102-13	Membership of associations		Co-operation and membership takes places locally, when appropriate.
Strategy	102-14	Statement from senior decision-maker	6–7, 103	
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	41, 46	
Governance	102-18	Governance structure	53	
Stakeholder engagement	102-40	List of stakeholder groups	51	
	102-41	Collective bargaining agreements	44	
	102-42	Identifying and selecting stakeholders	51	
	102-43	Approach to stakeholder engagement	51	
	102-44	Key topics and concerns raised	40	
Reporting practice	102-45	Entities included in the consolidated statements	54	
	102-46	Defining report content and topic Boundaries	51–54	
	102-47	List of material topics	40	
	102-48	Restatements of information	54	
	102-49	Changes in reporting	54	
	102-50	Reporting period	54	
	102-51	Date of most recent report	54	
	102-52	Reporting cycle	54	
	102-53	Contact point for questions regarding the report		Camilla Holten, Head of Sustainability
	102-54	Claims of reporting in accordance with the GRI Standards	54	
	102-55	GRI content index	55–56	
	102-56	External assurance	54	
GRI 200: Economic standards				
Economic performance	GRI 103: Management approach 2016			
	103-1 – 103-3	Explanation of the material topic and its boundary	52–53	
GRI 201: Economic performance 2016				
	201-1	Direct economic value generated and distributed	69–76	
	Own disclosure	Satisfied customers	42–43	

Material topics	GRI standard	Disclosure	Page reference	Comments
Anti-corruption	GRI 103: Management approach 2016			
		103-1 – 103-3	Explanation of the material topic and its boundary	52–53
	GRI 205: Anti-corruption 2016			
		205-2	Communication and training about anti-corruption policies and procedures	46
		205-3	Confirmed incidents of corruption and actions taken	46
	GRI 300: Environmental standards			
Energy	GRI 103: Management approach 2016			
		103-1 – 103-3	Explanation of the material topic and its boundary	49, 52–53
	GRI 302: Energy 2016			
		302-1	Energy consumption within the organisation	49–50
		CRE1	Building energy intensity	49–50
Water	GRI 103: Management approach 2016			
		103-1 – 103-3	Explanation of the material topic and its boundary	49, 52–53
	GRI 303: Water 2016			
		303-1	Water withdrawal by source	49–50
		CRE2	Building water intensity	49–50
Environmental compliance	GRI 307: Environmental compliance			
		103-1 – 103-3	Explanation of the material topic and its boundary	49, 52–53
		307-1	Non-compliance with environmental laws and regulations	49
	GRI 400 Social standards			
Education	GRI 404: Training and education 2016			
		103-1 – 103-3	Explanation of the material topic and its boundary	52–53
		404-3	Percentage of employees receiving regular performance and career development reviews.	44
Diversity and equal opportunity	GRI 405: Diversity and equal opportunity 2016			
		103-1 – 103-3	Explanation of the material topic and its boundary	46, 52–53
		405-1	Diversity of governance bodies and employees	45–46, 109–110
	GRI 406: Non-discrimination 2016			
Non-discrimination		103-1 – 103-3	Explanation of the material topic and its boundary	46, 52–53
		406-1	Incidents of discrimination and corrective actions taken	44, 46
Socioeconomic compliance	GRI 419: Socioeconomic compliance 2016			
		103-1 – 103-3	Explanation of the material topic and its boundary	46, 52–53
		419-1	Non-compliance with laws and regulations in the social and economic area	46

The auditor’s statement on the statutory sustainability report

To the Annual General Meeting of Fastighets AB Balder (publ), corporate identity number 556525-6905

Engagement and allocation of responsibility
The Board of Directors is responsible for the sustainability report for the year 2018 on pages 40–54 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

The focus and scope of the review
Our examination has been conducted in accordance with FAR’s auditing standard RevR 12 The auditor’s statement on the statutory sustainability report. This means that our review of the corporate governance report has another aim and direction, and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally ac-

cepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

Opinion
A sustainability report has been prepared.

Gothenburg, 29 March 2019
Öhrlings PricewaterhouseCoopers AB

Bengt Kron
Authorised Public Accountant
Auditor in charge

Helén Olsson Svärdröm
Authorised Public Accountant



Financial Reporting

Consolidated statement of financial position including listed associated companies at market value	p. 60
Report of the Board of Directors	p. 61
Opportunities and risks	p. 65
Consolidated statement of comprehensive income	p. 69
Consolidated statement of financial position	p. 70
Consolidated statement of changes in equity	p. 71
Consolidated statement of cash flows	p. 72
Parent Company income statement	p. 73
Parent Company balance sheet	p. 74
Parent Company statement of changes in equity	p. 75
Parent Company cash flow statement	p. 76

Accounting policies and notes

Note nr:

1	Accounting policies	p. 77
2	Segment reporting	p. 82
3	Revenue distribution	p. 83
4	Employees and personal expenses	p. 83
5	Remuneration to auditors	p. 84
6	Operating costs distributed according to function and type of cost	p. 84
7	Specification of property costs	p. 84
8	Operating leases	p. 85
9	Financial expenses	p. 85
10	Financial costs	p. 85
11	Income tax E	p. 85
12	Earnings per share	p. 87
13	Investment properties	p. 87
14	Other property, plant and equipment	p. 88
15	Participations in associated companies	p. 89
16	Other non-current receivables	p. 91
17	Development properties	p. 91
18	Trade receivables	p. 91
19	Prepaid expenses and accrued income	p. 91
20	Financial investments	p. 92
21	Equity	p. 92
22	Financial risk management	p. 93
23	Credit facilitiy	p. 96
24	Accrued expenses and deferred income	p. 96
25	Pledged assets and contingent liabilities	p. 97
26	Statement of cash flows	p. 97
27	Participations in group companies	p. 98
28	Receivables from/liabilites to group companies	p. 98
29	Significant events after the end of the financial year	p. 98
30	Related parties	p. 98
31	Critical estimates and assumptions	p. 99
32	Parent company information	p. 99

Audit report	p. 100
Comments by the Chairman of the board	p. 103
Corporate governance	p. 103
Board of Directors	p. 109
Management	p. 110

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

According to IFRS, Collector AB (publ) and Brinova Fastigheter AB (publ) should not be recognised at market value when Balder reports participations in associated companies from these companies. In order for clarify the listed associated companies' market value, Collector and Brinova are recognised below at the market price on 31 December.

SEKm	31 Dec 2018	31 Dec 2017
Assets		
Investment properties	116,542	98,360
Development properties	1,598	–
Other property, plant and equipment	123	107
Participations in associated companies ^{1,2)}	6,682	6,707
Receivables	2,198	1,508
Cash and cash equivalents and financial investments	1,328	1,585
Total assets	128,471	108,268
Equity and liabilities		
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 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 the Hybrid capital is treated as equity by the ratings agencies and thereby reduces interest-bearing liabilities during calculation of the debt/equity ratio and loan-to-value ratio.	1,798	1,724

Consolidated statement of changes in equity

SEKm	31 Dec 2018	31 Dec 2017
Opening equity	39,725	36,791
Transition impact IFRS 9	–92	–
Amended accounting principles i Sato Oyj (IAS 12)	–124	–
Comprehensive income for the year	10,143	7,791
Dividend to the preference shareholders	–	–50
Redemption of preference capital	–	–3,500
Transactions with non-controlling interests	–111	–8
Dividends to non-controlling interests	–135	–
Non-controlling interests that arose during acquisition of subsidiaries	8	6
Change in listed associated companies to market value during the year	–1,545	–1,304
Closing equity	47,871	39,725

Report of the Board of Directors

The Board of Directors and CEO of Fastighets AB Balder (publ), corporate identity number 556525-6905, hereby submit the accounts of the Group and the Parent Company for the financial year 2018. Fastighets AB Balder is listed on Nasdaq Stockholm, Large Cap segment. Comparisons stated in parenthesis refer to the corresponding period of the previous year.

Operations

Balder's business concept is to create value by acquiring, developing and managing residential properties and commercial properties based on local support and to create customer value by meeting the needs of different customer groups for premises and housing.

Balder shall aim to achieve such a position in each region whereby the company is a natural partner for potential customers that are in need of new premises and/or housing. Growth should occur on the basis of continued profitability and positive cash flows.

Financial goals

Balder's goal is to achieve a stable and good return on equity, while the equity/assets ratio over time shall not be less than 40 % and the interest coverage ratio shall not be less than 2.0 times and the loan-to-value ratio should not exceed 50 %. The outcome in 2018 was 37.0 % (35.5) and 4.6 times (4.3), and 50.1% (51.8), respectively. Including the listed associated companies at market value, the equity/assets ratio was 37.3 % (36.7) and the loan-to-value ratio was 49.9 % (50.9).

Employees and organisation

Balder's business areas consist of the regions Helsinki, Stockholm, Gothenburg, Öresund, East and North. The regional organisations follow the same basic principles but differ depending on the size and property holdings of each region. Regional offices are responsible for letting, operation, environmental matters and technical management.

The Balder Group, with Fastighets AB Balder as Parent Company, is composed of a large number of limited liability companies and limited partnership companies. Balder's operational organisation is supported by central accounting, property management and finance functions. The Group had a total of 652 employees (610) on 31 December, of whom 290 (277) were women.

Balder's Management team is composed of six people, of whom one is a woman. For information regarding approved guidelines for remuneration to senior executives, see Note 4, Employees and personnel expenses. The Board will not propose any changes in the guidelines to the Annual General Meeting 2019.

Important events during the financial year

Financing

Balder's Board decided to adjust the financial goals for the equity/assets ratio ahead of 2019. The equity/assets ratio over time should not fall below 40 % (previously 35 %).

Acquisitions

During the year, 35 properties were acquired for a property value of SEK 3,861m. The largest acquisitions in terms of value during the year were Balder's purchase of seven hotel properties in Germany and a property in central Oslo in Norway consisting mostly of corporate housing.

Divestments

During the year, Balder only sold condominiums and land for a sales value of SEK 311m. The profit from the sales amounted to SEK 86m.

Other

In late December, the associated company Sinoma Fastighets AB was acquired. Balder's participating interest amounts to 49 %, and Balder's participation in the investment amounted to SEK 434m.

Investment properties

Balder's commercial properties are mainly located in the central areas of big cities and the residential properties are located in metropolitan areas and in places that are growing and developing positively.

On 31 December, Balder owned 1,185 investment properties (1,148) with a lettable area of 4,025,000 sq.m. (3,739,000) and a carrying amount of SEK 116.5 billion (98.4), including project properties for own management. During the year, 35 investment properties (42) with a lettable area of approximately 200,000 sq.m. (175,000) were acquired for SEK 3,861m (4,936). During the year, no investment properties (114) were divested, only sales of condominiums and land occurred for a value of SEK 311m (3,008), which generated a profit of SEK 86m (184). In 2019, Balder will continue the work on consolidating its property portfolio.

When allocating carrying amounts by region, Helsinki's share amounted to 28 % (29), Stockholm to 20 % (19), Gothenburg 19 % (21), Öresund 18 % (16), East 11 % (12) and North 4 % (3). Of the carrying amounts, 41 % (41) related to commercial properties and 59 % (59) to residential properties.

Development properties

On 31 December 2018, development properties for 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.

Profit from property management

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

Profit after tax

Net profit after tax during the year amounted to SEK 10,169m (7,769). Profit after tax attributable to the parent company’s shareholders amounted to SEK 9,308m (7,118), corresponding to SEK 51.71 per share (38.71). Profit before tax was impacted by realised changes in value of properties of SEK 86m (184), unrealised changes in value of properties of SEK 7,922m (5,151), 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 6,714m (5,915), of which the effect of fluctuations in exchange rates amounted to SEK 220m. The increase was mainly due to acquisitions, new lets and completed projects for own management. The lease portfolio was estimated to have a rental value on 31 December of SEK 7,260m (6,511) on a full-year basis. The average rental rate for the entire property portfolio amounted to SEK 1,802 per sq.m. (1,724) excluding project properties.

Rental income in comparable holdings increased by 2.7% after adjustment for fluctuations in exchange rates.

The rental income shows a considerable diversification of risks as regards tenants, sectors and locations. The economic occupancy rate amounted to 96 % (96) on the closing date. On 31 December, the total rental value for unlet areas amounted to SEK 260m (271) on a full-year basis.

Property costs

Property costs amounted to SEK –1,824m (–1,695) during the year, of which the effect of fluctuations in exchange rates amounted to SEK –65m. Net operating income increased by 16 % to SEK 4,890m (4,220), which provided 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.

Management costs and administrative expenses

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

Net financial items and changes in value of derivatives

Net financial items, excluding changes in value of derivatives amounted to SEK –1,076m (–984), of which the effect of fluctuations in exchange rates amounted to SEK –37m. Changes in value in respect of interest rate derivatives amounted to SEK –34m (144). The negative change in value during the year was due to the decrease in the level of interest rates which means that the difference in relation to the contracted interest rate level of the interest rate derivatives has increased.

Derivatives are continually recognised at fair value in the balance sheet. Changes in value from derivatives arise in the event of changed interest rate levels/exchange rates and do not affect cash flow, as long as they are not sold during the term. Balder has hedged against higher levels of interest rates, which means that the market value of derivatives decreases during a period of downward interest rates.

The deficit in respect of derivatives (interest and currency) amounted to SEK 965m (922) at year-end. The deficit on derivatives will be released during the remaining term and recognised as income. This means that Balder has a reserve of SEK 965m, which will be entirely reversed to equity, adjusted by deferred tax through profit or loss, in line with the maturity of the derivatives.

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

Changes in value of investment properties

Balder carried out internal valuations on 31 December of all investment properties. The investment properties in Sweden, Denmark, Norway and Germany were valued using the yield method, which is based on a 10-year cash flow model. Each property is individually valued by computing the present value of future cash flows, in other words future rent payments less estimated operating and maintenance payments. The cash flow is adjusted to the market by taking account of any changes in letting levels and occupancy rates as well as operating and maintenance payments.

The valuation is based on an individual assessment of each property, as well as future cash flows and the yield requirement. In Finland, besides the yield method, the sales comparison method is also used as well as the acquisition cost method. Investment properties under construction and project properties for own management are valued at market value less estimated construction

expenditure and project risk, which usually corresponds to a valuation at cost.

For a more detailed description of Balder’s property valuation see Note 13, Investment properties.

Market assessments of properties always involve a certain amount of uncertainty in the assumptions and estimates made. In order to quality-assure its internal valuations, Balder regularly allows parts of the portfolio to be externally valued and obtains second opinions on the internal valuations. During the year, external valuations or second opinions were obtained for 43 % (43) of the investment properties, equivalent to SEK 50 billion (42). The difference between the external valuations and the internal valuations was less than 1 %. Historically, deviations between external and internal valuations have been insignificant.

On 31 December, Balder’s average yield requirement amounted to 4.8 % (5.0), excluding project properties for own management. The change in value during the year was attributable to lower yield requirements and improved net operating income.

On 31 December, the carrying amount of the investment properties amounted to SEK 116,542m (98,360), according to the individual internal valuation, which implied an unrealised change in value of SEK 7,922m (5,151) during the year.

Tax

The Group’s total tax expense amounted to SEK –1,897m (–1,386), of which the effect of fluctuations in exchange rates amounted to SEK –46m. Current tax expense for the year amounted to SEK –306m (–221), which is mainly attributable to Sato Oyj, and a deferred tax expense of SEK –1,591m (–1,164). Current tax expense attributable to the parent company’s shareholders amounted to SEK –188m (–113).

Current tax has been calculated based on the applicable tax rate for 2018. Current tax for the year mainly relates to Balder’s Finnish subsidiary Sato Oyj, and to a lesser extent to companies acquired during the year. Current tax only arises in Sweden in exceptional cases on account of the possibilities of making tax write-offs, tax deductions for certain investments in properties and use of existing loss carry-forwards. For

the small number of subsidiaries where no group contributions for tax purposes exist, current tax can arise. Following the decision on changed corporate taxation, the deferred tax liability has been recomputed to the new tax rate of 20.6 % for the Swedish operations. The measurement of the loss carry-forwards that are expected to be used 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 SEK 345m net up to and including December 2018, when the deferred tax liability was measured at the new tax rate.

Deferred tax is calculated on the temporary differences arising after the acquisition date. 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). For more detailed information, see Note 11, Income tax.

Changed corporate taxation

In June, the Government decided to approve the proposal on changed corporate taxation in Sweden. In brief, the decision means that the interest deduction will be limited to 30% of EBITDA for tax purposes. 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 as of 1 January 2019.

With the current interest rate level, the change does not imply any material difference for the Balder Group.

Cash flow and financial position

Balder’s assets amounted to SEK 128,008m (106,260) on 31 December. These have been financed by equity of SEK 47,408m (37,718) and by liabilities of SEK 80,600m (68,542) of which SEK 67,205m (58,384) are interest-bearing.

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 pro-

jects of SEK –6,210m (–3,718), investments in property, plant and equipment, financial investments, associated companies and transactions with non-controlling interests of SEK –1,832m (–531), redemption of preference capital of SEK –m (–3,500), paid dividend preference shares of SEK –m (–150), realised changes in value of derivatives of SEK –m (–417) and dividend to non-controlling interests of SEK –135m (–) totalled SEK –12,037m (–13,252).

These were financed through cash flow from operating activities of SEK 3,667m (2,490), by divestments of properties of SEK 311m (2,830), financial investments of SEK 133m (7), associated companies of SEK –m (120), dividend from associated companies of SEK 24m (13) and net borrowing of SEK 7,180m (7,786), which totalled SEK 11,314m (13,246).

Total cash flow for the year amounted to SEK –723m (–6).

Liquidity

Apart from unutilised credit facilities of SEK 8,470m (5,940) the Group’s cash and cash equivalents, financial investments and unutilised credit facilities amounted to SEK 1,678m (1,935) on 31 December.

Equity

Shareholders’ equity amounted to SEK 47,408m (37,408) on 31 December, of which non-controlling interests amounted to SEK 7,262m (6,422), corresponding to SEK 223.03 per share (173.86), excluding non-controlling interests. The equity/assets ratio amounted to 37.0 % (35.5). Including the listed associated companies at market value, the equity/assets ratio was 37.3 % (36.7) and equity per share was SEK 225.60 (185.02).

Interest-bearing liabilities

The Group’s interest-bearing liabilities amounted to SEK 67,205m (58,384) on 31 December. The proportion of loans with interest maturity dates during the coming 12-month period amounted to 44 % (36) and the average fixed credit term amounted to 5.6 years (5.5). Derivatives contracts have been entered into in order to limit the impact of a higher market rate of interest.

The above-mentioned derivatives are continually recognised at fair value in the balance sheet with changes in value reco-

gnised in the income statement. Changes in value during the year amounted to SEK –34m (144). Interest-bearing liabilities are described in greater detail in Note 22, Financial risk management.

Rating
Balder has investment grade ratings from the credit rating agencies Moody's and S&P of Baa3 with a positive outlook and BBB with a stable outlook. Through the ratings from Moody's and S&P, Balder can continue to access the European capital market, obtain long terms for tying-up of capital, diversify its funding base and thus secure long-term capital for continued growth. Credit ratings from the credit rating agencies have a major impact on Balder's financing costs, and therefore it is important to maintain an investment grade rating.

Investments
Property investments amounted to SEK 10,071m (8,654) during the year, of which SEK 3,861m (4,936) refers to acquisitions and SEK 6,210m (3,718) refers to investments in existing properties and projects for own management. Of the total investments in the property portfolio, SEK 2,360m (1,291) related to Helsinki, SEK 2,397m (1,256) to Stockholm, SEK 1,202,m (2,136) to Gothenburg, SEK 3,144m (2,864) to Öresund, SEK 275m (1,002) to East and SEK 693m (106) to North.

Associated companies
Balder owns 50 % of a number of property companies where Balder handles management and administration, for further information see Note 15, Participations in associated companies. During the year, Balder established cooperation with a new partner, Sinoma Fastighets AB, together with Folksam and Redito. Balder's participating interest amounts to 49 %.

Apart from the 50 %-owned associated companies and the above-mentioned newly added companies, Balder owns 44.1 % (44.1) of Collector AB (publ), 33 % (31) of Tornet Bostadproduktion AB, 25.5 % (25.5) of Brinova Fastigheter AB (publ), 49 % (49) of Sjaelsö Management ApS, 20 % (20) of SHH Bostad AB, 56 % (56) av Serena Properties AB and 25 % (25) of Rosengård Fastighets AB.

Balder's associated companies Brinova

Fastigheter AB and Collector AB are listed companies. In order to clarify the value of these two associated companies in Balder, the consolidated statement of financial position includes recognition of listed associated companies at market value, see page 60.

On pages 28-29, Balder's participations in the balance sheets and property holdings of the 50%-owned property-managing associated companies are reported and presented according to IFRS accounting policies.

Associated companies own a total of 127 investment properties (118) and 11 project properties (4). Balder's participation in the lettable area of the property holdings amounts to approximately 433,000 sq.m. (382,000) with a rental value of SEK 599m (498). The economic occupancy rate amounted to 97 % (96).

Parent Company
The parent company's operations mainly consist of performing group-wide services. Balder has centralised the Group's credit supply, risk management and cash management through the parent company having an internal bank function. Sales in the parent company amounted to SEK 289m (252) during the year, of which intra-group services represented SEK 218m (186) and the remainder mostly related to management assignments for associated companies.

Net profit after tax during the year amounted to SEK 1,590m (1,234). Dividend of SEK 1,608m (909) from subsidiaries was included, net interest items amounted to SEK 940m (927) and exchange 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). The recognised exchange differences mainly related to translation of Euro bonds, which from a Group perspective are used for hedging of net investments in Euro and Danish krone.

The parent company's financial investments and cash and cash equivalents, including unutilised credit facilities amounted to SEK 1,350m (1,502) on 31 December. Receivables from group companies amounted to SEK 38,337m (36,790) on the closing date and interest-bearing liabilities to SEK 33,275m (28,774).

Sustainability Report according to the Swedish Annual Accounts Act
In accordance with the Chapter 6, Section 11 of the Annual Accounts Act, Fastighets AB Balder has chosen to prepare the sustainability report as a separate report from the Annual Report. The scope of the sustainability report is described on page 54 of this document.

Multi-year summary
See page 11.

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

The largest owners are Erik Selin with company, which holds 49.9 % of the votes and Arvid Svensson Invest AB with 15.2% of the votes. There are no restrictions in the articles of association as to the form of transfer of shares or voting rights at the general meeting.

Since Balder will prioritise growth, capital structure and liquidity over the next few years, the dividend for the share will be low or will not be declared at all.

Report on the Board work during the year
The Board held 9 board meetings during the financial year of which one was the statutory meeting. The work follows a formal work plan approved by the Board. The formal work plan governs the Board's working methods and the division of responsibility between the Board and CEO as well as the forms of the day-to-day financial reporting. During the year, strategic questions and other important matters for the company's development were discussed, apart from day-to-day financial reporting and decision-making. The company's auditors participated in two board meetings and reported on their completed audit of the management's administration and of the accounts.

Corporate governance
Balder is governed by the corporate governance rules prescribed in the Swedish

Companies Act, the Articles of Association and the listing agreement with Nasdaq Stockholm. The Board aims to make it easy for the individual shareholder to understand where in the organisation responsibility and authority lie. Corporate governance in the company is based on Swedish legislation, principally on the Swedish Companies Act, the listing agreement of the Swedish Stock Exchange, the Swedish Corporate Governance Code as well as other rules and guidelines. Some of the Code's principles are about creating a good basis for exercise of an active balance of power among owners, the Board and Management, which Balder views as a natural element in the principles for the operations. For the Corporate Governance Report, see pages 103-108.

Remuneration to the CEO and other senior executives
Guidelines for remuneration of senior executives were resolved upon at the preceding Annual General Meeting. Above

all, the guidelines mean that market-related salaries and other terms of employment should be applied for the company management. The remuneration should be paid in the form of a fixed salary. Taken together, dismissal pay and termination benefits should not exceed the equivalent of 18 monthly salaries. The company management refers to the CEO and other members of the Group Management.

The Board's proposed guidelines to the next Annual General Meeting correspond to the present guidelines.

Significant events after the end of the financial year
See Note 29, Significant events after the end of the financial year

Expectations regarding the future trend
Balder's goal is to grow with maintained profitability by means of direct or indirect acquisitions together with our partners in locations, which are considered interesting.

Proposed distribution of earnings
The following amount in Swedish kronor is at the disposal of the Annual General Meeting:

Retained earnings	9,457, 013, 451
Net profit for the year	1,590, 439, 071
Total ¹⁾	11,047,452 521

1) See change in the Parent Company's equity, page 75.

The Board proposes that the amount shall be allocated as follows:

Carried forward	11,047,452,521
Total	11,047,452,521

Opportunities and risks

Financial risks

Refinancing risk
Balder's greatest financial risk is a lack of financing. Refinancing risk refers to the risk that financing cannot be secured at all, or only at a significantly increased cost. Balder conducts continual discussions with banks and credit institutions aimed at securing the long-term financing and by renegotiating loans and diversifying the maturity structure of loans. Meanwhile, this work ensures that competitive long-term financing is maintained. Balder's average fixed credit term amounted to 5.6 years (5.5). Balder cooperates closely with a handful of lenders in order to secure the company's long-term capital requirements.

Interest rate risk
Interest risk arises through fluctuations in the market rate of interest, which affects results and cash flow. The interest expense is Balder's single largest cost item. Interest expenses are mainly affected by the current level of the market rate of interest

and the credit institutions' margins and by what strategy Balder chooses for interest rate refixing periods.

A higher market rate of interest means an increased interest expense but this often also coincides with higher inflation and economic growth. This means that higher interest expenses are partly offset by lower vacancy rates and higher rental income through increased demand and by the fact that rents are indexed.

Balder has elected to use interest rate derivatives to limit the risk of financing costs increasing significantly in the event of a higher market rate of interest.

In the event of an immediate increase in the market rate of interest of one percentage unit and the assumption of an unchanged loan and derivative portfolio, the interest expense would increase by SEK 287m. Of Balder's total loan stock at year-end, 56 % (64) had an interest rate refixing period of more than one year.

Credit risk
Credit risk is defined as the risk that Balder's counterparties cannot fulfil their financial obligations towards Balder. Credit risk in the financial operations arises during investment of excess liquidity, on entering into interest rate swap contracts and in connection with issued credit agreements. Regarding Balder's trade receivables, customary credit checks are carried out before a new lease is entered into.

Currency risk
Balder owns properties via subsidiaries in Denmark, Finland, Norway and Germany. Companies' revenue and costs are in local currency and the Group is thereby exposed to fluctuations in exchange rates. Currency risk also arises in translation of the assets and liabilities of foreign subsidiaries to the currency of the parent company.

For more information see Note 22, Financial risk management

Operational risk

Rental income, rental trend and occupancy rate

<i>Rental income</i> Balder's income is affected by the occupancy rate of the properties, the possibility of charging market-related rents as well as customers' payment capacity. The occupancy rate and rental levels are largely determined by the general and regional economic trends. Naturally, the risk of large fluctuations in vacancies and loss of rental income increases when there are more large individual customers in the property portfolio. In order to limit the risk of lower rental income and a weakened occupancy rate, Balder strives to develop long-term relationships with the company's existing customers. Of Balder's contracted rental income, 62 % relates to residential properties and 38 % to commercial premises. Balder's distribution between commercial and residential properties and the geographical spread in the portfolio means that the risk for decreased rental income is low.	<i>Bad debt losses</i> There is a risk that the customers do not pay rent according to agreement. In some leases, the tenant's obligations are guaranteed by the parent company or through bank guarantees. The risk still remains that tenants suspend their payments or in other respects will not fulfil their obligations. If this happens, Balder's results could be affected negatively.	for more than 0.9% of Balder's total rental income and no individual customer accounts for more than 4.1 % of total rental income. In order to limit the risk of decreased rental income and a weakened occupancy rate, Balder also strives to develop long-term relationships with existing customers. At year-end, Balder had an economic occupancy rate of 96 %, which means that the vacancy at year-end amounted to SEK 289m and represents an opportunity for new lettings.
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Property costs

Property costs include direct costs such as operating and media expenses, maintenance costs, ground rent and property tax. Each region is responsible for ensuring that the property portfolio is well-maintained and in good condition. Through a local presence, knowledge improves about each property's need for preemptive work, which is more cost-effective in the long-term than extensive repairs. Balder works continually on improving cost efficiency using rational technical solutions, practical efforts and continuous follow up. A change of +/- 1 % in property costs would affect the property costs by SEK +/- 19m.	<i>Operating and maintenance costs</i> Operating costs mainly consist of costs that are based on usage such as electricity, cleaning, water and heating costs. Several of these goods and services can only be purchased from one supplier, which can affect the price. To the extent that possible cost increases are not compensated by adjustments of leases or increases in rent through renegotiation of leases, Balder's results can be affected negatively. Maintenance costs include measures aimed at maintaining the standard of the properties in the long term. These costs are expensed to the extent they constitute repairs and replacement of smaller areas. Other additional expenses of a maintenance character are capitalised in connection with the expense arising. Unforeseen and extensive repair needs may also affect the results negatively.
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Property development

<i>Estimate of rental market trend, and construction of projects</i> One way to increase returns is to construct new properties and develop existing ones through investments. The risks in property development projects include assessments about the rental market trend, but also the design of the product and the execution of the project itself. These risks are limited by only making investments in markets where Balder has good market knowledge, and where there is a strong demand for residential and commercial properties. Quality-assured internal processes and a high level of competency in the project organisation ensure that high quality is maintained in both the execution and product. During new construction of buildings for sale, demands are always imposed that a large part of the property should be sold before construction begins. In the event of a weaker market, Balder is also able to convert projects intended for the tenant-owner's market into rental apartments.
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<i>Inadequate consideration of non-financial factors</i> As new buildings are becoming more energy efficient, the construction phase is accounting for a larger proportion of buildings' overall environmental impact.	As the company is entering a new phase of increasing new production and expansion, it is very important to consider social as well as ecological aspects. These issues are considered during new production and densification both internally and	in dialogue with external parties such as partners, town planning departments, consultants and architect's offices and contractors. For Balder, it natural to strive for a good long-term solution as Balder is a long-term property owner.
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Change in value

<i>Development in the value of properties</i> The value of the properties is affected by a number of factors including property-specific factors such as occupancy rate, rental rate and operating costs as well as market-specific factors such as yield requirements and cost of capital, which in turn impacts on the Group's financial position and performance. Balder carries out an internal valuation of the property portfolio in connection with quarterly reports. Parts of the property portfolio are also externally valued and compared to the internal valuation. 86 % of the value of Balder's property portfolio	is found in the four metropolitan areas of Helsinki, Stockholm, Gothenburg and Öresund. Balder reports its investment properties at fair value with changes in value in the income statement. Market assessments of properties always involve a certain amount of uncertainty in the assumptions and estimates made. The uncertainty in respect of individual properties is normally considered to be in the range of +/- 5–10 %. The uncertainty varies according to the type of property, geographical location and property market conditions. Balder continually monitors the transactions that	are completed in the market in order to substantiate and guarantee valuations. Balder also conducts continual discussions with external actors regarding acquisition and divestment of properties, which provides additional guidance. Also see Note 13, Investment properties. Profit before tax would be affected by SEK +/- 5,827m in the case of a change in value of the investment properties of +/- 5 %. The equity/assets ratio in the event of a positive change in value would amount to 38.9 % and in the event of a negative change in value it would amount to 35.0 %.
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Tax

<i>Tax legislation</i> Changes in corporate and property taxes, as well as other government levies, rent allowance and interest allowance can affect the basis for Balder's operations. It cannot be ruled out that tax rates	will change in the future or that other changes will occur in the state system that affect property ownership. In most leases, the customer pays his share of the currently charged property tax. Changes in corporation tax and other governme-	ntal levies, may affect Balder's results. Changed tax rates and tax legislation may impact Balder's future tax expense and thereby impact results.
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IT and digitisation

<i>Inadequate digital development</i> For the property sector, this is mostly about digitalising properties, building smart homes and offering commercial tenants business-driven digital services. The process for this is relatively easy to implement in new production, where a lot can be built-in to the basic architecture from the very beginning in the form of fiber networks and sensors, among other things. The work on digitalising an existing property is a greater challenge but Balder is prepared for this. In order to advance these efforts, the	company has created special positions with digitalisation in focus. <i>Inadequate security</i> Inadequate IT security can have major consequences. Balder works with the layered security principle in order to minimise the areas for intrusion and in recent years has introduced a number of different forms of perimeter protection, as one or two security measures are rarely enough. Apart from well-tried technologies such as firewalls, antivirus and backup systems,	Balder has also supplemented its protection with sandboxing systems, advanced email filtering and virtualization to secure the internal IT environment. <i>Handling of personal data</i> Balder has carried out extensive internal work in order to ensure compliance with the GDPR requirements, both when it comes to internal systems and structures as well as employee training.
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Sustainability risk

Environment

Hazardous substances and material choice
Balder has established an environmental policy and works actively with environmental issues. The challenges that Balder has identified connected to the environmental area are hazardous substances built into the properties such as PCB and asbestos, increased radon values and transports to and from the properties. An inventory is continually made in the existing holdings and action plans are developed to handle the risks in connection with planned measures or as separate projects. When choosing materials during renovations and projects, it is important from an environmental standpoint, to establish internal and external criteria for evaluation and approval of all products and materials before they are used.

Increased radon values are a challenge for the entire property sector and also for Balder. In recent years, a radon inventory was made for large parts of the portfolio and action plans are in place for the rest of the properties. Inspections of properties with increased values will be conducted regularly and measures are planned based on the inspections.

Transports
Both Balder's internal transports and customer transports to and from the properties have a major environmental impact. Balder intends to make an inventory of the properties in relation to their sustainable transport potential. Meanwhile, customer needs for more sustainable modes of transport to and from the properties will be evaluated going forward in Balder's CSI surveys. Together with suppliers, Balder's internal transport and logistics solutions are being overhauled so that the number of transports to the properties is minimised and streamlined. At all local offices, there is video equipment to minimise the number of trips

for meetings and a new travel policy was established.

Climate risks

Rising sea levels, higher rainfall and increased risks of landslides are much discussed climate risks, which need to be handled in social planning in order to reduce the risks for damage to properties and infrastructure going forward. The municipalities currently have responsibility for investigating what climate adaptation measures may be needed during new construction and for managing this via zoning plans. Existing properties that may end up in the risk zone will need to undergo a future risk inventory and action plans will need to be prepared. In the event of flooding, there is a risk that vermin will get into properties with a risk of the spread of contagion and damage as a consequence.

Social conditions and employees

Talent supply, working environment and respect for human rights
As Balder has grown, both geographically and in terms of the number of colleagues, organisational challenges have arisen. It is a matter of new recruitment and retaining existing colleagues, finding and taking advantage of group-wide resources and developing common work approaches. Another challenge with the company's sharp growth is to get every new colleague

to feel that they are participating in Balder's corporate culture.
In order to offset work environment related risks at the workplace, Balder has developed a new template for employee performance reviews that should be followed up regularly. Good internal control, fit-for-purpose administrative systems, skills development and good access to reliable valuation and risk models provide a good basis for reducing operational risks

and retaining the competencies that exist within the company. Balder continually works on monitoring the company's administrative security and control.

As a part of this work, Balder's Board decided on a number of policies and codes of conduct and also introduced a whistleblower function, which are followed up on an annual basis.

Ethics and anti-corruption

Fraud and corruption
For example, as a property company, processes within letting, recruitment and choice of suppliers are particularly important. Balder has policies and routines, which are intended to guide and ensure

respectful and businesslike relations, while minimising risks, for example, of discrimination and corruption. The steering documents along with the company's key values are intended to create good relationships and a good corporate culture. When selecting suppliers and during

follow-up of delivered quality, internal criteria are used to ensure compliance with laws and regulatory requirements as well as the company's approved policies and guidelines. For reporting violations, there is a whistleblower function.

Financial statements

Consolidated statement of comprehensive income

SEKm	Note	2018	2017
Rental income	2, 3	6,714	5,915
Property costs	2, 6, 7, 8	−1,824	−1,695
Net operating income		4,890	4,220
Management costs and administrative expenses	5, 6	−592	−543
Participation in profits of associated companies	15	881	1,010
– of which, profit from property management		658	583
– of which, changes in value		407	675
– of which tax		−184	−248
Other income/expenses		−3	8
Financial items			
Financial income	9	128	135
Financial expenses	10	−1,204	−1,119
Net financial items		−1,076	−984
Profit including changes in value and tax in associated companies		4,100	3,711
– of which, Profit from property management	3, 4, 5, 6, 7	3,877	3,284
Changes in value			
Changes in value of investment properties, realised	13	86	184
Changes in value of investment properties, unrealised	13	7,914	5,115
Changes in value of derivatives	22	−34	144
Changes in value total		7,965	5,443
Profit before tax		12,065	9,154
Income tax	11	−1,897	−1,386
Net profit for the year		10,169	7,769
Net profit for the year attributable to			
The parent company's shareholders		9,308	7,118
Non-controlling interests		861	650
		10,169	7,769
Other comprehensive income – items that may be reclassified to profit or loss			
Translation difference relating to foreign operations (net after hedge accounting) ¹⁾		−45	−103
Cash flow hedges after tax		9	121
Participation in other comprehensive income from associated companies		10	4
Comprehensive income for the year		10,143	7,791
Total comprehensive income for the year attributable to			
The parent company's shareholders		9,003	6,906
Non-controlling interests		1,140	885
		10,143	7,791
Profit from property management		3,877	3,284
Less non-controlling interests' participation in the profit from property management		−573	−480
Profit from property management attributable to the parent company's shareholders		3,304	2,804
Profit from property management per share, SEK		18.35	14.74
Profit after tax per share, SEK	12	51.71	38.71

There is no dilutive effect as no potential shares arise.

Consolidated statement of financial position

SEKm	Note	31 Dec 2018	31 Dec 2017
Assets			
Non-current assets			
Investment properties	13, 25	116,542	98,360
Other property, plant and equipment	14	123	107
Participations in associated companies	15	6,219	4,699
Other non-current receivables	16	1,293	949
Total non-current assets		124,178	104,116
Current assets			
Development properties	17	1,598	–
Trade receivables	18	183	158
Other receivables		399	159
Prepaid expenses and accrued income	19	324	241
Financial investments	20	770	305
Cash and cash equivalents	26	558	1,281
Total current assets		3,831	2,144
Total assets		128,008	106,260
Equity and liabilities			
Equity	21		
Share capital		180	180
Other contributed capital		7,806	7,806
Translation differences		–369	–59
Reserves		56	51
Retained earnings including net profit for the year		32,473	23,318
Equity attributable to the parent company's shareholders		40,146	31,295
Non-controlling interests		7,262	6,422
Total equity		47,408	37,718
Provisions			
Deferred tax liability	11	8,857	7,041
Total provisions		8,857	7,041
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities ^{1, 2)}	22	57,716	49,453
Other non-current liabilities		423	241
Derivatives	22	953	890
Total non-current liabilities		59,093	50,584
Current liabilities			
Current interest-bearing liabilities ¹⁾	22	9,489	8,930
Trade payables		488	254
Derivatives	22	11	32
Other liabilities		725	274
Accrued expenses and deferred income	24	1,937	1,427
Total current liabilities		12,650	10,918
Total liabilities		80,600	68,542
Total equity and liabilities		128,008	106,260

1) The interest bearing liabilities that formally mature within one year and one year of agreed amortisation are recognised as current interest-bearing liabilities.

2) The line Non-current interest-bearing liabilities includes Hybrid capital of SEK 3,596m (3,447). 50% of the Hybrid capital, or equivalent to SEK 1,798m (1,724) is treated as equity by the ratings agencies and thereby reduces interest-bearing liabilities during calculation of the debt/equity ratio and loan-to-value ratio.

Consolidated statement of changes in equity

	Attributable to the parent company's shareholders							
SEKm	Share capital	Other contributed capital	Reserves	Translation differences	Retained earnings incl. net profit for the year	Total	Non-control-ling interests	Total equity ¹
Opening balance, 1 Jan 2017	190	7,806	−14	218	19,739	27,939	5,540	33,479
Net profit for the year					7,118	7,118	650	7,769
Other comprehensive income			65	−277		−212	234	22
Total comprehensive income	−	−	65	−277	7,118	6 906	885	7,791
Transactions with non-controlling interests							−8	−8
Non-controlling interests that arose during acquisition of subsidiaries							6	6
Redemption of preference capital	−10				−3,490	−3,500		−3,500
Dividend to the preference shareholders					−50	−50		−50
Total transactions with the company's owner	−10	−	−	−	−3,540	−3,550	−2	−3,552
Closing balance, 31 Dec 2017 ¹⁾	180	7,806	51	−59	23,318	31,295	6,422	37,718
Opening balance, 1 Jan 2018	180	7,806	51	−59	23,318	31,295	6,422	37, 718
Transition impact IFRS 9					−85	−85	−7	−92
Amended accounting policies in Sato Oyj (IAS 12)					−68	−68	−56	−124
Adjusted opening balance on 1 Jan 2018	180	7,806	51	−59	23,165	31,143	6,359	37,502
Net profit for the year					9 308	9 308	861	10 169
Other comprehensive income			5	−310		−305	279	−26
Total comprehensive income	−	−	5	−310	9,308	9,003	1,140	10,143
Transactions with non-controlling interests							−111	−111
Dividends to non-controlling interests							−135	−135
Non-controlling interests that arose during acquisition of subsidiaries							8	8
Total transactions with the company's owners	−	−	−	−	−	−	−237	−237
Closing balance, 31 Dec 2018 ¹⁾	180	7,806	56	−369	32,473	40,146	7,262	47,408

1) For more information, see Note 21 relating to Equity.

Consolidated statement of cash flows

SEKm	Note	2018	2017
Operating activities			
Net operating income		4,890	4,220
Other income/expenses		–3	8
Management costs and administrative expenses		–592	–543
Reversal of depreciation and amortisation		20	19
Interest received	26	110	114
Interest paid	26	–1,209	–1,075
Tax paid		–345	–235
Cash flow from operating activities before change in working capital		2 871	2 508
Cash flow from changes in working capital			
Change in operating receivables		–394	–86
Change in operating liabilities		1,189	69
Cash flow from operating activities		3,667	2,490
Investing activities			
Acquisition of investment properties		–3,861	–4,936
Purchase/disposal of property, plant and equipment		–44	–27
Purchase of financial investments		–593	–41
Acquisition of shares in associated companies/capital contribution/lending to associated companies		–1,085	–456
Investments in existing properties and projects		–6,210	–3,718
Transactions with non-controlling interests		–111	–8
Divestment of properties		311	2 830
Sale of financial investments		133	7
Divestments of shares in associated companies		–	120
Dividend paid from associated companies		24	13
Cash flow from investing activities		–11,435	–6,215
Financing activities	26		
Dividend paid preference shares		–	–150
Redemption of preference capital		–	–3,500
Dividend paid to non-controlling interests		–135	–
Change in value of derivatives, realised		–	–417
Borrowings		12,148	24,896
Amortisation/Redemption of loans		–4,967	–17,110
Cash flow from financing activities		7,046	3,719
Cash flow for the year		–723	–6
Cash and cash equivalents at the beginning of the year		1,281	1,287
Cash and cash equivalents at the end of the year	26	558	1,281
Cash and cash equivalents		558	1 81
Unutilised overdraft facilities	23	350	350
Unutilised credit facilities		8,470	5,940
Financial investments	20	770	305
Available liquidity including confirmed credit commitments		10,148	7,875

Parent Company income statement

SEKm	Note	2018	2017
Net sales	3	289	252
Administrative expenses		–292	–278
Operating profit	4, 5	–4	–26
Profit from financial items			
Dividends from subsidiaries		1,608	909
Interest income and similar profit/loss items	9	1,816	1,700
Interest expenses and similar profit/loss items	10	–1,706	–1,350
– of which, exchange differences		–729	–565
Changes in value of derivatives	22	–34	133
Profit before appropriations and taxes		1,680	1,367
Appropriations			
Group contributions paid		–87	–41
Profit before tax		1,594	1,326
Income tax	11	–3	–92
Net profit for the year/comprehensive income ¹⁾		1,590	1,234

1) The Parent Company has no items that are recognised in Other comprehensive income and therefore total comprehensive income corresponds to net profit for the year.

Parent Company balance sheet

SEKm	Note	31 Dec 2018	31 Dec 2017
Assets			
Non-current assets			
Property, plant and equipment	14	18	9
<i>Financial assets</i>			
Participations in group companies	25, 27	8,449	3,345
Participations in associated companies	15, 25	1,880	1,240
Other non-current receivables	16	904	798
Receivables from group companies	28	38,337	36,790
<i>Total financial assets</i>		<i>49,571</i>	<i>42,174</i>
Deferred tax assets	11	85	88
Total non-current assets		49,674	42,271
Current assets			
<i>Current receivables</i>			
Other receivables		42	38
Prepaid expenses and accrued income	19	155	160
<i>Total current receivables</i>		<i>197</i>	<i>199</i>
Financial investments	20	770	197
Cash and cash equivalents	26	230	955
Total current assets		1,197	1,350
Total assets		50,870	43,621
Equity and liabilities			
Equity	21		
<i>Restricted equity</i>			
Share capital		180	180
<i>Non-restricted equity</i>			
Share premium reserve		4,366	4,366
Retained earnings		5,091	3,857
Net profit for the year		1,590	1,234
Total equity		11,227	9,637
Non-current liabilities			
Liabilities to credit institutions ^{1, 2)}	22	28,659	24,425
Other non-current liabilities		108	102
Derivatives	22	446	412
Liabilities to group companies	28	5,282	4,443
Total non-current liabilities		34,494	29,381
Current liabilities			
Liabilities to credit institutions ¹⁾	22	4,616	4,350
Trade payables		18	6
Derivatives	22	0	–
Other liabilities		153	19
Accrued expenses and deferred income	24	361	229
Total current liabilities		5,149	4,603
Total equity and liabilities		50,870	43,621

1) The interest bearing liabilities that formally mature within one year and one year of agreed amortisation are recognised as current interest-bearing liabilities.

2) The line Non-current interest-bearing liabilities includes Hybrid capital of SEK 3,596m (3,447). 50% of the Hybrid capital, or equivalent to SEK 1,798m (1,724) is treated as equity by the rating agencies and thereby reduces interest-bearing liabilities during calculation of the debt/equity ratio and loan-to-value ratio.

Parent Company statement of changes in equity

SEKmn	Number of shares	Share capital	Restricted equity		Non-restricted equity		Total equity
			Share premium reserve	Retained earnings	Net profit for the year		
Opening balance, 1 Jan 2017	190,000,000	190	7,233	3,219	1,311	11,953	
Net profit for the year/comprehensive income	—	—	—	—	1,234	1,234	
Appropriation of profits				1,311	—1,311	—	
Redemption of preference capital	—10,000,000	—10	—2,867	—623		—3,500	
Dividend to the preference shareholders				—50		—50	
Total transactions with the company's owners	—10,000,000	—10	—2,867	638	—1,311	—3,550	
Closing balance, 31 Dec 2017 ¹⁾	180,000,000	180	4,366	3,857	1,234	9,637	
Opening balance, 1 Jan 2018	180,000,000	180	4,366	3,857	1,234	9,637	
Net profit for the year/comprehensive income	—	—	—	—	1,590	1,590	
Appropriation of profits				1,234	—1,234	—	
Total transactions with the company's owners	—	—	—	1,234	—1,234	—	
Closing balance, 31 Dec 2018 ¹⁾	180,000,000	180	4,366	5,091	1,590	11,227	

1) For more information, see Note 21 relating to Equity.

Parent Company cash flow statement

Operating activities	Not	2018	2017
Operating activities			
Operating profit		−4	−26
Reversal of depreciation/impairment		2	17
Interest received	26	36	29
Interest paid	26	−706	−465
Cash flow from operating activities before change in working capital		−671	−444
Cash flow from changes in working capital			
Change in operating receivables		118	−183
Change in operating liabilities		175	12
Cash flow from operating activities		−378	−615
Investing activities			
Purchase of property, plant and equipment		−10	−1
Acquired participations in group companies/shareholders’ contributions provided		−5,104	1
Purchase of financial investments		−674	−38
Change in lending to group companies		2 375	−9 865
Change in lending to associated companies		−82	−35
Sale of financial investments		76	8
Acquisition of shares in associated companies/capital contribution		−640	−453
Cash flow from investing activities		−4,059	−10,384
Financing activities	26		
Dividend paid preference shares		−	−150
Redemption of preference capital		−	−3 500
Change in value of derivatives, realised		−	−343
Borrowings		4,079	20,774
Amortisation/Redemption of loans		−366	−5,767
Cash flow from financing activities		3,713	11,014
Cash flow for the year		−725	14
Cash and cash equivalents at the beginning of the year		955	941
Cash and cash equivalents at the end of the year	26	230	955
Unutilised credit facilities	23	350	350
Financial investments	20	770	197

Notes to the financial statements

Note 1 • Accounting policies

General information
The financial statements for Fastighets AB Balder, as of 31 December 2018, were approved by the Board of Directors and Chief Executive Officer on 28 March 2019 and will be submitted for adoption by the Annual General Meeting on 8 May 2019. Fastighets AB Balder (publ), corporate identity number 556525-6905, with registered office in Gothenburg, constitutes the parent company of a Group with subsidiaries according to Note 27, Participations in Group companies. The company is registered in Sweden and the address of the company’s head office in Gothenburg is Fastighets AB Balder, Box 53121, 400 15 Gothenburg, Sweden. The visiting address is Parkgatan 49. Balder is a listed property company which shall meet the needs of different customer groups for premises and housing based on local support.

Accounting policies
The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Interpretations Committee (IFRIC), as adopted by the EU. In addition, the Swedish Financial Reporting Board’s recommendation RFR 1, Supplementary Accounting Rules for Groups is applied.
The annual accounts of the parent company have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board’s recommendation RFR 2 (Accounting for Legal Entities) and statements of the Swedish Financial Reporting Board. The parent company applies the same accounting policies as the Group apart from the instances described below in the section “Parent Company accounting policies”. The deviations that occur between the parent company and Group accounting policies are due to limitations in the possibilities of applying IFRS in the parent company on account of the Annual Accounts Act.

The parent company’s functional currency is the Swedish krona (SEK), which is also the presentation currency of the parent company and the Group.
The financial statements are presented in Swedish krona rounded off to millions of kronor unless otherwise stated.
Preparation of financial statements in conformity with IFRS requires the company management to make estimates and assumptions that affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses.
The estimates and assumptions are based on historical experience and other factors that appear reasonable under the existing circumstances. The result of these estimates and assumptions is subsequently used to estimate the carrying amounts of assets and liabilities that are not otherwise clear from other sources. The actual outcome may diverge from these estimates and judgements.
Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the

period in which they arise if the change affects that period alone or, alternatively, in the period in which they arise and during future periods if the change affects both the period in question and future periods.
Assumptions made by the company management in the application of IFRS, which have a material impact on the financial statements, and estimates which may give rise to significant adjustments in subsequent financial statements are presented in more detail in Note 31, Critical estimates and assumptions.
The accounting policies set out for the Group have been consistently applied for all periods presented in the Group’s financial statements, unless otherwise stated below. The Group’s accounting policies have been applied consistently in the reporting and consolidation of subsidiaries.
Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocation of resources and evaluation of the operating segments’ results. In the Group, this function has been identified as the Management team, which takes strategic decisions. The Group’s internal reporting of the operations is divided into the segments Helsinki, Stockholm, Gothenburg, Öresund, East and North, which are harmonised with the Group’s internal reporting system. See further in Note 2, Segment reporting.
Classification etc.
Non-current assets and non-current receivables largely consist of amounts that are expected to be recovered or paid after more than twelve months, calculated from the end of the reporting period. Current assets and current liabilities largely consist of amounts that are expected to be recovered or paid within twelve months, calculated from the end of the reporting period. Current liabilities to credit institutions include the interest-bearing liabilities that formally mature within one year and one year’s agreed amortisation. The company’s interest-bearing liabilities are non-current in character, as they are continually extended, see Note 22. In the parent company, receivables and liabilities from/to group companies are recognised as non-current, when there is no approved amortisation plan.
Basis of consolidation
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to or has the right to a variable return from its holding in the entity and can affect the return through its control of the entity. When determining whether control exists, potential voting shares that can be called upon or converted without delay should be considered.
Subsidiaries are accounted for according to the acquisition method. This method means that acquisition of a subsidiary that is classified as a business combination is treated as a transac-

tion by which the Group indirectly acquires the subsidiary’s assets and assumes its liabilities and contingent liabilities. The acquisition analysis establishes the cost of the shares or entity, as well as the fair value on the acquisition date of the company’s identifiable assets, liabilities assumed and contingent liabilities. The consideration also includes the fair value of all assets or liabilities which are a result of an agreement on contingent consideration. Costs related to the acquisition are expensed as they arise. For each acquisition, the Group determines if non-controlling interests in the acquired entity are recognised at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. The cost of acquisition of a subsidiary’s shares and operations consists of the fair values of the assets on the date of exchange, liabilities incurred or assumed and equity instruments issued as consideration in exchange for the acquired net assets, as well as transaction costs that are directly attributable to the acquisition.
In business combinations where the cost of acquisition exceeds the net value of acquired assets, and liabilities and contingent liabilities assumed, the difference is recognised as goodwill. When the difference is negative, this is recognised directly in the income statement. When a company is acquired, the acquisition constitutes either the acquisition of an entity or the acquisition of an asset. An acquisition of an asset is identified if the acquired company only owns one or more properties. There are leases for these properties, but no personnel are employed in the company who can conduct business. In a business combination based on joint control, de facto control, the acquisition is recognised at historical cost, which means that assets and liabilities are recognised at the values they have been carried at in each company’s balance sheet. In this way, no goodwill arises.
When an acquisition occurs of a group of assets or net assets which do not constitute an entity, the cost for the Group is allocated according to the individually identifiable assets and liabilities in the Group based on their relative fair values on the acquisition date.
The subsidiaries’ financial statements are included in the consolidated financial statements from the date control arises until the date control ceases.
Transactions eliminated on consolidation
Transactions with non-controlling interests that do not lead to a loss of control are recognised as equity transactions, in other words, as transactions with owners in their capacity as owners. In the case of acquisitions from non-controlling interests, the difference between the fair value of consideration paid and the proportion of the carrying amount of the subsidiary’s net assets actually acquired is recognised in equity. Gains and losses on disposals to non-controlling interests are also recognised in equity.
Intra-group receivables and liabilities, revenue or expenses, and unrealised gains or losses arising from transactions between group companies, are eliminated in full on preparation of the consolidated financial statements.

Associated companies and joint ventures – equity method

Associated companies are companies that Balder has significant influence over. Significant influence means the opportunity to participate in decisions relating to the company's financial and operational strategies, but does not imply control or joint control. Normally, ownership equivalent to at least 20 % and up to 50 % of the votes means that a significant influence is held. Circumstances in the individual case can result in a significant influence even with ownership of less than 20 % of the votes.

A joint venture is a joint arrangement whereby the parties that exercise joint control over the arrangement are entitled to the net assets from the arrangement. Joint control exists when the joint exercise of control over an operation is regulated through an agreement. It only exists when the parties that share control must give their consent in connection with decisions regarding the operation.

Associated companies and joint ventures are recognised in the Group according to the equity method. The equity method means that participations in an associated company are recognised at cost at the date of acquisition and are subsequently adjusted by the Group's participation in the change in the associated company's net assets. Dividends received from associated companies reduce the carrying amount. Profit participations in associated companies are recognised on separate lines in the consolidated statement of comprehensive income and in the consolidated statement of financial position. Participations in the profits of associated companies are recognised after tax. The equity method is applied until the date when the significant influence ceases.

Foreign currency

Financial statements of foreign operations
Assets and liabilities in foreign operations are translated to Swedish kronor, at the exchange rate prevailing at the end of the reporting period. Income and expenses in a foreign operation are translated to Swedish kronor at an average rate that represents an approximation of the prevailing exchange rates on the date of each transaction. Translation differences arising on currency translation of foreign operations are recognised via other comprehensive income as a translation reserve.

Transactions in foreign currency

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency, which applies in the primary economic environments in which companies conduct their operations. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the prevailing year-end exchange rate. Exchange differences are recognised in the income statement, apart from non-current internal balances, which are treated as a part of the net investment in subsidiaries and are recognised via other comprehensive income. Non-monetary assets and liabilities, which are recognised at historical cost are translated at the exchange on the transaction date. Non-monetary assets and liabilities, which are recognised at fair value are translated to the functional currency at the rate prevailing on the date of fair value measurement.

Rental income and service revenue

Rental income refers to income from operating leases. Rental income includes rent, additions for investments and property tax and other extra charges such as heating, water, cooling, refuse collection etc. as these are not deemed significant enough to be reported separately. Both rental income and additional charges are recognised in the consolidated income statement on a straight-line basis according to the terms of the leasing agreement. The aggregate cost of rebates provided is recognised as a reduction of rental income on a straight-line basis over the term of the lease. Rental income and extra charges are paid in advance and are recognised as prepaid rental income in the balance sheet.

Divestment of investment properties and development properties

For principles relating to revenue and profit from property sales and sales of development properties, see section Investment properties and Development properties.

Costs for operating lease contracts

Costs relating to operating lease contracts and benefits received in connection with the signing of an agreement are recognised in the consolidated income statement on a straight-line basis over the term of the lease.

Financial income and expenses

Financial income and expenses consists of interest income on bank balances and receivables as well as interest expenses on liabilities.

Interest income on receivables and interest expenses on liabilities are calculated by application of the effective interest method. The effective rate is the interest rate, which means that the present value of all future incoming and outgoing payments during the interest rate refixing period will be the same as the carrying amount of the receivable or liability. Interest income and interest expenses include allocated amounts of transaction costs and possible discounts, premiums and other differences between the initial carrying amount of the receivable or liability and the amount that is settled at maturity. The interest component in financial lease payments is recognised in the consolidated statement of comprehensive income by application of the effective interest method.

Borrowing costs directly attributable to the construction or production of an asset, which requires a significant time to complete for use or sale are included in the cost of the asset. Capitalisation of borrowing costs takes place provided that it is likely to lead to future economic benefits and that the costs may be measured in a reliable manner.

Financial instruments

Financial instruments are measured and recognised in the Group in accordance with the rules in IFRS 9. Financial instruments on the asset side that are recognised in the consolidated statement of financial position include cash and cash equivalents, financial investments, trade receivables and other non-current receivables (receivables from associated companies) as well as derivatives with positive value. Liabilities include trade payables, borrowings and derivatives with negative value.

A financial asset or financial liability is carried in the consolidated statement of financial position when the company becomes a party to

the contractual terms of the instrument. Trade receivables are carried in the balance sheet when the invoice has been sent. Rent receivables are recognised as a receivable in the period when performance, which corresponds to the receivable's value, has been delivered and payments corresponding to the value of the receivable have still not been received. A liability is recognised when the counterparty has performed a service and a contractual payment obligation exists, even if the invoice has not yet been received. Trade payables are recognised when the invoice has been received.

A financial asset is derecognised when the contractual rights are realised or expire or the company no longer has control over them. The same applies to a portion of a financial asset. A financial liability is derecognised when the contractual liability is discharged or otherwise expires. The same applies to a portion of a financial liability.

Acquisition and disposal of financial assets are recognised on the transaction date, which represents the day when the company committed to acquire or dispose of the asset. Borrowing is recognised when the funds have been received, while derivative instruments are recognised when the contract has been entered into.

From 1 January 2018, Balder divides its financial instruments into the following categories in accordance with IFRS 9; amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification is based on the cash flow characteristics of the asset and on the business model the asset is held within.

Financial assets measured at amortised cost

Interest-bearing assets (debt instruments) which are held for the purpose of recovering contractual cash flows and where these cash flows consist only of principal amounts and interest are measured at amortised cost. The carrying amount of these assets is adjusted with any expected credit losses recognised (see paragraph on Impairment testing of financial assets). Interest income from these financial assets is recognised using the effective interest method and is recognised as financial income. The Group's financial assets that are measured at amortised cost consist of other non-current receivables (mainly receivables from associated companies), trade receivables, and cash and cash equivalents.

Financial assets measured at fair value through profit or loss

Investments in debt instruments that do not qualify for recognition at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. Equity instruments held for trading, equity instruments where the Group has chosen not to report fair value changes through other comprehensive income and derivatives that do not qualify for hedge accounting are included in this category. A gain or loss on a financial asset (debt instrument) that is recognised at fair value through profit or loss and which is not part of a hedging relationship is recognised net in profit or loss during the period in which the gain or loss arises. This category includes the Group's derivatives with positive fair value and the Group's financial investments.

Financial Assets measured at fair value through other comprehensive income

This category includes equity instruments that

are not held for trading and for which the Group, on initial recognition, made an irrevocable decision to report the holding at fair value through other comprehensive income. The changes in value of these investments are recognised on an ongoing basis in other comprehensive income. In the event of a divestment, the accumulated profit or loss is not transferred to profit or loss. In this category, holdings of unlisted shares, which are included in the item other non-current receivables are recognised.

Financial liabilities measured at fair value through profit or loss

The Group's other financial liabilities are classified as measured at amortised cost by application of the effective interest method. Financial liabilities at amortised cost consist of interest-bearing liabilities (current and non-current), other non-current liabilities and trade payables. Borrowing is initially carried at fair value, net after transaction costs. Borrowing is subsequently recognised at amortised cost and any difference between the amount received (net after transaction costs) and the amount of repayment is recognised in the statement of comprehensive income allocated over the term of the loan using the effective interest method. Borrowing is classified as short-term in the balance sheet if the company does not have an unconditional right to postpone the settlement of the debt for at least twelve months after the reporting period. Declared dividends are recognised, where applicable, as liabilities after the general meeting has approved the dividend. Trade payables and other operating liabilities have short expected maturities and are measured at their nominal value with no discounting.

Derivative instruments

Derivative instruments are recognised in the balance sheet on the transaction date and are measured at fair value, both on initial and subsequent remeasurement in each reporting period. Balder holds derivatives that hedge certain risks relating to cash flow (currency swaps and interest rate swaps), and derivatives that hedge investment in a foreign operation (net investment hedges). Derivatives related to net investments in foreign operations, currency swaps and certain interest rate swaps have been identified as hedging instruments and are deemed to meet the requirements for hedge accounting in IFRS 9. For more detailed descriptions of hedge accounting, see the following paragraph. All other derivative instruments are not considered to meet the criteria for hedge accounting in IFRS 9. Derivatives are also contractual terms which are embedded in other agreements. Embedded derivatives should be accounted for separately if they are not closely related to the host contract. At present, no embedded derivatives have been identified. Changes in the value of derivative instruments identified as hedging instruments are recognised in other comprehensive income, while changes in value of other derivative instruments are recognised in accordance with the applicable category above.

Hedging of variable interest on loans

Some of the Group's interest rate swaps have been identified as hedging instruments and are deemed to meet the requirements for hedge accounting. The interest rate swaps hedge loans with variable interest rates by replacing variable rates with fixed interest rates. The effective portion of changes in fair value on these

interest rate swaps is recognised through other comprehensive income in reserves in equity. The ineffective portion of the change in value is recognised immediately in net profit for the year and is included in the line item Changes in value of derivatives. Amounts accumulated in the hedging reserve in equity are reclassified to profit or loss in the periods in which the hedged item affects earnings.

Hedges of net investments in foreign operations

The Group hedges a significant proportion of the net investments in foreign operations through loans in the same currency as the foreign operations and through currency swaps. The Group considers that the criteria for hedge accounting in IFRS 9 are met for net investments in foreign operations (for further disclosures, see Note 22 Financial risk management). Translation differences on loans and changes in fair value of hedging instruments are recognised in "Other comprehensive income" insofar as the hedge is effective. The cumulative changes in translation differences and fair value are recognised as separate components in equity. Gains or losses arising from the ineffective portion of the hedging instrument are recognised in net profit for the year. On disposal of foreign operations, the gain or loss that is accumulated in equity is transferred to net profit for the year, thus increasing or decreasing the profit/loss of the divestment.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and directly accessible balances at banks and similar institutions as well as short-term highly liquid investments with original maturities of less than three months which are only subject to an insignificant risk of fluctuation in value.

Impairment testing of financial assets

At each reporting date, the Group assesses the future expected credit losses, which are linked to assets recognised at amortised cost based on forward-looking information. The Group's financial assets for which credit losses are expected, consist essentially consist of trade receivables (rent receivables) and other non-current receivables (mainly receivables from associated companies). The Group chooses a provisioning method based on whether there has been a significant increase in credit risk or not. The Group recognises a provision for credit losses for such expected credit losses at each reporting date. For the Group's financial assets (largely trade receivables and receivables from associated companies), the Group applies the simplified approach for credit loss provisioning, in other words, the provision will correspond to the expected loss over the entire life of the trade receivable. In order to measure the expected credit losses, trade receivables have been grouped based on distributed credit risk characteristics and days overdue. The Group uses forward-looking variables for expected credit losses.

Property, plant and equipment

Owned assets

Property, plant and equipment are recognised as an asset in the consolidated statement of financial position if it is probable that future economic benefits will accrue to the company and the cost of the asset can be reliably measured.

Property, plant and equipment are recognised in the Group at cost less accumulated depreciation and any impairment losses. The purchase price is included in the cost as well as expenses

directly attributable to the asset in order to bring it to the location and in the condition to be used in accordance with the aim of the acquisition.

The carrying amount of an item of property, plant and equipment is derecognised on retirement or disposal or when no future economic benefits can be expected from use of the asset. Gains or losses arising from disposal or retirement of an asset consist of the difference between the selling price and the asset's carrying amount less directly related selling expenses. Gains and losses are recognised as other operating income/expenses.

Leased assets

Leases are classified in the consolidated financial statements either as finance or operating leases. A finance lease exists when the economic risks and rewards associated with ownership have been essentially transferred to the lessee; if this is not the case, it is a matter of an operating lease.

Operating leases mean that leasing fees are expensed over the term of the lease, based on use, which may differ in practice from the amount of leasing fees paid during the year.

The Group has no financial leases.

Additional expenditure

Additional expenditure is added to cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be measured in a reliable way. Other additional expenditure is recognised as a cost in the period in which it arises. The assessment of whether additional expenditure is added to cost depends on whether the expenditure concerns the replacement of identified components, or parts thereof, whereupon such expenditure is capitalised. Even in cases where new components are created, the expenditure is added to the cost. Repairs are expensed on an ongoing basis.

Depreciation methods

Assets are depreciated on a straight-line basis over their estimated useful lives:

Property, plant and equipment	Useful life
Equipment	3–10 years
Wind turbines	10–20 years

Assessment of the residual value and useful life of an asset is made on an annual basis.

Investment properties

Investment properties are properties that are held with the aim of receiving rental income or appreciation in value or a combination of both. Investment properties are initially recognised at cost, which includes expenses and borrowing costs directly related to the acquisition. Investment properties are recognised according to the fair value method. The fair value is based on internal valuations which are reconciled as required with external independent valuers. Fair value is based on the market value, which is the estimated amount that would be received in a transaction on the valuation date between knowledgeable parties that are independent of one another and that have an interest in completing the transaction after customary marketing, where both parties are assumed to have acted discerningly, wisely and without compulsion. Both unrealised and realised changes in value are recognised in

the income statement. Valuations are performed at the end of each quarter.

Revenue from the sale of properties is recognised when the control of the property has been transferred to the buyer. However, an enforceable right to payment does not arise until ownership has been transferred to the buyer. Revenue is therefore recognised at the time when ownership is transferred to the buyer. Ownership of the property (regardless of whether the property is sold separately or via a company transaction) is normally transferred on the date of taking possession. The revenue is valued at the contractual transaction price as the consideration usually falls due for payment when ownership has been transferred.

If the Group starts a conversion of an existing investment property for continued use as an investment property, the property will continue to be recognised as an investment property. The property is recognised according to the fair value method and is not reclassified as property, plant and equipment during the conversion period.

Additional expenditure is added to the carrying amount only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be measured in a reliable way. Other additional expenditure is recognised as a cost in the period in which it arises. The assessment of whether additional expenditure is added to the carrying amount depends on whether the expenditure concerns the replacement of identified components, or parts thereof, whereupon such expenditure is capitalised. Even in cases where new components are created, the expenditure is added to the carrying amount.

Development properties

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 in the line item "Development properties" among current assets in the balance sheet and are valued at the lowest of cost and net realisable value. Profit/loss is recognised when each property is completed, sold and handed over to the buyer.

Impairment losses

The carrying amounts of the Group's assets, with the exception of investment properties, financial instruments and deferred tax assets, are tested on each balance sheet date to determine if there is any indication of an impairment requirement.

If such indication exists, the asset's recoverable amount is estimated. For exempted assets, as above, the carrying amount is tested in accordance with each standard.

If it is impossible to determine significant independent cash flows to an individual asset, the assets should be grouped, in conjunction with impairment testing, at the lowest level at which it is possible to identify significant independent cash flows – a so-called cash generating unit. An impairment loss is recognised when the carrying amount of the asset or cash generating unit exceeds its recoverable amount. An impairment loss is recognised in the income statement.

Assets with short maturities are not discounted. The recoverable amount on other assets is the higher of the fair value less selling expenses and the value in use. In calculating value in use, future cash flows are discounted using a discount factor that takes into account the risk-free rate of interest and the risk associated with the specific

asset. For an asset that does not generate cash flows, which is significantly independent of other assets, the recoverable amount is estimated for the cash generating unit to which the asset belongs.

Repurchase of own shares

Purchases of own shares are recognised as a deduction from equity. The proceeds from disposal are recognised as an increase in equity. Any transaction expenses are recognised directly against equity.

Cash flow statement

The cash flow statement was prepared using the indirect method, by which the result is adjusted for transactions that do not result in incoming or outgoing payments during the period, as well as for any income or costs attributable to investing or financing activities.

Employee benefits

Short-term employee benefits

Short-term employee benefits are calculated without discounting and are recognised as a cost when the related services are received.

Pensions

Pension plans are classified as either defined benefit or defined contribution plans. The plans are predominantly defined contribution plans. Defined benefit plans only exist in exceptional cases.

Defined contribution plans

For defined contribution plans, the Group pays contributions to privately managed pension insurance plans on a voluntary basis. The Group has no further payment obligations once the contributions have been paid; in order words, the individual carries the risk. The contributions are recognised as employee benefit expenses when they are due for payment. Prepaid contributions are recognised as an asset to the extent that a cash refund or decrease in future payments could accrue to the Group.

Termination benefits

A provision is recognised in connection with terminating the employment of personnel only if the company is demonstrably obligated to end employment before the normal time or when remuneration is provided as an offer to encourage voluntary retirement.

Provisions

Provisions are recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of past events, and it is probable that an outflow of financial resources will be required to settle the obligation and that the amount can be reliably estimated. In cases where the effect of payment timing is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks specific to the liability.

Taxes

Income taxes consist of current tax and deferred tax. Income tax is recognised in the income statement except when underlying transactions are recognised in other comprehensive income or directly against equity, whereupon the associated tax effect is recognised in other comprehensive income or in equity. Current tax is tax that shall

be paid or received in respect of the current year, using the tax rates which are enacted or which in practice are enacted on the balance sheet date. This includes adjustments of current tax relating to previous periods.

Deferred taxes are estimated in accordance with the liability method, based on temporary differences between the tax bases of assets and liabilities and their carrying amounts. Temporary differences not taken into consideration; temporary differences arising on the initial recognition of goodwill, the initial recognition of assets and liabilities that are not business combinations and which on the transaction date did not affect the recognised or taxable result. Furthermore, temporary differences are not taken into consideration that are attributable to investments in subsidiaries and which are not expected to be reversed within the foreseeable future. The measurement of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is measured using the tax rates and tax regulations which are enacted or are in practice enacted on the balance sheet date. Deferred tax assets and liabilities are recognised net if they concern the same tax authority (country).

Deferred tax assets relating to deductible temporary differences and loss carryforwards are only recognised to the extent that it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilised.

When a company is acquired, the acquisition constitutes either the acquisition of an entity or the acquisition of an asset. An acquisition of an asset is identified if the acquired company only owns one or more properties. There are leases for these properties, but no personnel are employed in the company who can conduct business. In case of recognition as an asset acquisition, no deferred tax is recognised. All of Balder's completed acquisitions during the year were classified as asset acquisitions and therefore no deferred tax is recognised relating to properties in respect of these acquisitions.

Contingent liabilities

A contingent liability is recognised if there is a possible obligation for which it has yet to be confirmed if the Group has an obligation that could lead to an outflow of resources, alternatively, if there is a present obligation that does not meet the criteria to be recognised in the balance sheet as a provision or other liability as it is not probable that an outflow of resources will be required to settle the obligation or as it is not possible to make a sufficiently reliable estimate of the amount.

New accounting policies from and including 1 January 2018

IFRS 9 Financial Instruments

The Group applies the standard IFRS 9 Financial Instruments from 1 January 2018. The standard is applied prospectively from 1 January 2018, which means that comparative information is not restated. The biggest difference connected to the introduction of IFRS 9 is that a new model for calculating credit losses is introduced. The model is based on expected credit losses by taking forward-looking information into account instead of as before when a provision was made in the case of an indication of a problem with payment. The impact of the transition to IFRS 9 is entirely related to expected credit losses and the total

transition impact reported in the Balder Group's equity amounted to SEK –92m. The Balder Group also applies hedge accounting for net investments in foreign operations. Since the hedging relationship has also been deemed effective under IFRS 9, hedging net investments in foreign operations does not cause any transition impacts. Furthermore, the introduction of IFRS 9 has an impact on disclosures in the form of updated accounting principles and expanded disclosures, as well as changed classification of categories for financial instruments.

IFRS 15, Revenue from Contracts with Customers

The Group applies the standard IFRS 15 Revenue from Contracts with Customers for the first time for the financial year beginning on 1 January 2018. The introduction of this standard has not had any impact on the Group's earnings and financial position. The effect of the introduction of IFRS 15 has only meant an updated description of accounting principles and amended disclosures.

New accounting policies from and including 1 January 2019

IFRS 16 Leases

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 size at the time of transition to IFRS 16. The right-of-use assets 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, the-

se 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 introduction of IFRS 16 had no impact of comprehensive income for the year. The operating surplus, which is also used to measure the segment's earnings, will increase by approx. SEK 63m for 2019 due to the application of the new accounting principles in IFRS 16.

The Group is essentially a lessor as rental income is generated from operating leases. A review of these agreements has not resulted in any change in the currently applied principles in connection with the transition to IFRS 16.

None of the other IFRSs or IFRIC interpretations which have not yet become effective, are expected to have any material impact on the Group.

Parent Company accounting policies

The parent company has prepared its annual accounts according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The recommendation means that the parent company in the annual accounts for the legal entity should apply all International Financial Reporting Standards and interpretations approved by the EU as far as possible within the framework of the Annual Accounts Act, and taking into account the connection between recognition and taxation. The recommendation states which exemptions and amendments apply with respect to IFRS.

Differences between the accounting principles of the parent company and the Group

The accounting policies set out for the parent company have been applied consistently for all periods presented in the parent company's financial statements.

Classification and presentation

The parent company's income statement and balance sheet are prepared according to the Swedish Annual Accounts Act's layout. The difference from IAS 1 Presentation of Financial Statements, which is applied in the presentation of the consolidated financial statements, is mainly related to recognition of financial income and expenses and shareholders' equity.

Subsidiaries and associated companies

Holdings in subsidiaries and associated companies are recognised in the parent company financial statements according to the cost method. Received dividends are only recognised as income provided that they pertain to profits earned subsequent to the acquisition. Dividends which exceed this earned profit are treated as a repayment of the investment and reduce the carrying amount of the participation.

Revenue

The parent company's net sales consist of management services for subsidiaries and associated companies. This income is recognised in the period it relates to.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised in cases where the parent company has the exclusive right to decide on the size of the dividend and the parent company has made a decision on the size of the dividend before having

published its financial statements.

Financial guarantees

The parent company's financial guarantee contracts mainly consist of loan guarantees on behalf of subsidiaries and associated companies. Financial guarantees mean that the company has an obligation to compensate the holder of a debt instrument for losses that they incur because a particular debtor does not complete payment on maturity according to the terms of the agreement. For recognition of financial guarantee contracts, the parent company applies RFR 2 paragraph IFRS 9, which implies relief compared to the rules in IFRS 9 as regards financial guarantee contracts issued on behalf of subsidiaries and associated companies. The parent company recognises financial guarantee contracts as a provision in the balance sheet when the company has an obligation for which payment is likely to be required to settle the obligation.

Leased assets

All lease agreements in the parent company are recognised in accordance with the rules for operating leases.

Taxes

In the parent company, untaxed reserves are recognised including deferred tax liability. However, in the consolidated accounts, untaxed reserves are allocated between deferred tax liabilities and equity.

Group contributions and shareholders' contributions

The company recognises group contributions and shareholders' contributions in accordance with the Swedish Financial Reporting Board's recommendation RFR 2. Shareholders' contributions are recorded directly in equity in the case of the receiver and capitalised in shares and participations by the grantor, to the extent that impairment is not required. Group contributions are recognised as income in the income statement of the receiver and as a cost for the grantor. The tax effects are recognised according to IAS 12 in the income statement.

Note 2 • Segment reporting

Balder' operating segments consist of the regions Helsinki, Stockholm, Gothenburg, Öresund, East and North. This division is aligned with the

Group's internal reporting. The Management primarily follows up operating segments based on their net operating income, where common

property adminstration expenses have been allocated according to the cost principle. See also Note 1, Accounting policies

Regions	Helsinki		Stockholm		Gothenburg		Öresund		East		North		Group	
SEKm	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Rental income	2,302	2,044	1,057	920	1,255	1,153	919	666	940	919	240	214	6,714	5,915
Property costs	−719	−692	−236	−216	−304	−292	−198	−155	−295	−276	−71	−63	−1,824	−1,695
Net operating income	1,583	1,352	821	704	951	861	721	510	645	642	168	151	4,890	4,220
Changes in value of properties														
Commercial properties	−	−	1,925	1,202	1,318	1,007	678	374	51	58	64	50	4,035	2,691
Residential properties	947	588	604	341	541	444	1 161	754	511	387	208	131	3,972	2,645
Wind turbines	−	−	−	−	−	−14	−	−	−8	−22	−	−	−8	−36
Net operating income including changes in value	2,530	1,941	3,351	2,247	2,810	2,297	2,560	1,637	1,199	1,066	440	332	12,889	9,519
Non-allocated items:														
Other income/expenses													−3	8
Management costs and administrative expenses													−592	−543
Participations in the profits of associated companies													881	1,010
Operating profit													13,176	9,994
Net financial items													−1,076	−984
Changes in value of derivatives													−34	144
Income tax													−1,897	−1,386
Net profit for the year													10,169	7,769
Other comprehensive income													−26	22
Comprehensive income for the year													10,143	7,791
Assets														
Commercial properties	−	−	19,225	15,560	16,929	15,090	8,820	6,974	2,103	1,948	1,202	1,096	48,278	40,668
Residential properties	32,589	28,241	4,346	3,403	5,700	5,314	12,040	8,833	10,519	9,662	3,069	2,238	68,263	57,692
Investment properties	32,589	28,241	23,570	18,964	22,629	20,404	20,861	15,807	12,622	11,610	4,271	3,334	116,542	98,360
Non-allocated items:														
Property, plant and equipment													123	107
Other non-current receivables													1,293	949
Participations in associated companies													6,219	4,699
Current assets													3,831	2,144
Total assets													128,008	106,260
Equity and liabilities														
Non-allocated items:														
Equity													47,408	37,718
Deferred tax liability													8 857	7 041
Interest-bearing liabilities													67,205	58,384
Derivatives													965	922
Non-interest-bearing liabilities													3,573	2,196
Total equity and liabilities													128,008	106,260
Investments (including company acquisitions)														
Commercial properties	−	−	2,112	1,201	633	1,395	1,196	1,465	22	506	56	0	4,020	4,567
Residential properties	2,360	1,291	285	55	569	741	1,948	1,399	253	496	637	106	6,051	4,087
Investment properties	2,360	1,291	2,397	1,256	1,202	2,136	3,144	2,864	275	1,002	693	106	10,071	8,654

The Group's registered office is in Sweden. Revenue from external customers in Sweden amounted to SEK 3,067m (2,811) and total revenue from external customers in Denmark, Finland, Norway and Germany amounted to SEK 3,647m (3,104). Total non-current assets, other than financial instruments and deferred tax receivables that are located in Sweden amounted to SEK 60,022m (51,414) and the total of such non-current assets located in other countries amounted to SEK 56,643m (47,053).

Note 3 • Revenue distribution

No division is made between rental income and revenue from contracts with customers as these revenues are not significant. Catego-

ries of rental income presented below include service revenue.

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Rental income	6,714	5,915	−	−
Service assignments	−	−	289	252
Total	6,714	5,915	289	252

Rental income distributed by country	Group		Rental income distributed by property category	Group		Rental income distributed by region	Group	
SEKm	2018	2017	SEKm	2018	2017	SEKm	2018	2017
Sweden	3,067	2,811	Residential	4,191	3,742	Helsinki	2,302	2,044
Denmark	475	294	Office	887	795	Stockholm	1,057	920
Finland	3,087	2,769	Retail	745	668	Gothenburg	1,255	1,153
Norway	55	42	Other	883	648	Öresund	919	666
Germany	30	−	Projects for own management	8	62	East	940	919
Total	6,714	5,915	Total	6,714	5,915	North	240	214
						Total	6,714	5,915

Note 4 • Employees and personnel expenses

At year-end, the Group had a total of 652 employees (610), of whom 290 (277) were women. The number of employees in the parent company at year-end was 271 (255), of whom

85 (90) were women. During 2018, Fastighets AB Balder had 5 Board members (5) including the Chairman, of

whom 1 (1) was a woman. The Group as well as the parent company had 6 senior executives (6) including the CEO, of whom 1 (1) was a woman.

Number of employees	Group		Parent Company	
	2018	2017	2018	2017
Average number of employees	650	586	287	232
of whom, women	295	269	99	81
of whom men	355	317	188	151

Salaries, fees and benefits Mkr	Group		Parent Company	
	2018	2017	2018	2017
Chairman of the Board	0.2	0.2	0.2	0.2
Other Board members	0.3	0.3	0.3	0.3
Chief Executive Officer				
Basic salary	0.9	0.9	0.9	0.9
Benefits	−	−	−	−
Other senior executives				
Basic salary	7.0	6.0	7.0	6.0
Benefits	0.4	0.3	0.4	0.3
Other employees				
Basic salary	296.3	257.2	114.6	99.4
Benefits	3.2	2.7	2.2	2.1
Total	308.3	267.6	125.6	109.2

Statutory social security contributions including payroll tax SEK million	Group		Parent Company	
	2018	2017	2018	2017
Board of Directors	0.1	0.1	0.1	0.1
Chief Executive Officer	0.4	0.4	0.4	0.4
Other senior executives	2.4	2.1	2.4	2.1
Other employees	92.4	81.6	39.0	33.8
Total	95.3	84.2	41.9	36.4

Contractual pension expenses SEKm	Group		Parent Company	
	2018	2017	2018	2017
Chief Executive Officer	0.3	0.3	0.3	0.3
Other senior executives	1.0	0.9	1.0	0.9
Other employees	37.7	33.1	7.2	6.5
Total	39.0	34.3	8.5	7.7
Total	442.6	386.1	176.0	153.3

Note 4 • Cont.

Remuneration to senior executives and other benefits during the year

SEKm	1 Jan 2018–31 Dec 2018				1 Jan 2017–31 Dec 2017			
	Basic salary Directors' fee	Benefits	Pension expense	Total	Basic salary Directors' fee	Benefits	Pension expense	Total
Chairman of the Board Christina Rogestam	0.2	—	—	0.2	0.2	—	—	0.2
Board member Fredrik Svensson	0.1	—	—	0.1	0.1	—	—	0.1
Board member Sten Dunér	0.1	—	—	0.1	0.1	—	—	0.1
Board member Anders Wennnergren	0.1	—	—	0.1	0.1	—	—	0.1
CEO	0.9	—	0.3	1.2	0.9	—	0.3	1.2
Management team (5 persons)	7.0	0.4	1.0	8.4	6.0	0.3	0.9	7.2
Total	8.4	0.4	1.3	10.1	7.4	0.3	1.2	8.9

No variable remuneration is paid to any of the company's senior executives.

A defined benefit pension plan agreement has been entered into with the CEO which means that an amount of SEK 0.3m (0.3) will be paid out annually to the CEO when he reaches 55 until he is 65. Future payments will be limited according to agreement by the fund's assets. The payments are not dependent on future employment. The present value of the commitment amounted to SEK 2.8m (2.9). The commitment has been secured by a provision to a pension fund, whose plan assets amounted to SEK 2.8m (2.9). The value of the pension commitment has been calculated in accordance with the Pension Obligations

Vesting Act, which does not accord with IAS 19. The difference in cost under the two methods of calculation is not significant.

Remuneration to senior executives follows the guidelines resolved upon at the latest Annual General Meeting. The remuneration should be market-related and competitive. The remuneration should be paid in the form of a fixed salary. Pension terms should be market-related and based on defined contribution pension solutions. Total dismissal pay and termination benefits should not exceed a period of 18 months. The CEO's salary and benefits are determined by the

Board. Salaries and benefits of other senior executives are determined by the CEO. In the event of termination of the CEO's employment, a mutual period of notice of six months applies. In the event of termination by the company, termination benefits are payable during a period of 12 months (not qualifying for pension or holiday pay). A mutual period of notice of six months applies to other members of the Management team. No termination benefits are payable.

The Board has the right to depart from the guidelines resolved upon by the Annual General Meeting for remuneration to senior executives, if special grounds exist.

Note 5 • Audit fees and reimbursements

The audit assignment refers to the review of the financial statements and accounting records as well as the administration of the Board of Directors and CEO. This item also includes other duties that the company's auditors are obliged to perform as well as advice or other assistance that is occasioned by review or implementation of such other duties. Everything else is consultancy. Audit expenses are included in group-wide expenses, which are levied on the subsidiaries.

SEKm	Group		Parent Company	
	2018	2017	2018	2017
PwC				
The audit assignment	5.4	4.6	3.6	2.9
—of which to ÖhrlingsPricewaterhouseCoopers AB	3.7	3.5	3.6	2.9
Audit work apart from the audit assignment	0.4	0.6	0.4	0.6
—of which to ÖhrlingsPricewaterhouseCoopers AB	0.4	0.6	0.4	0.6
Tax advice	0.8	0.8	0.8	0.8
—of which to ÖhrlingsPricewaterhouseCoopers AB	0.8	0.8	0.8	0.8
Deloitte (KPMG during 2017)				
The audit assignment	1.6	1.2	—	—
Tax advice	—	0.3	—	—
Other services	0.1	0.4	—	—
Total	8.3	7.9	4.9	4.3

Note 6 • Operating costs distributed according to function and type of cost

Group, SEKm	2018	2017
Property costs	1,824	1,695
Management costs and administrative expenses	592	543
Total	2,416	2,238
Group, SEKm	2018	2017
Personnel expenses	443	386
Depreciation/amortisation	20	19
Media expenses	610	535
Property tax	273	238
Ground rent	63	49
Maintenance and other costs ¹⁾	1,007	1,010
Total	2,416	2,238

1) Refers to operating costs and administration excluding personnel expenses.

Note 7 • Specification of property costs

Group, SEKm	2018	2017
Operating and maintenance costs ¹⁾	874	866
Media expenses ²⁾	614	542
Property tax	273	238
Ground rent	63	49
Total	1,824	1,695

1) Operating costs include personnel expenses relating to property maintenance.
2) Includes depreciation of wind turbines.

Note 8 • Leases

Leases where the Group is the lessee

The Group has a number of site leasehold agreements and leases. In addition to this, there are a number of leases that relate to rent of offices within the Group. The lease payments are renegotiated at the end of the leases to reflect market rents. Leases are mostly due for renegotiation in more than 5 years and amount to SEK 2,118m (2,040) in total. In the annual accounts for 2018, an expense of SEK 63m (49) was recognised in respect of ground rent. The future non-cancellable lease payments are as follows:

Group, SEKm	2018	2017
Within one year	85	79
1–5 år	312	310
>5 år	1,721	1,651
Total	2,118	2,040

No leasing expenses were reported in the parent company. However, there are a small number of minor leases, where Balder is lessee, mainly relating to private cars. Payments made during the lease term are expensed in the income statement on a straight-line basis over the term of the lease.

Leases where the Group is lessor

The Group lets out its investment properties under operating leases. The future non-cancelable lease payments are as follows in the table to the right.

Leases for commercial premises are normally entered into for 3–5 years with a period of notice of 9 months. Leases for residential properties normally run subject to a period of notice of 3 months.

The average lease term in the portfolio's commercial leases amounted to 7.8 years (7.4).

Group, SEKm	2018	2017
Residential, parking etc. (within one year)	4,303	3,943
Commercial premises		
Within one year	2,698	2,295
1–5 år	8,076	6,705
>5 år	11,902	8,103
Total	26,979	21,045

Note 9 • Financial income

SEKm	Group		Parent Company	
	2018	2017	2018	2017
Interest income	78	71	51	43
Interest income, subsidiaries	—	—	1,742	1,601
Other financial income	50	64	23	56
Total	128	135	1,816	1,700

Interest income is mainly related to receivables from associated companies. Other financial income mainly relates to dividends and unrealised changes in value on listed shares.

Note 10 • Financial expenses

SEKm	Group		Parent Company	
	2018	2017	2018	2017
Interest expenses, borrowings	1,006	837	458	274
Interest expenses, interest rate derivatives	137	174	137	164
Interest expenses, subsidiaries	—	—	258	278
Other financial expenses ¹⁾	61	108	853	635
Total	1,204	1,119	1,706	1,350

Other financial expenses are related to interest-bearing liabilities and realised changes in value on financial investments.

1) Other financial expenses in the parent company amounted to SEK 853m (635), of which exchange differences amounted to SEK 729m (565). The recognised exchange differences mainly related to translation of Euro bonds, which from a Group perspective are used for hedging of net investments in a foreign operation.

Note 11 • Income tax

Recognised in the income statement SEKm	Group		Parent Company	
	2018	2017	2018	2017
Current tax expense (–)/tax revenue (+)				
Current tax	–306	–221	–0	–0
Deferred tax expense (–)/tax revenue (+)				
Deferred tax related to temporary differences	–1,929	–1,433	10	–96
Deferred tax on changes in loss carry-forwards	0	65	–8	4
Released deferred tax in respect of temporary differences on sale	—	195	—	—
Change in other temporary differences	–6	8	—	—
Remeasurement of deferred tax due to new tax rate	345	—	–6	—
Total deferred tax	–1,591	–1,164	–3	–92
Total recognised tax	–1,897	–1,386	–3	–92

Note 11 • Cont.

Reconciliation of effective tax				
Group, SEKm	2018, %	2018	2017, %	2017
Profit before tax		12 065		9 154
Tax according to applicable tax rate for the parent company	22	–2,654	22	–2,014
Difference between profit for tax purposes and the recognised profit on sale of property	–0	4	–2	221
Tax on participation in profits from associated companies	–2	194	–2	222
Tax pertaining to prior years	0	–17	–0	1
Differences in foreign tax rates	–0	47	–0	36
Non-taxable income/non-deductible expenses etc.	–2	184	–2	148
Remeasurement of deferred tax due to new tax rate	–3	345	–	–
Recognised effective tax	16	–1,897	15	–1,386

Parent Company, SEKm	2018, %	2018	2017, %	2017
Profit before tax		1,594		1,326
Tax according to applicable tax rate for the parent company	22	–351	22	–292
Non-taxable income/non-deductible expenses	0	–1	0	–0
Tax-exempt dividend	–22	354	–15	200
Tax pertaining to prior years	0	–0	0	–0
Remeasurement of deferred tax due to new tax rate	0	–6	–	–
Recognised effective tax	0	–3	7	–92

The Swedish Parliament has decided that the corporation tax, for 2018, is 22 % and shall be reduced in two stages. The first eduction will occur in 2019 to 21.4 % and the second reduction will occur in 2021 to 20.6 %. Deferred taxes are remeasured based on the tax rate that applies at the time when the deferred tax is expected to be settled.

Recognised in the balance sheet

Deferred tax assets and tax liabilities

Group 2018, SEKm	Deferred tax assets	Deferred tax liabilities	Net
Deferred tax assets and tax liabilities relate to the following:			
Properties	–	–9,295	–9,295
Derivatives	149	–	149
Loss carry-forwards	359	–	359
Other temporary differences	–	–70	–70
Set-off	–508	508	–
Total	–	–8,857	–8,857

No non-capitalised assessed loss carry-forwards exist. Measured deficit amounts to SEK 1,744m (1,718).

Parent Company 2018, SEKm	Deferred tax assets	Deferred tax liabilities	Net
Deferred tax assets and tax liabilities relate to the following:			
Derivatives	92	–	92
Loss carry-forwards	2	–	2
Other temporary differences	–	–8	–8
Set-off	–8	8	–
Total	85	–	85

No non-capitalised assessed loss carry-forwards exist. Measured deficit amounts to SEK 7m (42).

Change of deferred tax in temporary differences and loss carry-forwards

Group, SEKm	Balance at 1 Jan 2017	Recognised in income statement	Acquisitions and disposals of companies	Balance at 31 Dec 2017
Properties	–6,219	–1,084	–166	–7,469
Derivatives	294	–154	2	142
Capitalisation of the value of loss carry-forwards	216	65	97	378
Other temporary differences	–98	8	–2	–92
Total	–5,808	–1,164	–68	–7,041

Group, SEKm	Balance at 1 Jan 2018	Recognised in income statement	Acquisitions and disposals of companies	Balance at 31 Dec 2018
Properties	–7,469	–1,568	–258	–9,295
Derivatives	142	–1	7	149
Capitalisation of the value of loss carry-forwards	378	–24	6	359
Other temporary differences	–92	2	20	–70
Total	–7,041	–1,591	–225	–8,857

Note 11 • Cont.

Parent Company, SEKm	Balance at 1 Jan 2017	Recognised in income statement	Balance at 31 Dec 2017
Derivatives	195	–105	91
Capitalisation of the value of loss carry-forwards	5	4	9
Other temporary differences	–21	9	–11
Total	180	–92	88

Parent Company, SEKm	Balance at 1 Jan 2018	Recognised in income statement	Balance at 31 Dec 2018
Derivatives	91	1	92
Capitalisation of the value of loss carry-forwards	9	–8	2
Other temporary differences	–11	3	–8
Total	88	–3	85

Note 12 • Earnings per share

Earnings per share were computed in the following way:

Parent Company, SEKm	2018	2017
Net profit for the year attributable to the parent company's shareholders	9,308	7,118
Less - preference share dividend	–	–150
Total	9,308	6,968
<i>Weighted average number shares</i>		
Total number of shares, 1 January	180,000,000	180,000,000
Weighted average number of shares before dilution	180,000,000	180,000,000
Effect of newly issued shares	–	–
Weighted average number of shares after dilution	180,000,000	180,000,000
<i>Earnings per share before dilution, SEK</i>		
	51.71	38.71
<i>Earnings per share after dilution, SEK</i>		
	51.71	38.71

The calculation of earnings per share has been based on net profit for the year attributable to the parent company's shareholders amounting to SEK 9,308m (6,968), after taking account of the participation of preference shares in net profit for the period and on the weighted average number of shares during the year amounting to 180,000,000 shares (180,000,000).

Note 13 • Investment properties

Group, SEKm	2018	2017
Opening fair value	98,360	86,177
Acquisitions	3,861	4,936
Investments in existing properties and projects	6,210	3,718
Changes in value, unrealised	7,922	5,151
Disposals	–225	–2 824
Currency changes	2,012	1,202
Reclassification to development properties	–1,598	–
Closing fair value	116,542	98,360

Valuation model

Investment properties are recognised at fair value in the consolidated statement of financial position and changes in value are recognised in the consolidated income statement. All investment properties are deemed to be at Level 3 in the fair value hierarchy according to IFRS 13 Fair Value Measurement . The fair value of Balder's

property portfolio is based on internal valuations. The properties in Sweden, Denmark, Norway and Germany are valued using the yield method. In Finland, besides the yield method, the sales comparison method is also used as well as the acquisition cost method. The Group's building rights are valued at cost.

Properties under construction and project properties for own management are valued at market value less estimated construction expenditure and project risk, which usually corresponds to a valuation at cost. Fair value is the estimated amount that would be recovered in a transaction on the date of measurement between knowledgeable parties that are independent of one another and that have an interest in completing the transaction after customary marketing, where both parties are assumed to have acted discerningly, wisely and without compulsion. On the closing date, Balder carried out an internal valuation of the entire property portfolio.

The yield method

During valuation using the yield method, each

property is valued by computing the present value of future cash flows, in other words future rent payments less estimated operating and maintenance payments and the residual value in ten years. Estimated rent payments as well as operating and maintenance payments have been derived from current rental income as well as operating and maintenance costs. The cash flow is adjusted to the market by taking account of any changes in the occupancy rate and letting levels as well as operating and maintenance payments. An inflation rate of 2% has been assumed in all cash flow calculations. Properties equivalent to about 70% of the total market value were valued by the yield method.

The sales comparison method

During valuation using the sales comparison method, quoted prices in the market are used as a basis for comparable objects during the past 24 months. The sales comparison method is used in Finland for the properties that consist of apartments, which can be sold as separate units without restrictions. Properties equivalent to about 28%

Not 13 • Cont.

of the total market value were valued by the sales comparison method.

Acquisition cost method

The acquisition cost method is applied for properties under construction and properties subject to rent control in Finland. Properties equivalent to about 2 % of the total market value were valued at acquisition cost. Initially, these properies are valued at cost plus transaction costs and subsequently at cost less any impairment losses.

Internal and external valuations

Market value assessments of properties always involve a certain amount of uncertainty in the assumptions and estimates made. The uncertainty in respect of individual properties is normally considered to be in the range of +/- 5–10% and should be regarded as the uncertainty, which is part of the assumptions and calculations made. In a less liquid market, the range can be greater. For Balder, a range of uncertainty of +/- 5% means a value range of SEK +/- 5,827m, equivalent to SEK 110,715 – SEK 122,369m.

In order to quality-assure its internal valuations, Balder regularly allows parts of the portfolio to be externally valued and obtains second opinions on the internal valuations. During the year, external valuations or second opinions were obtained for approx. 43% of the properties, equivalent to

approx. SEK 50 billion. The difference between the external valuations and the internal valuations was less than 1%. Historically, deviations between external and internal valuations have been insignificant. For more information about Balder's valuation methods, see pages 38-39.

Changes in value

Balder carried out an individual internal valuation on 31 December of the entire property portfolio. Unrealised changes in value during the year amounted to SEK 7,922m (5,151). Realised changes in value amounted to SEK 86m (184).

Rent payments

The rental trend is estimated to follow inflation taking account of prevailing index clauses in leases during their terms. When leases expire, an assessment is made of whether the lease is deemed to be extended at the prevailing market rent level and whether there is a risk of the premises becoming vacant. Vacancies are considered on the basis of the current vacancy situation with a gradual adjustment to expected market-related vacancy rates taking account of the property's individual conditions.

Operating and maintenance payments

Outcomes, budgetary and projection data as well as estimated standardised costs have been

used in the assessment of the property's future property costs.

Yield

Yield requirements and cost of capital used in the calculations have been derived from comparable transactions in the property market. Important factors in choosing a yield requirement are location, rental rate, vacancy rate and the condition of the property. The yield requirement and cost of capital used are shown in the table below.

The average yield on the closing date amounted to 4.8% (5.0).

On 31 December 2018, after Balder's valuation, the company's total property value amounted to SEK 116,542m (98,360). For more information see the Report of the Board of Directors and Sensitivity analysis on page 62.

Project properties for own management

On 31 December, Balder had project properties for own management amounting to SEK 3.8 billion, of which included projects with construction in progress of SEK 3.7 billion and projects where construction has not started of SEK 0.1 billion. The constructions in progress have an estimated total investment of approx. SEK 6.8 billion, which means that SEK 3.1 billion remains to be invested. In addition to this, there are investment commitments for projects that have not started yet. The majority of the projects in progress refer to residential projects. The projects mainly involve about 1,000 apartments in Copenhagen and about 1,000 apartments in Helsinki. The investments relate to condominiums, which are let.

Note 14 • Cont.

Wind turbines

SEKm	Group		Parent Company	
	2018	2017	2018	2017
Cost				
Opening balance	164	164	30	30
Closing balance	164	164	30	30
Depreciation and impairment losses				
Opening balance	–144	–101	–30	–14
Impairment losses	–8	–36	–	–14
Depreciation	–4	–7	–	–2
Closing balance	–156	–144	–30	–30
Carrying amount	8	20	–	–
Total carrying amount	123	107	18	9

Depreciation is recognised in administrative expenses and media expenses.

Impairment losses on wind turbines are recognised in the Group in the line item Changes in value investment properties, unrealised and in the parent company in the line item Administrative expenses.

Note 15 • Participations in associated companies

Participations in associated companies are recognised in the Group using the equity method and in the parent company using the cost method.

Accumulated cost, SEKm	Group		Parent Company	
	2018	2017	2018	2017
Opening balance	4,699	3,362	1,240	787
Transition impact IFRS 9 Collector AB	–76	–	–	–
Acquisition of associated companies ¹⁾	451	330	434	330
Associated companies that were reclassified as subsidiaries ²⁾	–5	–120	–	–
Dividend from associated companies	–24	–13	–	–
Participations in the profits of associated companies after tax	881	1 010	–	–
Change in equity of associated companies (shareholders' contribution)	293	130	207	123
Closing balance	6,219	4,699	1,880	1,240

Participating interest in associated companies' statements of comprehensive income

Group, SEKm	2018	2017
Rental income	662	482
Property costs	–147	–104
Net operating income	515	378
Changes in value of properties, unrealised	408	655
Changes in value of properties, realised	1	17
Management costs and administrative expenses	–52	–35
Other operating income ³⁾	339	337
Operating profit	1,211	1,353

Net interest income/expense

Changes in value of derivatives, unrealised

Profit before tax	1,065	1,257
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Tax

Net profit for the year

Profit from property management before tax

Summary of participating interest in associated companies' statements of financial position

Group, SEKm	2018	2017
Assets	16,344	12,450
Equity	6,219	4,699
Liabilities	10,125	7,751

1) Acquisitions of associated companies during the year mainly referred to participations in Sinoma Fastighets AB.

2) The item during 2018 referred to Brahestad AB, and during 2017 the item referred to Murbruket Holding Fastighets AB.

3) Mostly relates to Collector AB. Of which profit from property management from Collector amounted to SEK 318m (294).

Note 15 • Cont.

Group holdings of participations in associated companies 2018

Company	Corporate identity number	Registered office	Number of shares	Participation, %	Value of share of equity in the Group, SEKm	Carrying amount in Parent Company, SEKm
Collector AB ¹⁾	556560-0797	Gothenburg	45,250,590	44	1,756	744
Tulia AB	556712-9811	Gothenburg	50,000	50	711	–
Fastighets AB Centur	556813-6369	Stockholm	5,000	50	654	4
Mötesplatsen Alingsås Intressenter AB	556859-0417	Alingsås	32,000	32	4	15
Fixfabriken Holding AB	556949-3702	Gothenburg	50,000	50	3	–
Chirp AB	556915-7331	Stockholm	17,000	34	6	–
Balder Skåne AB	556699-9230	Gothenburg	500	50	116	–
Första Långgatan Fastigheter i GBG HB	916851-7259	Gothenburg	–	50	324	–
Tornet Bostadsproduktion AB	556796-2682	Stockholm	1,666,667	33	248	–
Brinova Fastigheter AB ²⁾	556840-3918	Skåne	18,420,302	25	340	–
Fastighets AB Tornet	559008-2912	Gothenburg	500	50	38	–
Trenum AB	556978-8291	Gothenburg	500	50	767	244
Norra Backaplan Bostads AB	556743-0276	Gothenburg	33,333	33	161	–
Sjaelsö Management ApS	35394923	Köpenhamn	392	49	72	–
SHH Bostad AB	559007-1824	Stockholm	808,088	20	105	100
Serena Properties AB ³⁾	559023-2707	Stockholm	2,799,998	56	363	268
Rosengård Fastighets AB	559085-4708	Malmö	25,000	25	115	73
Sinoma Fastighets AB	559161-0836	Stockholm	245	49	434	434
Total					6,219	1,880

1) Balder’s market value of Collector AB (publ) on 31 December 2018 amounted to SEK 2,240m (3,677).

2) Balder’s market value of Brinova Fastigheter AB (publ) on 31 December 2018 amounted to SEK 319m (220). No write-down requirement is deemed to exist.

3)During the year, Balder acquired 56% of Serena Properties AB. Balder exercises joint control and the company is thus recognised according to the equity method in the Group.

Group holdings of participations in associated companies 2017

Company	Corporate identity number	Registered office	Number of shares	Participation, %	Value of share of equity in the Group, SEKm	Carrying amount,in Parent, Company, SEKm
Collector AB	556560-0797	Gothenburg	45,250,590	44	1,581	744
Tulia AB	556712-9811	Gothenburg	50,000	50	564	–
Fastighets AB Centur	556813-6369	Stockholm	5,000	50	539	4
Mötesplatsen Alingsås Intressenter AB	556859-0417	Alingsås	32,000	32	6	15
Fixfabriken Holding AB	556949-3702	Gothenburg	50,000	50	3	–
Chirp AB	556915-7331	Stockholm	17,000	34	6	–
Balder Skåne AB	556699-9230	Gothenburg	500	50	88	–
Första Långgatan Fastigheter i GBG HB	916851-7259	Gothenburg	–	50	317	–
Tornet Bostadsproduktion AB	556796-2682	Stockholm	1,550,000	31	164	–
Brinova Fastigheter AB	556840-3918	Skåne	18,420,302	25	308	–
Fastighets AB Tornet	559008-2912	Gothenburg	500	50	3	–
Trenum AB	556978-8291	Gothenburg	500	50	434	75
Norra Backaplan Bostads AB	556743-0276	Gothenburg	33,333	33	158	–
Sjaelsö Management ApS	35394923	Köpenhamn	392	49	62	–
Brahestad AB	556984-8228	Malmö	250	50	22	–
SHH Bostad AB	559007-1824	Stockholm	808,088	20	100	100
Serena Properties AB	559023-2707	Stockholm	2,799,998	56	252	230
Rosengård Fastighets AB	559085-4708	Malmö	25,000	25	90	73
Total					4,699	1,240

Note 16 • Other non-current receivables

SEKm	Koncernen		Moderbolaget	
	2018	2017	2018	2017
Receivables from the Group’s associated companies	1,058	759	903	756
Other non-current receivables	235	190	1	42
Total	1,293	949	904	798

Note 17 • Development properties

SEKm	Koncernen	
	2018	2017
Carrying amount, 1 Jan	–	–
Reclassification from investment properties	1,598	–
Book value development properties	1,598	–

On 31 December 2018, development properties for 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 in the line item “Development properties” among current assets in the

balance sheet. A profit/loss is recognised when each property is completed, sold and handed over to the buyer.

Balder had development projects amounting to SEK 1.6 billion as of 31 December. This included projects with construction in progress of SEK 0.5 billion and projects where construction has not started of SEK 1.1 billion. The constructions in progress have an estimated

total investment of approx. SEK 1.7 billion, which means that SEK 1.2 billion remains to be invested. Most of the constructions in progress relate to tenant-owner apartment projects and mainly involve about 600 tenant-owner’s apartments in Sweden.

Note 18 • Trade receivables

Trade receivables are recognised and measured at the amount that is expected to be received less the provision for credit losses. Earnings in 2018 were impacted by SEK 8m (–15) in respect of actual and expected bad debt losses. The trade receivables are of a short-term character and this means that they are recognised as current assets, corresponding to fair value.

Age distribution of trade receivables		
Group, SEKm	2018	2017
–30 days	169	119
31–60 days	12	37
61–90 days	1	3
91 days	34	46
Total	217	205
Credit loss provision	–34	–46
Trade receivables, net	183	158

Credit loss provision		
Group, SEKm	2018	2017
Opening balance	–46	–37
Conversion due to IFRS 9	–16	–
Confirmed bad debt losses during the year	20	6
Change in credit loss provision during the year	8	–15
Closing balance	–34	–46

Note 19 • Prepaid expenses and accrued income

SEKm	Group		Parent Company	
	2018	2017	2018	2017
Insurance	3	3	–	0
Interest income	2	2	–	1
Interest expenses	113	135	113	135
Rental income	63	44	–	–
Property costs	97	21	–	–
Other financial income	30	21	30	21
Other items	15	16	12	4
Total	324	241	155	160

Note 20 • Financial investments

SEKm	Group		Parent Company	
	2018	2017	2018	2017
Securities				
Shares and bonds	770	305	770	197
Total	770	305	770	197

Financial investments are measured at fair value through profit or loss.

Note 21 • Equity

Share capital

On 31 December 2018, the registered share capital was composed of 180,000,000 shares, of which 11,229,432 shares are of Class A and 168,770,568 shares are of Class B. Each Class A share carries one vote, and each Class B share carries one tenth of one vote. Shareholders are entitled to a dividend that is determined in due course. The shareholding gives entitlement to voting rights at the general meeting of shareholders.

Other contributed capital

Other contributed capital refers to equity contributed by the owners. This includes share premiums paid in connection with new issues.

Translation differences

Refers to currency translation differences arising due to translation of foreign operations.

Reserves

The item refers to cash flow hedges after tax. Cash flow hedges mainly refer to interest rate hedges.

Retained earnings including net profit for the year

Retained earnings including net profit for the year includes profits earned in the parent company and its subsidiaries. This item also includes previous transfers to statutory reserves.

Non-controlling interests

The item refers to the minority's share of equity in non-wholly-owned subsidiaries and mainly refers to Sato Oyj, where Balder's participating interest amounts to 54.54%.

Dividend

The Board proposes to the Annual General Meeting that no dividend (–) be declared for the financial year 2018.

Appropriation of profits

The Board has proposed that the profit at the disposal of the annual general meeting of SEK 11,047,452,521 shall be appropriated as follows; to be carried forward SEK 11,047,452,521.

Note 22 • Financial risk management

Balder is financed by equity and liabilities, where the majority of the liabilities consist of interest-bearing liabilities. The proportion of equity is impacted by the chosen level of financial risk which in turn is impacted by lenders' equity requirements for offering market-related financing. Balder's long-term goals for the capital structure are that the equity/assets ratio should not be less than 40 % over time and that the interest coverage ratio should not be less than 2 times and that the loan-to-value ratio should not exceed 50 %.

Financial policy

The Group is exposed to six different kinds of financial risks through its operations. Financial risks refer to interest rate risk, liquidity risk, refinancing risk, price risk, credit risk and currency risk. The financial policy prescribes guidelines and rules for how the financial operations shall be conducted and establishes the division of responsibilities and administrative rules. Departures from the Group's financial policy require the approval of the Board. Responsibility for the Group's financial transactions and risks is managed centrally by the parent company's financial department. Financial risk is managed at a portfolio level. Financial transactions shall be conducted based on an assessment of the Group's overall needs relating to liquidity, financing and interest rate risk. The financial goal regarding the equity/assets ratio was adjusted ahead of 2019. The equity/assets ratio over time should not fall below 40 %. This is an adjustment from the previous goal of 35 %.

Financial policy goals:

- the equity/assets ratio should exceed 40% over time,
- the interest coverage ratio should not be less than 2 times,
- the loan-to-value ratio over time should not exceed 50 %,
- secure the short-term and long-term supply of capital,
- obtain a stable long-term capital structure.

The goals are followed up regularly in reports to the Board prior to presentation of the company's interim reports.

Balder has obligations to its financiers in the form of financial key ratios, so-called covenants. At year-end, Balder had financing obligations with an interest coverage ratio of 1.8 times, secured debt/total assets of 45 % and a loan-to-value ratio of 65 %. All covenants were met at year-end. Sato also has covenants in its loan agreements and they are a loan-to-value ratio of 70 %, an interest coverage ratio of 1.8 times and a proportion of assets that should be unencumbered of at least 42.5 %. At year-end, the proportion of unencumbered assets in Sato was 74.1 %, the loan-to-value ratio was 50.5 % and the interest coverage ratio was 4.4 times.

Duration analysis of financial liabilities

The tables above show the cash flow per year in respect of financial liabilities assuming the current size of the Group. The cash flow refers to interest expenses, amortisation, trade payables and settlement of other financial liabilities. Net financial items have been calculated based on the Group's average interest less interest income. Refinancing occurs on a regular basis, so no interest expense for a longer period than 10 years is indicated.

Duration analysis of financial liabilities

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	9,450	10,715	6,766	7,458	7,336	25,481
Interest expenses ¹⁾	1,124	1,121	1,119	1,116	1,114	5,531
Trade payables	488	–	–	–	–	–
Other liabilities	725	–	–	–	–	–
Total	11,787	11,836	7,885	8,574	8,450	31,012

Group, 31 Dec 2017

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	7,968	7,277	8,361	5,299	6,523	22,954
Interest expenses ¹⁾	1,059	1,057	1,055	1,052	1,050	5,219
Trade payables	254	–	–	–	–	–
Other liabilities	274	–	–	–	–	–
Total	9,555	8,334	9,416	6,352	7,573	28,173

Parent Company, 31 Dec 2018

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	4,616	3,867	1,754	6,588	4,964	11,486
Interest expenses ¹⁾	557	556	555	555	554	2,758
Trade payables	18	–	–	–	–	–
Other liabilities	153	–	–	–	–	–
Total	5,344	4,423	2,310	7,142	5,518	14,244

Parent Company, 31 Dec 2017

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	4,350	2,576	3,032	354	4,925	13,537
Interest expenses ¹⁾	523	523	522	521	520	2,590
Trade payables	6	–	–	–	–	–
Other liabilities	19	–	–	–	–	–
Total	4,900	3,099	3,554	875	5,445	16,127

1) Refers to interest expenses during the period 0-10 years.

Sensitivity analysis

Factor	Change	Profit before tax, SEKm
Rental income	+/- 1 %	+/- 70
Economic occupancy rate	+/- 1 percentage unit	+/- 73
Interest rate level of interest-bearing liabilities	+ 1 percentage unit	–287
Property costs	+/- 1 %	–/+ 19
Changes in value of properties	+/- 5 %	+/- 5,827

		Outcome	
Financial goals	Target	2018	2017

Equity/assets ratio, %	min.	40.0	37.3	36.7
loan-to-value ratio, %	max.	50.0	49.9	50.9
Interest coverage ratio, times	min.	2.0	4.6	4.3

Key ratios including listed associated companies at market value.

Maturity structure interest rate derivatives ¹⁾

Year	Nominal amount, SEKm	Interest, %
2019	1,201	1.10
2020	1,060	1.93
2021	2,705	2.25
2022	649	2.01
2023	1,062	1.43
2024	650	1.30
2025	2,682	1.17
2026	1,154	2.48
2027	2,158	0.97
2037	1,500	2.00

Total **14,822** **1.63**

1) Refers to interest rate derivatives where Balder pays fixed interest.

Day	Month	Year	Event	Change, in, number of shares,	Total number shares	Total number of outstanding shares	Quota value per share, SEK	Change share capital, SEK	Total share capital, SEK
27	June	2005	Start date		75,386,104	75,386,104	1.00		75,386,104
18	August	2005	Issue in kind	2,000,002	77,386,106	77,386,106	1.00	2,000,002	77,386,106
18	August	2005	Reduction of the share capital by decreasing nominal amount	–	77,386,106	77,386,106	0.01	–76,612,245	773,861
18	August	2005	Issue in kind	1,287,731,380	1,365,117,486	1,365,117,486	0.01	12,877,314	13,651,175
18	August	2005	Set-off issue	18,846,514	1,383,964,000	1,383,964,000	0.01	188,465	13,839,640
18	August	2005	Consolidation of nominal amount to SEK 1	–1,370,124,360	13,839,640	13,839,640	1.00	–	13,839,640
27	January	2006	Issue in kind	1,000,000	14,839,640	14,839,640	1.00	1,000,000	14,839,640
9	October	2006	Issue in kind	1,380,000	16,219,640	16,219,640	1.00	1,380,000	16,219,640
		2008	Repurchase, own shares	–476,600	16,219,640	15,743,040	1.00	–	16,219,640
28	August	2009	Issue in kind	9,171,502	25,391,142	24,914,542	1.00	9,171,502	25,391,142
4	June	2010	Bonus issue	76,173,426	101,564,568	99,658,168	1.00	–	101,564,568
1	February	2011	New issue	6,700,000	108,264,568	106,358,168	1.00	6,700,000	108,264,568
20	May	2011	Bonus issue	54,132,284	162,396,852	159,537,252	1.00	–	162,396,852
16	June	2011	Directed new issue of preference shares	4,000,000	166,396,852	163,537,252	1.00	4,000,000	166,396,852
31	January	2012	Set-off issue preference share	1,000,000	167,396,852	164,537,252	1.00	1,000,000	167,396,852
11	October	2012	Set-off issue preference share	1,000,000	168,396,852	165,537,252	1.00	1,000,000	168,396,852
24	May	2013	Directed new issue of preference share	500,000	168,896,852	166,037,252	1.00	500,000	168,896,852
22	October	2013	Directed new issue of preference shares	3,500,000	172,396,852	169,537,252	1.00	3,500,000	172,396,852
19	March	2014	Disposal of repurchased shares	2,859,600	172,396,852	172,396,852	1.00	–	172,396,852
18	December	2015	Directed new issue of ordinary shares	10,000,000	182,396,852	182,396,852	1.00	10,000,000	182,396,852
23	September	2016	Directed new issue of ordinary shares	3,000,633	185,397,485	185,397,485	1.00	3,000,633	185,397,485
16	December	2016	Set-off issue	4,602,515	190,000,000	190,000,000	1.00	4,602,515	190,000,000
12	October	2017	Redemption of preference capital	–10,000,000	180,000,000	180,000,000	1.00	–10,000,000	180,000,000
31	December	2018			180,000,000	180,000,000	1.00		180,000,000

Capital risk

The Group's goal in respect of the capital structure is to secure the Group's ability to continue its operations, so that it can continue to generate a return to shareholders and value for other stakeholders.

Liquidity risk

Liquidity risk refers to the risk of a lack of sufficient cash and cash equivalents to be able to fulfil the company's payment obligations relating to operating costs, interest and amortisation. According to the financial policy, there should always be sufficient cash in hand and guaranteed credit facilities to cover the day-to-day liquidity requirements. Regardless of long-term goals, the Board can decide to temporarily boost liquidity, for example, to be better prepared for major transactions. On the closing date, Balder's cash and cash equivalents, financial investments and unutilised credit facilities amounted to SEK 1,678m (1,935). Balder's financial policy, which is updated at least once each year, prescribes guidelines and rules for how borrowing should be conducted. The overall objective of the financial management is to use borrowing to safeguard the supply of capital to the company in the short and long run, to adapt the financial strategy and management of financial risks to the company's business so that a long-term and stable capital structure is achieved and maintained and to achieve the best possible net financial income/expense within given risk limits.

Refinancing risk

Refinancing risk refers to the risk that Balder may not be able to obtain refinancing in the future or only at a significantly increased cost. At year-end, Balder had credit facilities of SEK 8,470m (5,940), of which SEK 8,470m (5,940) were unutilised. Balder also has credit facilities that fully cover future payments for construction projects in progress. Balder works continually on raising new loans and on renegotiating existing loans. Over time, 50% of the loan portfolio should have a credit term of more than 2 years and not more than 35% of the loans should mature during a single year.

Interest rate risk

Interest rate risk refers to the risk of fluctuations in cash flow and earnings due to changes in interest rates. The key factor affecting interest rate risk is the interest rate refixing period. Long interest rate refixing periods ensure predictability in cash flow but in most cases also mean higher interest expenses. The Group's interest rate exposure is centralised, which means that the central finance function is responsible for identifying and managing this exposure. The interest risk shall be managed using risk hedging instruments such as interest rate swaps, interest rate ceilings and interest rate floors. The overriding key ratio used is the interest coverage ratio. On each measurement date, the interest coverage ratio shall exceed 2.0 times. To manage the interest risk cost-effectively, an assessment of the interest rate risk is made when raising loans with short interest rate refixing periods based on the Group's overall loan portfolio. Interest rate derivative transactions are entered into as required to achieve the desired interest risk in the overall borrowing.

Balder has mainly used swaps to manage its interest rate risk, which mature between 2019

and 2037. At year-end, about 20% of the loans were hedged using interest rate swaps and for 13 % hedge accounting is applied. Fluctuations in market interest rates give rise to theoretical surpluses or deficits in respect of these financial instruments, which do not directly affect cash flow. Derivatives are continually recognised at fair value in the balance sheet and changes in value are recognised in the income statement. Derivatives are measured based on quoted prices in the market. The changes in value during 2018 amounted to SEK –34m (144). At year-end, the fair value of interest rate derivatives amounted to SEK –865m (–827). The fair value of financial instruments is based on measurements by the intermediating credit institutions. The reasonability of the measurements has been tested by engaging another credit institution to value similar instruments at the end of the reporting period, see sensitivity analysis on the previous page.

Sato's interest rate derivatives meet hedge accounting requirements, as the term of the derivatives is matched with the underlying financing. This means that the change in value of the derivatives is recognised in other comprehensive income. The interest rate derivatives (interest rate swaps) entered into by Sato have the same critical terms as the hedged item. Critical terms may be the reference rate, interest rate conversion days, payment dates, due date and nominal amount. Inefficiency in interest rate swaps may arise due to differences in critical terms between the interest rate swap and the loan. There were no inefficiencies attributable to Sato's interest rate swaps in 2018.

Currency risk

Balder owns properties through subsidiaries in Norway, Denmark, Germany, Finland and through Sato in St Petersburg. The companies mainly have revenue and costs in local currency. The Group is impacted by exchange rate fluctuations during translation of the assets and liabilities of foreign subsidiaries to the currency of the parent company. The Group is exposed to EUR, DKK and NOK through net investments in foreign operations. In addition, the Group is also exposed to GBP.

Translation exposure

When the subsidiaries' statement of financial position in local currency is translated into Swedish kronor, a translation difference arises, which is due to the fact that the current year is translated at a different closing rate than the previous year and that the statement of comprehensive income is translated at the average rate during the year, while the statement of financial position is translated at the exchange rate on 31 December. The translation difference is posted to other comprehensive income and is carried forward in reserves in equity. The translation exposure consists of the risk that the translation difference represents in terms of the impact on other comprehensive income and equity. The risk is greatest for the currencies in which the Group has the largest net assets and where the price movements in relation to Swedish kronor are the largest. The net assets in Finland and Denmark have the greatest impact on the Group. Balder issued a total of EUR 1,850m in the European bond market, which helped to reduce the currency exposure of the Group's net assets in EUR and DKK. At year-end, there also were currency swaps for DKK 400m and EUR 152m, and the fair value of these items amounted to SEK –100m.

The assets and liabilities in EUR and DKK are ag-

gregated as the DKK rate is pegged to the EUR. The translation differences are mainly handled through borrowing spread among different currencies based on the net assets in each currency. Loans raised in the same currency as there are net assets for in the Group, reduce these net assets and thus reduce the translation exposure. These hedges of net investments in foreign operations operate in the following way. Exchange gains and losses on loans in foreign currency, which finance acquisition of foreign subsidiaries, are recognised as part of other comprehensive income to the extent that the loan functions as a hedge for the acquired net assets. In other comprehensive income, they meet the translation difference arising from the consolidation of the foreign subsidiaries. In the Group, net exchange differences of SEK –804m (–565) relating to liabilities in foreign currency were transferred to other comprehensive income as hedging of net investments in foreign operations. There was no inefficiency to be recognised from hedges of net investment in foreign operations. The loans that hedge net investments in foreign operations are in EUR and DKK, since these foreign currencies have the greatest impact on the statement of financial position.

Of the Group's total net investments in foreign operations, 98% are hedged.

Since the Group uses parts of its cash flow to amortise the loans to improve net financial items, the extent of this hedging tends to decrease over time. A change in the foreign subsidiary's net assets over time can have the same effect.

Price risk

Balder's income is affected by the occupancy rate for its properties, the level of market-related rents and customers' payment capacity. A change in the rental rate or economic occupancy of +/- 1% has an effect on profit before tax of +/- SEK 70m and +/- 73m, respectively.

Credit risks

Trade receivables

The risk that the Group's customers will not fulfil their obligations, i.e. that payment will not be received for trade receivables, constitutes a customer credit risk. The credit of the Group's customers is assessed by obtaining information about the customers' financial position from various credit rating agencies.

An estimate of the credit risk is made in conjunction with new leases and conversion of premises for existing customers. Bank guarantees, advance rental deposits or other security are required for customers with low creditworthiness or unsatisfactory credit histories. Credit is monitored continually to follow developments in the creditworthiness of customers.

Financial operations

Balder's financial operations give rise to credit risk exposure. The risk is mainly counterparty risk in connection with receivables from banks and other counterparties that arise in the trading of derivative instruments. Balder's financial policy includes special counterparty rules which stipulate the maximum credit exposure for different counterparties.

Borrowing, maturity structure and interest rates

At year-end, Balder had binding loan agreements with credit institutions totalling SEK 67,205m (58,384). Loans are raised in Swedish kronor, Danish kroner, Norwegian kroner, British pounds and

euro. At year-end, loans in Danish kroner amounted to DKK 4,240m, loans in Norwegian kroner to NOK 467m, loans in British pounds to GBP 50m and loans in euro amounted to EUR 3,897m. The credit agreements mainly consist of bilateral contracts with Nordic banks as well as a commercial paper programme for SEK 6,110m (5,940). On 31 December, the outstanding commercial paper volume was 3,872m (3,348). Net interest-bearing liabilities less cash and cash equivalents and financial investments of SEK 1,328m (1,585) amounted to SEK 64,079m (55,075).

Agreements can be divided into four categories:

- loans against security pledged in the form of pro-

missory note receivables from subsidiaries. The security has been augmented by collateral in the shares of subsidiaries/limited partnership shares, • loans against pledging of mortgage deeds on property, • commercial paper programme, • bond loans, including hybrid capital.

Short-term interest bearing liabilities that formally mature within one year and one year of agreed amortisation are recognised as current interest-bearing liabilities.

In certain cases, the security is augmented by covenants. Balder satisfied all of its covenants at year-end. Credit agreements contain customary

termination conditions.

The average fixed credit term in loan agreements amounted to 5.6 years (5.5) on 31 December 2018. The maturity structure of loan agreements, presented in the table showing the loan terms, indicates when loan agreements are due for renegotiation or repayment. The average effective interest on the closing date amounted to 1.7% (1.8) including the effect of accrued interest from Balder's interest rate derivatives. The average interest rate refixing period on the same date equalled 3.1 years (4.0). The proportion of loans with interest dates during the coming 3-year period amounted to 61% (47).

Years	Carrying amount, SEKm		Interest, %		Participation, %		Fair value,SEKm	
	2018	2017	2018	2017	2018	2017	2018	2017
Within one year	29,809	20,909	0.9	0.9	44	36	29,831	20,948
1–2 years	5,513	1,998	2.0	2.9	8	3	5,602	2,038
2–3 years	5,866	4,734	2.5	2.2	9	8	5,973	4,883
3–4 years	5,787	5,871	1.5	2.6	9	10	5,729	6,041
4–5 years	4,648	5,553	3.0	1.5	7	10	4,405	5,579
>5 years	15,583	19,318	2.3	2.5	23	34	15,009	19,268
Total-	67,205	58,384	1.7	1.8	100	100	66,549	58,756

Carrying amount and fair value of financial instruments					Fair value hierarchy		
Group, SEKm	Assets and liabilities measured at amortised cost	Assets and liabilities measured at fair value through profit or loss	Fair value through other comprehensive income	Total carrying amount	Total fair value 2018		
	2018	2018	2018	2018	Level 1	Level 2	Level 3
Other non-current receivables	1,274	–	19, ²⁾	1,293	–	1,293	–
Trade receivables	183	–	–	183	–	183	–
Financial investments	–	770	–	770	770	–	–
Cash and cash equivalents	558	–	–	558	–	558	–
Total receivables	2,014	770	19	2,803	770	2,034	–
Non-current interest-bearing liabilities	57,716	–	–	57,716	31,845	25,215	–
Other non-current liabilities	423	–	–	423	–	423	–
Derivatives ¹⁾	–	446	519	965	–	965	–
Current interest-bearing liabilities	9,489	–	–	9,489	1,037	8,452	–
Trade payables	488	–	–	488	–	488	–
Total liabilities	68,116	446	519	69,081	32,882	35,543	–

Carrying amount and fair value of financial instruments					Fair value hierarchy		
Group, SEKm	Assets and liabilities measured at amortised cost	Assets and liabilities measured at fair value through profit or loss	Fair value through other comprehensive income	Total carrying amount	Total fair value 2017		
	2017	2017	2017	2017	Level 1	Level 2	Level 3
Other non-current receivables	933	–	16	949	–	949	–
Trade receivables	158	–	–	158	–	158	–
Financial investments	–	305	–	305	305	–	–
Cash and cash equivalents	1,281	–	–	1,281	–	1,281	–
Total receivables	2,372	305	16	2,693	305	2,389	–
Non-current interest-bearing liabilities	49,453	–	–	49,453	29,966	19,860	–
Other non-current liabilities	241	–	–	241	–	241	–
Derivativist ¹⁾	–	412	510	922	–	922	–
Current interest-bearing liabilities	8,930	–	–	8,930	991	7,939	–
Trade payables	254	–	–	254	–	254	–
Total liabilities	58,879	412	510	59,801	30,957	29,216	–

1) Derivative instruments have been recognised net as a liability. The liability includes positive values in the Group of SEK 1m (5).

2) No changes in value were recognised in 2018.

Level 1 – measured at fair value based on quoted market values on active markets for identical assets.

Level 2 – measured at fair value based on other observable inputs for assets and liabilities than market values under level 1.

Level 3 – measured at fair value based on inputs for assets and liabilities that are not based on observable market inputs.

Note 22 • Cont.

Carrying amount and fair value of financial instruments					Fair value hierarchy		
	Assets and liabilities measured at amortised cost	Assets and liabilities measured at fair value through profit or loss	Fair value through other comprehensive income	Total carrying amount	Total fair value 2018		
Parent Company, SEKm	2018	2018	2018	2018	Level 1	Level 2	Level 3
Other non-current receivables	904	–	–	904	–	904	–
Receivables from group companies	38,337	–	–	38,337	–	38,337	–
Financial investments	–	770	–	770	770	–	–
Cash and cash equivalents	230	–	–	230	–	230	–
Total receivables	39,471	770	–	40,241	770	39,471	–
Non-current liabilities to credit institu-tions	28,659	–	–	28,659	25,234	2,549	–
Other non-current liabilities	108	–	–	108	–	108	–
Derivatives ¹⁾	–	446	–	446	–	446	–
Liabilities to group companies	5,282	–	–	5,282	–	5,282	–
Current liabilities to credit institutions	4,616	–	–	4,616	–	4,616	–
Trade payables	18	–	–	18	–	18	–
Total liabilities	38,683	446	–	39,129	25,234	13,020	–

					Fair value hierarchy		
	Assets and liabilities measured at amortised cost	Assets and liabilities measured at fair value through profit or loss	Fair value through other comprehensive income	Total carrying amount	Total fair value 2017		
Parent Company, SEKm	2017	2017	2017	2017	Nivå 1	Nivå 2	Nivå 3
Other non-current receivables	798	–	–	798	–	798	–
Receivables from group companies	36,790	–	–	36,790	–	36,790	–
Financial investments	–	197	–	197	197	–	–
Cash and cash equivalents	955	–	–	955	–	955	–
Total receivables	38,543	197	–	38,740	197	38,543	–
Non-current liabilities to credit institutions	24,425	–	–	24,425	22,475	1,949	–
Other non-current liabilities	102	–	–	102	–	102	–
Derivatives ¹⁾	–	412	–	412	–	412	–
Liabilities to group companies	4,443	–	–	4,443	–	4,443	–
Current liabilities to credit institutions	4,350	–	–	4,350	–	4,350	–
Trade payables	6	–	–	6	–	6	–
Total liabilities	33,325	412	–	33,737	22,475	11,261	–

1) Derivative instruments have been recognised net as a liability. The liability includes positive values in the parent company of SEK 1m (0).
Level 1 – measured at fair value based on quoted market values on active markets for identical assets.
Level 2 – measured at fair value based on other observable inputs for assets and liabilities than market values under level 1.
Level 3 – measured at fair value based on inputs for assets and liabilities that are not based on observable market inputs.

Note 23 • Credit facilities

SEKm	Group		Parent Company	
	2018	2017	2018	2017
Approved credit limit	350	350	350	350
Utilised portion	–	–	–	–
Unutilised portion	350	350	350	350

Note 24 • Accrued expenses and deferred income

SEKm	Group		Parent Company	
	2018	2017	2018	2017
Personnel expenses	121	84	17	17
Interest expenses	488	365	338	209
Prepaid rents	1,034	672	–	–
Property costs	278	279	–	–
Other items	16	27	6	3
Total	1,937	1,427	361	229

Note 25 • Pledged assets and contingent liabilities

Pledged assets	Group		Parent Company	
	2018	2017	2018	2017
Property mortgages	25,646	23,246	–	–
Shares in group companies	7,854	6,830	–	–
Promissory notes	–	–	4,398	3,623
Total	33,500	30,076	4,398	3,623
Contingent liabilities	Group		Parent Company	
	2018	2017	2018	2017
Guarantees for subsidiaries	–	–	13,089	10,112
Guarantees for associated companies	2,080	1,511	2,080	1,511
Other guarantees	579	276	456	139
Total	2,659	1,787	15,625	11,762

Note 26 • Statement of cash flows

Cash and cash equivalents	Group		Parent Company	
	2018	2017	2018	2017
The following sub-components are included in cash and cash equivalents:				
Cash and bank balances	558	1,281	230	955
Total according to the balance sheet	558	1,281	230	955
Total according to the cash flow statement	558	1,281	230	955

Interest and derivative expenses paid	Group		Parent Company	
	2018	2017	2018	2017
Interest received	110	114	36	29
Interest paid	–1,072	–901	–569	–301
Derivative expense paid	–137	–174	–137	–164
Total	–1,099	–961	–670	–436

Reconciliation of liabilities related to financing activities

Intra-group interest income and interest expenses for 2018 and 2017 did not affect the cash flow.

Changes not affecting cash flow					
Group, SEKm	31 Dec 2017	Cash flow	Exchange differences	Other items not affecting cash flow	31 Dec 2018
Interest-bearing liabilities	58,384	7,180	1,639	2	67,205
Total liabilities related to financing activities	58,384	7,180	1,639	2	67,205

Changes not affecting cash flow					
Group, SEKm	31 Dec 2016	Cash flow	Exchange differences	Other items not affecting cash flow	31 Dec 2017
Interest-bearing liabilities	49,580	7,786	1,025	–7	58,384
Total liabilities related to financing activities	49,580	7,786	1,025	–7	58,384

Changes not affecting cash flow					
Parent Company, SEKm	31 Dec 2017	Cash flow	Exchange differences	Other items not affecting cash flow	31 Dec 2018
Interest-bearing liabilities	28,774	3,713	787	–	33,275
Total liabilities related to financing activities	28,774	3,713	787	–	33,275

Changes not affecting cash flow					
Parent Company, SEKm	31 Dec 2016	Cash flow	Exchange differences	Other items not affecting cash flow	31 Dec 2017
Interest-bearing liabilities	13,170	15,007	598	–	28,774
Total liabilities related to financing activities	13,170	15,007	598	–	28,774

Note 27 • Participations in Group companies

Specification of the Parent Company's direct holdings of participations in subsidiaries					Carrying amount	
Subsidiaries	Corporate identity number	Registered office	Number of participations	Share, %	2018	2017
Balder Storstad AB	556676-4378	Gothenburg	100,000	100	2,046	1,046
Balder Mellanstad AB	556514-4291	Gothenburg	1,938,000	100	4,120	150
Din Bostad Sverige AB	556541-1898	Gothenburg	1,000,000	100	626	626
Egby Vindkraftverk AB	556760-5919	Gothenburg	1,000	100	0	0
Balder Danmark A/S	34058016	Copenhagen	5,000	100	158	158
Balder Fastigheter Norge AS	916755856	Oslo	120	100	319	161
Balder Bilrum Fastighet AB	556730-4059	Gothenburg	100,000	100	1,179	1,204
Balder Germany GmbH	194177B	Berlin	23,725	95	1	–
Total					8,449	3,345

The Balder Group owns 100% of 400 additional companies (350) in Sweden, Denmark, Norway and Germany, via the above-mentioned subsidiaries, as presented in each subsidiary's annual accounts. For companies in Finland, see Sato Oyj's annual accounts at www.sato.fi.

Parent Company, SEKm	2018	2017
Accumulated cost		
Opening balance	3,345	3,346
Acquisitions	1	–1
Shareholders' contribution paid	5,103	–
Closing balance	8,449	3,345

Note 28 • Receivables from/liabilites to Group companies

Parent Company, SEKm	Receivables		Liabilities	
	2018	2017	2018	2017
Opening balance	36,790	24,629	4,443	4,440
Change in lending to subsidiaries	1,547	12,161	839	3
Closing balance	38,337	36,790	5,282	4,443

There is no fixed amortisation plan.

Note 29 • Significant events after the end of the financial 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 mainly let to insurance and consulting companies with	a remaining average term of 9 years. The investment amounts to about GBP 75m and will generate rental income of GBP 4.4m per year. Possession will occur during the first quarter of 2019.	Otherwise, no events of significant importance for Fastighets AB Balder's position occurred after the end of the reporting period.
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Note 30 • Related parties

Related parties <i>Group</i> The Group is under the control of Erik Selin Fastigheter AB, which holds 49.9% (49.9) of the votes in the parent company Fastighets AB Balder. The parent company in the largest group of which Balder is part is Erik Selin Fastigheter AB.	partner. The services were priced on market-related terms.	Balder amounting to SEK 49m (44). In addition to this, services were purchased from Collector AB (publ). Net receivables from associated companies amounted to SEK 951m (658) on the closing date. The price of the administrative and financial services is based on market-related terms.
<i>Parent Company</i> The parent company performed property-related administrative services on behalf of its subsidiaries amounting to SEK 218m (186). The parent company functions as an internal bank. On the closing date, receivables from subsidiaries amounted to SEK 38,337m (36,790). The price of the administrative and financial services is based on market-related terms.	<i>Parent Company</i> The parent company performed property-related administrative services on behalf of its subsidiaries amounting to SEK 218m (186). The parent company functions as an internal bank. On the closing date, receivables from subsidiaries amounted to SEK 38,337m (36,790). The price of the administrative and financial services is based on market-related terms.	Transactions with key people in executive positions The company's Board members and companies owned by these members control 65.8% (65.2) of the votes in Balder. With regard to the Board, CEO and other employees' salaries and other remuneration, expenses and agreements relating to pensions and similar benefits as well as agreements in respect of termination benefits, see Note 4, Employees and personnel expenses.
Summary of related party transactions <i>Group</i> Erik Selin Fastigheter AB purchased property-related administrative services from Balder for SEK 3m (2). Balder purchased services from the law firm Glimstedt for SEK 2m (1), where the Board member Anders Wennergren is a	<i>Associated companies</i> Apart from the related parties described above, the Balder Group owns associated companies according to Note 15, Participations in associated companies. During the financial year, associated companies purchased management and administrative services for their organisations from	

Note 31 • Critical estimates and assumptions

The company management and the Board discussed the development, the choice of and the disclosures in respect of the Group's key accounting policies and estimates, as well as their application.	Tax Balder has loss carry-forwards at its disposal, which it is estimated can be utilised against future profits, under current tax rules. However, Balder cannot provide any guarantees that current or new tax rules will not restrict the possibilities of utilising the loss carry-forwards.
Investment properties For important assumptions and estimates in connection with valuation of investment properties see Note 13, Investment properties. Balder reports its properties according to the fair value method, which means that changes in value are recognised in the income statement. Thus the results can be affected significantly. Balder performs an internal valuation of the properties in connection with each quarterly report. In order to quality-assure its internal valuations, Balder regularly allows parts of the portfolio to be externally valued during the year.	Classification of acquisitions The accounting standard IFRS 3 contains a rule that acquisitions must be classified as business combinations or asset acquisitions, which means that an individual assessment must be made of each particular transaction. The assessments of acquisitions made during the year resulted in all transactions being classified as asset acquisitions.

The annual accounts and the consolidated accounts were approved for issuance by the Board of Directors and CEO on 28 March 2019. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be subject to adoption by the Annual General Meeting on 8 May 2019. The Board will propose to the Annual General Meeting that no dividend (–) be declared for the financial year 2018.	The annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the international accounting standards IFRS referred to in the European Parliament's and Council's regulation (EC) No. 1606/2002 from 19 July 2002 on application of the international accounting standards. The annual accounts and consolidated financial statements provide	a true and fair view of the parent company's and Group's financial position and results of operations. The Report of the Board of Directors for the Group and the parent company provides a true and fair review of the development of the Group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies forming the Group.
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Gothenburg, 28 March 2019				
<i>Christina Rogestam</i> Chairman of the Board	<i>Sten Dunér</i> Board member	<i>Fredrik Svensson</i> Board member	<i>Anders Wennergren</i> Board member	<i>Erik Selin</i> Board member and CEO
Our audit report was submitted on 29 March 2019 Öhrlings PricewaterhouseCoopers AB			<i>Bengt Kron</i> Authorised Public Accountant Auditor in charge	<i>Helén Olsson Svärdröm</i> Authorised Public Accountant

Audit report

To the Annual General Meeting of Fastighets AB Balder (publ) Corporate identity no. 556525-6905

Report on the annual accounts and consolidated financial statements

Opinions

We have audited the annual accounts and consolidated financial statements of Fastighets AB Balder (publ) for 2018. The company's annual accounts and consolidated accounts are included on pages 61–99 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statements and balance sheets of the parent company and the income statement and the statement of financial position for the Group.

Our opinions in this statement on the annual accounts and consolidated financial statements are consistent with the content of the supplementary report that has been submitted to the parent company and the Group's audit committee in accordance with Article 11 of the Auditors Ordinance (537/2014).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the section Auditor's responsibility. We are independent in relation to the parent company and the Group according to generally accepted auditing standards in Sweden and in other respects have fulfilled our professional ethical responsibilities according to these requirements. This means that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of the Auditors Ordinance (537/2014) have been provided to the audited company or, if applicable, to its parent company or its controlled companies in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements In particular, we assessed the risk of errors in the areas, which are influenced to a greater extent by management's estimates and assumptions. One such area, for example, is the estimates and projections about future events that are made to determine the fair value of the Group's investment properties, which are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored our audit in order to perform a proper review to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates in six countries and the properties are owned by separate companies, which through centralised accounting functions and uniform routines are compiled in sub-groups. The Finnish sub-group Sato Oyj and the Danish and Norwegian companies are audited by local unit audit teams, which report to the Group audit team.

We have evaluated the work performed by the local unit auditors to determine whether sufficient audit evidence has been obtained as the basis for our opinions in the auditor's report for the Group.

The audit of the sub-group Sato Oyj was performed by Deloitte, Finland. According to generally accepted auditing standards, it is the responsibility of the Group auditor to ensure that the unit auditors, have performed the right work and with sufficiently high quality regarding the identified audit risks. Since Sato Oyj accounts for a substantial part of the Balder Group and thus the Group audit and since we and the unit auditors are not part of the same network, this task is extra important. We have therefore drawn up special instructions to Deloitte Finland and ensured via continual communication and meetings as well as written confirmations that they followed and considered the instructions. We have read, discussed and evaluated the risk assessment and materiality assessment that the unit auditor planned for and also used in the audit. We also visited Deloitte, Finland and reviewed significant audit items.

Apart from the parent company accounts and consolidated financial statements, the Swedish companies were also audited by the Group audit team. All in all, this means that we have assured ourselves that there is sufficient evidence for our Group audit and audit report.

Materiality

The scope and direction of the audit was influenced by our assessment of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and the estimated effect of misstatements, both individually and in aggregate on the financial statements as a whole.

We chose total assets as a benchmark of our overall assessment of materiality for the financial statements as a whole, given that the value of the investment properties has a significant impact and significance for the Group's financial position, and constitutes a particularly important area for the audit. We also defined a specific materiality for the audit of the profit from property management including the working capital related balance sheet items.

Key audit matters

Key audit matters are the matters which, in our professional judgment were the most significant for the audit of the annual accounts and consolidated financial statements for the current period. These matters were addressed in the context of our audit of, and in forming our opinion about, the annual accounts and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

Key audit matters

Valuation of investment properties

We refer to the Report of the Board of Directors, description of accounting principles in Note 1, Critical estimates and assumptions in Note 31 and Investment properties in Note 13.

Investment properties were recognised at a fair value of SEK 116,542m on 31 December 2018 and account for a significant part of the Balder Group's balance sheet.

The fair value of the Group's property holdings is based on internal calculations, mainly by applying the yield method. The sales comparison method is used for some of the Finnish holdings or alternatively, the acquisition cost method. Properties under construction and project properties for own management are valued at market value less estimated construction expenditure and project risk, which usually corresponds with a valuation at cost.

To quality-assure the internal valuations, external valuations were obtained for about 43% of the property portfolio's value.

The significance of the estimates and assumptions included in determining fair value, together with the fact that only a small percentage difference in the individual properties calculation parameters, such as estimates of future net operating income, occupancy rate and yield requirements, can lead to significant errors, means that the valuation of investment properties, is a key audit matter.

How our audit considered this key audit matter

We allowed our valuation specialists to review and assess the measurement techniques (excl. Satos) that Balder applies and reasonableness of the assumptions made.

- Our audit included the following audit procedures:
- Follow up that the valuations comply with Balder's guidelines for property valuation
- Audit sampling to follow up the model's mathematical calculations
- Assessed inputs through audit sampling and follow up in relation to historical outcomes, compared with available market inputs
- Audit sampling of inputs in the calculation models in relation to information in the property system
- Consideration of external valuations and audit sampling compared to internal calculations
- Reviewed the audit approach and external documentation with the Finnish audit team regarding the valuation of the subsidiary Sato's property portfolio.

Our work focused on the largest investment properties, the most significant assumptions and the properties where there were the largest variations in value compared to previous quarters. In cases where the assumptions about future net operating income, occupancy rate and yield requirement deviated from our initial expectations, these deviations were discussed with the Group's representatives and, if necessary, supplementary documentation was obtained.

Finally, we checked that the models used, that the assumptions and sensitivity analyses Balder made were properly described in Note 13.

Recognition of property transactions

We refer to the Report of the Board of Directors, description of accounting principles in Note 1, Investment properties in Note 13 and Critical estimates and assumptions in Note 31.

During the year, a number of property transactions took place which in respect of the amount and contractual terms were particularly important to consider in the audit.

In the case of each property transaction, we estimated that the accounting treatment was in accordance with Balder's accounting principles and IFRS.

For all significant acquisitions and divestments, we obtained and reviewed the underlying agreements and terms of entry. Furthermore, we examined the calculations, to ensure that pro forma statements, entry balances and, where appropriate that settlement notes were in accordance with the agreement and that the transaction was recognised correctly.

We followed up that the property transactions were correctly recognised and disclosed in the annual accounts.

Other information than the annual accounts and consolidated financial statements

This document also contains other information than the annual accounts and consolidated financial statements and is found on pages 1-60 and 111-119, respectively. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated financial statements accounts does not cover this other information and we do not express any form of assurance regarding this other information.

In connection with our audit of the annual accounts and consolidated financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this procedure we also consider the knowledge otherwise obtained during the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated financial statements and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated financial statements, in accordance with IFRS as adopted by the EU, and the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated financial statements, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to the ability to continue as a going concern and using the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated financial statements.

A further description of our responsibility for the audit of the annual accounts and consolidated financial statements is available on the Swedish Inspectorate of Auditors's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated financial statements, we have also performed a review of the administration of the Board of Directors and the Managing Director of Fastighets AB Balder (publ) for the year 2018 and the proposed appropriation of the company's profit or loss.

We recommend that the Annual General Meeting allocate the profit in accordance with the proposal in the Report of the Board of Directors and discharge the members of the Board and the Managing Director from liability for the financial year.

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in this respect is described in further detail in the section Auditor's responsibility. We are independent in relation to the parent company and the Group according to generally accepted auditing standards in Sweden and in other respects have fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for allocating the company's profit or loss. In connection with a proposal for dividend, this involves, inter alia, an assessment of whether the dividend is defensible in view of the requirements imposed by the type, scale and risks of the operations on the size of the parent company's and the Group's equity, need to strengthen the balance sheet, liquidity and financial position generally.

The Board is responsible for the company's organisation and administration of the company's affairs. This involves, among other things, continually assessing the financial situation of the company and the Group and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs in other respects are controlled in a secure manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a secure manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company,*
- or in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.*

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Swedish Inspectorate of Auditor's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Skånegatan 1, 405 32 Gothenburg, was appointed as Fastighets AB Balder (publ's) auditing company by the general meeting of shareholders on 11 May 2017 and has been the company's auditing company since 2009.

Gothenburg, 29 March 2019
Öhrlings PricewaterhouseCoopers AB

Bengt Kron
Authorised Public Accountant
Auditor in charge

Helén Olsson Svärdröm
Authorised Public Accountant

Comments by the Chairman of the Board

The task entrusted by the owners to Balder's Board of Directors is always to create value by acquiring, developing and managing commercial and residential properties. In recent years, the company has broadened its base by investing in a larger number of properties for hotel operations and also by entering our neighbouring countries. The company has grown strongly in both Finland and Denmark. This has been an important part of the strategy for ensuring a stable company even in turbulent times.

The Board's mission, subject to prevailing laws, rules and practice, is to work with the company's long-term development, follow up the management's operating activities and to ensure order in the company. Risk assessment is a recurring discussion point in the Board. This includes issues such as the economic situation and its impact on different parts of the market, the interest rate trend, supply of staff and the work on contributing to environmen-

tally sustainable social progress.

Balder has continued to strengthen its social engagement and taking of responsibility. This has occurred, among other ways, through an investment in the outdoor environment in ten socio-economically deprived areas, where the goal, together with the tenants, is to implement measures that promote security, comfort, solidarity and sustainability. Measures implemented include improvements of lighting, playgrounds and flower beds, and meeting places are being constructed, providing possibilities for barbecues and socialising.

During the year, Balder was entrusted with the responsibility of being a leading player in several large urban development projects, which involve major and long-term undertakings. Through large investments, the company will utilise the value that exists in the areas today and will contribute to a long-term and more attractive urban environment with security and sustainability in focus in Väsby

Entré, Frölunda Park, Rissne and Hallonbergen and, naturally, to a large number of homes.

Balder's rapid growth imposes more stringent demands on the company as an employer. It is a matter of being able to retain competent and experienced employees but also to attract well-educated younger women and men. This is a key future challenge for Balder's Management team.

Christina Rogestam

Chairman of the Board



Corporate governance

Corporate governance in Swedish listed companies is governed by a combination of written rules and practice, by which the owners directly and indirectly control the company. The rules and regulations have been developed through legislation, recommendations, the Swedish Corporate Governance Code and through self-regulation.

The Code is based on the principle comply or explain, which means that all rules do not always have to be complied with if there is a reason and it is explained. Some of the Code's principles are to create a good basis for exercising an active and responsible ownership role and to create a well-adjusted balance of power between owners, the Board and the executive management, which Balder views as a natural part of the principles for the operations.

The Code also means that certain information should be made available on the

company's website. The Swedish Corporate Governance Code is administered by the Swedish Corporate Governance Board and is available on www.bolagsstyrning.se, where the Swedish model for corporate governance is also described. Balder applies the Code, which is intended to serve as part of the self-regulation within the Swedish business community.

In the view of the Board, there are no deviations to report or explain.

Articles of Association

The company's name is Fastighets AB Balder and the company is a public company (publ). The registered office of the company is in Gothenburg.

The company's objects shall be directly or indirectly, through wholly-owned or part-owned companies, to acquire, manage, own and divest real property and securities and carry on

other activities connected therewith.

The articles of association, which are available on Balder's website, among other things, contain information regarding share capital, number of shares, class of shares and preferential rights, number of Board members and auditors as well as provisions regarding notice and agenda for the annual general meeting.

Annual General Meeting

The Annual General Meeting (AGM) is the company's highest decision-making body in which the shareholders exercise their rights to decide on the affairs of the company. The Board and auditors of the company are elected by the AGM according to the proposal of the nomination committee. The annual general meeting also passes resolutions, including on amendments of the articles of association, on change of the share capital and decides on the company's distribution of profits and discharge

from liability for the Board and the CEO. To participate in passing resolutions, the shareholder must be present at the meeting, either personally or by proxy. In addition, the shareholder must be registered in the share register on a certain date prior to the meeting and notification of participation must be given to the company within a certain determined period. Shareholders who wish to have a special matter dealt with at the AGM can normally request this if the request is made in good time to Balder's Board of Directors prior to the meeting.

Notice to attend the Annual General Meeting is given through the Official Swedish Gazette (Post- och Inrikes Tidningar) and on Balder's website. It shall also be announced in Svenska Dagbladet that notice has been given.

Resolutions at general meetings of shareholders are normally passed by simple majority. In certain questions, the Swedish Companies Act prescribes that proposals must be approved by a larger proportion of the shares represented and cast at the meeting.

Annual General Meeting 2018

At the AGM on 8 May 2018 in the Radisson BLU Scandinavia Hotel in Gothenburg, 333 shareholders were represented, holding about 70 % of the total number of votes. All five Board members and the company's auditor were present at the general meeting. The AGM adopted the financial statements for 2017 and discharged the Board and CEO from liability for the financial year 2017.

The following resolutions were passed by the AGM on 8 May 2018;

- that no dividend shall be declared for the shareholders,
- the Board shall, during the period until the next AGM has been held, be composed of five ordinary members without deputy members,
- directors' fees of a fixed amount of SEK 560,000 should be paid to the Board, of which SEK 200,000 to the Chairman of the Board and SEK 120,000 to the other Board members who are not permanently employed by the company. The amount includes remuneration for committee work.
- re-election of the Board members Christina Rogestam, Erik Selin, Fredrik Svensson, Sten Dunér and Anders Wennergren. All members are elected up to and including

the 2019 AGM. Christina Rogestam was re-elected as Chairman of the Board.

- approval of the Board's proposed guidelines for remuneration to senior executives,
- a mandate for the Board to decide on new issue of shares of Class B corresponding to not more than 10% of the existing share capital. The new issue shall be used by the company for payment of acquisitions of properties or acquisition of shares or participations in legal entities that own property or in order to capitalise the company ahead of such acquisitions or to capitalise the company in other respects,
- a mandate for the Board to decide on repurchase and transfer of the company's own shares for the purpose of adjusting the company's capital structure and for transferring own shares as payment or for financing of property investments.

Minutes taken at the AGM on 8 May 2018 are available on the company's website. The 2019 AGM will take place on 8 May 2019 at 4 p.m. at Elite Park Avenue Hotel, Kungsportsavenyn 36 in Gothenburg. Information concerning the annual general meeting is published on www.balder.se.

The share and owners

The Balder share is listed on Nasdaq Stockholm, Large Cap. At year-end, the number of shareholders amounted to about 13,000. Of the total share capital, 26 % was owned by foreign owners. The principal owner in Fastighets AB Balder is Erik Selin Fastigheter AB, which owns 36.4 % of the capital and 49.9 % of the votes. Balder's share capital on 31 December 2018 amounted to SEK 180,000,000 distributed among 180,000,000 shares. Each share has a quota value of SEK 1,00. The shares are distributed into 11,229,432 shares of Class A and 168,770,568 shares of Class B. Each Class A share carries one vote, and each Class B share carries one tenth of one vote. Each shareholder at the general meeting is entitled to vote for the number of shares held and represented by him/her. Further information regarding shares and share capital is found on pages 8–10, Balder's share and owners.

Board of Directors

The Board of Directors is elected by the AGM and according to the articles of association shall consist of at least three and at most seven members. The members are elected

at the AGM for the period until the end of the first AGM that is held after the members were elected. During 2018, the Board was composed of five members and is responsible for the company's organisation and administration (more information about the company's Board is available on page 109 and on www.balder.se). The Board works according to an established formal work plan with instructions concerning division of responsibilities between the Board and the CEO.

New Board members receive an introduction to the company and its operations and participate in the stock exchange's training according to the stock exchange agreement. The Board subsequently receives continual information, including about regulatory changes and such issues concerning the operations and the Board's responsibility in a listed company.

The rules of the Swedish Companies Act apply to resolutions in the Board, to the effect that more than half of the members present and more than one third of the total number of members must vote for resolutions. The Chairman has the casting vote in the event of the same number of votes.

The Board work is governed by the Swedish Companies Act, the articles of association, the Code and the formal work plan that the Board has adopted for its work.

Balder's Board of Directors is composed of persons who possess broad experience and competence from the real estate sector, business development, sustainability issues and financing. Most of the Board members have experience of board work from other listed companies.

Both of the major owners Erik Selin Fastigheter AB and Arvid Svensson Invest AB are represented on the Board through Erik Selin and Fredrik Svensson.

Balder's authorised signatories, apart from the Board, are any two jointly of Chairman Christina Rogestam, CEO Erik Selin and CFO Magnus Björndahl.

The Board's duties and responsibilities

The Board's overriding duty is to manage the affairs of the company on behalf of the owners so that the owners' interest in a good long-term return on capital is satisfied in the best possible way.

The Board has responsibility for ensuring that the company's organisation is appropriate and that the operations are conducted in

accordance with the articles of association, the Companies Act and other applicable laws and regulations and the formal work plan of the Board. The Board shall perform the board work collectively under the leadership of the Chairman.

The Board shall also ensure that the CEO fulfils his duties in accordance with the Board's guidelines and directions. These are found in the instructions to the CEO drawn up by the Board. The Board members shall not be responsible for different lines of business or functions. Compensation and remuneration questions for the CEO are prepared by the Chairman and presented to the rest of the Board prior to decision.

The Board's duties include, but are not limited to the following:

- establishing business plans, strategies, significant policies and goals for the company and the Group that the company is parent company of,
- determining the company's and Group's overall organisation,
- appointing and dismissing the CEO,
- ensuring that there is a functioning reporting system,
- ensuring that there is satisfactory control of the company's and Group's compliance with laws and other regulations that apply to the operations,
- approving a new formal work plan and instruction to the CEO annually,
- approving financial reporting in the form of interim reports, year-end reports and annual accounts that that company shall publish,
- ensuring that the company has a functioning approvals list and approvals process,
- approving necessary guidelines for the company's conduct in society with the aim of ensuring long-term value creation and a sustainability perspective,
- ensuring that the company has an appropriate system for follow up and control of the risks associated with the company and its operations.

Chairman of the Board

It is the duty of the Chairman to ensure that the Board's work is conducted effectively and that the Board fulfils its duties. The duties of the Chairman thus include, but are not limited to:

- organising and leading the Board's work and creating the best possible basis for the Board's work,
- ensuring that the Board's work occurs in

accordance with the provisions of the articles of association, the Companies Act and the formal work plan of the Board,

- monitoring that the Board's decisions are executed effectively,
- continually monitoring the company's development through contact with the CEO and acting as a discussion partner,
- ensuring that the Board members, through the agency of the CEO, receive sufficient information and decision data for their work,
- making sure that each new Board member is given a proper introduction upon joining the Board.

The formal work plan of the Board of Directors

The Board adopts a formal work plan for the board work each year. This formal work plan describes the duties of the Board and the division of responsibilities between the Board and the CEO. The formal work plan also describes what matters shall be dealt with at each board meeting and instructions regarding the financial reporting to the Board. The formal work plan also prescribes that the Board shall have an audit committee and a remuneration committee. The Chairman of the Board shall serve as the chairman of the committees.

Board meetings

The Board shall, in addition to the statutory meeting, hold board meetings on at least four occasions annually. The CEO and/or CFO shall as a general rule present a report to the Board. The company's employees, auditor or other external consultants shall be called in to board meetings in order to participate and report on matters as required.

The Board constitutes a quorum when more than half of the Board members are present. The Chairman has the casting vote in the event of the same number of votes.

The work of the Board

Balders' Board held nine board meetings during 2018 of which one was the statutory meeting. Board meetings are held in connection with the company's reporting. Matters of significant importance to the company are dealt with at each ordinary board meeting such as acquisition and divestment of properties, investments in existing properties and financing questions. In addition, the Board is informed about the current business situation in the rental, property

and credit markets. The regular matters dealt with by the Board in 2018, included acquisition strategies, capital structure and financing position, sustainability work, common corporate policies and the formal work plan for the Board. At the extraordinary board meetings, decisions were taken about financing issues.

Composition of the Board

The Board, for its work in Balder's Board of Directors, shall have appropriate experience and competencies for the operations that are being conducted in order to be able to identify and understand the risks that can arise in the business and the rules and regulations governing the operations that are being conducted.

The composition of the Board shall be characterised by diversity and breadth in terms of the chosen members' competencies, experience, age, gender or ethnic background. The diversity policy applied by the nomination committee follows item 4.1 of the Code. It is the duty of the nomination committee to consider the policy, with the objective of achieving an appropriate composition in the Board. During election of new Board members, the suitability of the individual members shall be examined with the aim of achieving a Board with a combined level of expertise that is sufficient for ensuring appropriate governance of the company.

The composition of the Board provides a good basis for well-functioning board work with a good spread among individual members that represents diversity according to the Board's diversity policy.

Evaluation of the Board's work

The intention of the evaluation is to further improve the Board's working methods and efficiency, and to clarify the main direction of the Board's future work. The evaluation also serves as a tool for ensuring the right competencies and knowledge in the Board. During the completion of the annual evaluation, Board members are asked, based on their own perspective, to discuss various areas relating to the Board's work with other Board members. These conclusions are documented in a report. The areas discussed and evaluated in 2018, related to the Board's composition, competencies, efficiency and focus areas going forward. The areas covered by the Board evaluation may vary from one

year to another to reflect the development of the Board’s work.

The evaluation showed constructive board work conducted in a positive spirit.

Remuneration Committee

The remuneration committee has a preparatory function in relation to the Board in questions regarding principles for remuneration and other terms of employment for the CEO and other senior executives. The remuneration committee shall monitor and evaluate the application of the guidelines for remuneration and levels of compensation to senior executives that the AGM has determined and shall also draw up proposals for new guidelines for principles of remuneration and other terms of employment. Before the resolution of the AGM, the Board shall propose principles for remuneration and other terms of employment for the CEO and other senior executives. Based on the resolution of the AGM, it is the duty of the remuneration committee to decide on remuneration to the CEO and other officers. The remuneration committee is composed of all independent Board members and should meet at least once every year. For further information see Note 4, Employees and personnel expenses.

Audit Committee

The audit committee shall be responsible for preparing the Board’s work by quality-assuring the company’s financial reporting, assisting the nomination committee in drawing up proposals for auditors and their fees and ensuring a qualified independent audit of the company. Apart from the above, the audit committee worked with procurement and preparation of the election of auditor ahead of the AGM 2019. Four of the leading auditing firms participated in the procurement process. After evaluation, the committee recommended to the nomination committee and Board to nominate Öhrlings PricewaterhouseCoopers AB as the company’s auditor with Bengt Kron as auditor in charge.

The audit committee shall meet the company’s auditor at least once per calendar year and have the opportunity to meet with the auditors without any members of the company management being present. During 2018, the audit committee, which was composed of all independent Board members, met the company’s auditor on

The composition of the Board of Directors, number of meetings and attendance

Name	Elected	Independant ¹⁾	Attendance at meetings		
			Board meetings	Audit committee	Remuneration committee
Christina Rogestam	2006	Yes	9/9	2/2	1/1
Erik Selin	2005	No	9/9	—	—
Fredrik Svensson	2005	No	9/9	2/2	1/1
Sten Dunér	2007	Yes	9/9	2/2	1/1
Anders Wennergren	2009	Yes	9/9	2/2	1/1

1) The independence is based on both independence in relation to the company and the company management as well as to the larger shareholders (>10 %).

two occasions and received an audit plan for 2018 and a report on the performed audit.

Disqualification

Board members or the CEO may not deal with issues concerning agreements between themselves and the company or Group. Nor may they deal with issues regarding agreements between the company and a third party, if they have a material interest that can conflict with that of the company. Lawsuits or other actions are on a par with the agreements referred to above. Where applicable, it is incumbent on the Board member or CEO to disclose if a disqualification situation would arise.

Nomination Committee

The AGM resolves on the procedure for election of the Board, and when applicable, auditors. The AGM 2018 resolved that a nomination committee should be established before the 2019 AGM in order to submit proposals on the number of Board members, election of Board members including the Chairman of the Board and election of auditors and remuneration for Board members as well as for auditors.

The nomination committee’s proposals shall be announced no later than in conjunction with the notice convening the AGM. Shareholders are given the opportunity to submit nomination proposals to the nomination committee.

The AGM 2018 adopted the nomination committee’s proposal that the nomination committee should be composed of one representative for each of the two largest shareholders or ownership spheres in addition to Lars Rasin, who represents the other shareholders. The chairman of the nomination committee shall be Lars Rasin. The names of the other two members and the owners they represent shall be announced not later than six months before the AGM. The nomination committee’s term of office

extends until a new nomination committee has been appointed. If Lars Rasin resigns as chairman of the nomination committee, the company’s Chairman shall appoint a new chairman of the nomination committee until the next general meeting of the company.

The nomination committee ahead of the AGM 2019 is composed of Jesper Mårtensson, representing Erik Selin Fastigheter AB, Rikard Svensson, representing Arvid Svensson Invest AB, and chairman Lars Rasin.

The nomination committee has decided to propose the re-election of the current Board members Christina Rogestam, Fredrik Svensson, Sten Dunér, Anders Wennergren and Erik Selin. It is proposed to re-elect Christina Rogestam as Chairman of the Board.

Election of auditor was discussed with the audit committee. The nomination committee has decided to follow the audit committee’s recommendation to nominate Öhrlings PricewaterhouseCoopers AB to the AGM as the company’s auditor with Bengt Kron as auditor in charge.

CEO and Management

The CEO is responsible for the day-to-day administration pursuant to the guidelines and policies determined by the Board. The CEO shall report on Balder’s development to the Board and prepare the order of business at Board meetings according to an approved agenda. The CEO shall ensure that the required material is compiled and distributed to the Board members prior to board meetings.

The Management team normally meets once every month with a standing agenda, including property transactions, finance and overall management issues. The Group Management consists of six persons and includes resources such as the CEO, accounting, finance, management, property transactions and HR. More information about the company’s CEO and Management team is found on page 110.

Audit

The company’s annual accounts and the administration of the CEO and Board are reviewed by the company’s auditor who submits an audit report for the financial year to the AGM.

The auditor reports to the Board on his audit plan for the year and his views on the accounts, annual accounts and administration.

Öhrlings PriceWaterhouseCoopers AB was elected at the AGM on 11 May 2017 as auditor for a period of two years until the AGM 2019. The auditor in charge is Bengt Kron.

Ahead of the Annual General Meeting 2019

Ahead of the AGM on 8 May 2019, the Board of Directors proposes:

- no share dividend to be declared,
- guidelines for remuneration of senior executives,
- a mandate for 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,
- a renewed mandate for the Board until the next annual general meeting, on one or more occasions, to resolve on new issue of shares of Class B corresponding to not more than 20,000,000 shares. It shall be possible to subscribe for the shares in cash, in kind or through right of set-off.

Ahead of the AGM on 8 May 2019, the nomination committee proposes:

- re-election of the current Board members Christina Rogestam, Fredrik Svensson, Sten Dunér, Anders Wennergren and Erik Selin. It is proposed to re-elect Christina Rogestam as Chairman of the Board,
- it is proposed to pay directors’ fees of SEK 200,000 to the Chairman of the Board and SEK 120,000 to the other Board members who are not permanently employed by the company. Amounts include remuneration for committee work,
- re-election of Öhrlings PricewaterhouseCoopers AB as the company’s auditor,
- that the general meeting resolves that the nomination committee shall be composed of one representative for each of the two largest shareholders or ownership spheres in addition to Lars Rasin, who represents the other shareholders. The chairman of the nomination committee shall be Lars Rasin. The names of the other two members

and the owners they represent shall be announced not later than six months before the AGM. The nomination committee’s term of office extends until a new nomination committee has been appointed.

Information to the stock market

Balder issues interim reports for the operations three times per year; on 31 March, on 30 June and on 30 September. In addition to this, Balder’s reports its full-year accounts on 31 December in its year-end report and publishes its annual accounts in good time before the AGM.

The annual accounts for 2018 are now available for distribution and on Balder’s website. All documents as well as press releases and presentations in connection with reports are available on www.balder.se.

Internal control over financial reporting

The Board is responsible for the internal control under the Swedish Companies Act and under the Code. This account has been prepared in accordance with the Swedish Annual Accounts Act and the Code and is thus limited to internal control over financial reporting. Financial reporting refers to interim reports, year-end reports and annual reports. This report does not constitute a part of the formal annual accounts.

Balder’s internal control follows an established framework, Internal Control – Integrated Framework, which consists of five components. The components are control environment, risk assessment, control activities, information and communication as well as monitoring.

Control environment

The control environment constitutes the basis for the internal control over financial reporting. A good control environment is built on clearly defined and communicated decision-making procedures and guidelines between different levels of the organisation, which together with the corporate culture and shared values establish the basis for managing Balder in a professional manner. Balder’s internal control is based on a decentralised organisation with 1,185 properties, each with its own profit centre, which are administered from regional offices. To support the control environment and provide necessary guidance to different officers, there are a number of documented gover-

ning documents such as internal policies, guidelines, manuals, the formal work plan of the Board, decision-making procedures, rules for approvals as well as accounting and reporting instructions. Governing documents are updated as required in order to always reflect applicable laws and rules.

Risk assessment

The focus is on identifying the risks that are considered most significant in Balder’s profit/loss and balance sheet items in the financial reporting and what measures can reduce these risks. The risk management is built into the above mentioned document for the control environment.

Different methods are used to measure and minimise risks and to ensure that the risks that the company is exposed to are handled according to Balder’s current policies and rules. The Board conducts an annual review of the internal control in accordance with the formal work plan of the Board. The risk assessment is continually updated to cover changes that have a material impact on the internal control over financial reporting.

The most significant risks that have been identified in connection with the financial reporting are errors in the accounts and in the valuation of the property portfolio, deferred tax, interest-bearing liabilities, refinancing, tax and value added tax as well as the risk of fraud, loss or embezzlement of assets.

Control activities

A number of control activities are built-in to ensure that the financial reporting provides a true and fair view at each point of time. These activities involve different levels in the organisation, from the Board and company management to other employees. The control activities are aimed at preventing, discovering and correcting errors and deviations. The activities consist of approval and reporting of commercial transactions, follow up of decisions and approved policies of the Board, general and application-specific IT controls, checking of external counterparties and follow up of results at various levels in the organisation. Other activities are follow up of the reporting procedures including the annual accounts and consolidated financial statements and their conformity with applicable rules and regulations, approval of reporting tools, accounting and valuation principles

as well as power of attorney and authority structures.

Balder's regional offices participate in the basic control, follow up and analysis in each region. To ensure the quality of the regions' financial reporting, an evaluation is made in conjunction with the Group's controllers.

The follow up at a regional level combined with the controls and analyses at a Group level are an important part of the internal control, to ensure that the financial reporting essentially does not contain any errors.

Information and communication
Balder has determined how information and communication in respect of the financial reporting should occur so that the company's information disclosure should take place in an effective and correct manner. Balder has guidelines for how the financial information should be communicated between the Management and other employees. Guidelines, updates and changes are made available and known to

the employees concerned by means of oral and written information and on Balder's Intranet. The Board receives further information about risk management, internal control and financial reporting from meetings and reports from the company's auditors.

Monitoring
There is an appropriate process for continual follow up and annual evaluation of the observance of internal policies, guidelines, manuals and codes and of the appropriateness and functionality of the established control activities. Different methods are used to measure and minimise risks and to ensure that the risks that the company is exposed to are handled according to Balder's current policies and rules. The Group's accounting and controller function has the day-to-day responsibility for ensuring follow-up and reporting to the company management of possible shortcomings. Follow-up occurs on both a property level and a Group level.

The Board regularly evaluates the information submitted by the company management and the auditors. The company's auditors report their observations from the audit and their opinion about the internal control over financial reporting on at least one occasion each year.

Need for internal audit
Balder has a decentralised organisation that manages 1,185 properties from regional offices. Financial operations and the finance function for the entire Group are conducted in the parent company.
There is a controller function in the parent company which monitors the administration of the regional offices and the financial operations in the parent company. Balder's size and decentralised organisation together with the controller function in the parent company mean that a special internal audit function is not motivated at present.

Gothenburg, 28 March 2019

Christina Rogestam
Chairman of the Board

Sten Dunér
Board member

Fredrik Svensson
Board member

Anders Wennergren
Board member

Erik Selin
Board member
and CEO

Auditor's statement regarding the Corporate Governance Report

To the Annual General Meeting of Fastighets AB Balder (publ) Corporate identity no. 556525-6905

Engagement and allocation of responsibility
The Board of Directors is responsible for the corporate governance report for 2018 on pages 103–108 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

The focus and scope of the review
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our review of the corporate governance report has another aim and direction, and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden. We believe

that this review provides us with a sufficient basis for our opinion.

Opinion
A corporate governance Statement has been prepared. Disclosures according to Chapter 6 Section 6, second paragraph, items 2–6 of the Annual Accounts Act and Chapter 7 Section 31, second paragraph of the same Act are consistent with the annual accounts and consolidated financial statements and are in compliance with the Annual Accounts Act.

Gothenburg, 29 March 2019

Öhrlings PricewaterhouseCoopers AB

Bengt Kron
Authorised Public Accountant
Auditor in charge

Helén Olsson Svärdröm
Authorised Public Accountant

Board of Directors



Christina Rogestam

Born 1943.
Chairman of the Board since 2006

Education and experience
Bachelor of Arts, Social studies
Previously President and CEO of Akademiska Hus AB, board member of Fastighets AB Stenvalvet.

Shareholding in Balder
30,000 B shares and 3,000 B shares via company.



Anders Wennergren

Born 1956.
Board member since 2009.

Education and experience
Bachelor of Laws Lawyer and partner at Advokatfirman Glimstedt.

Shareholding in Balder
260,000 B shares via company.



Sten Dunér

Born 1951.
Board member since 2007.

Education and experience
Bachelor of Science (Economics). Former CEO of Länsförsäkringar AB. Board member of Länsförsäkringar Liv. Former chairman of Länsförsäkringar Bank, Länsförsäkringar Sak and Länsförsäkringar Fondliv. Former board member of Svensk Försäkring and the Employers' Organisation of the Swedish Insurance Companies.

Shareholding in Balder
No shareholding in Balder.



Fredrik Svensson

Born 1961.
Board member since 2005.

Education and experience
Bachelor of Science (Economics). Chairman of Arvid Svensson Invest AB, board member of SBB, Samhällsbyggnadsbolaget, chairman of ABB Gymnasiet.

Shareholding in Balder
2,915,892 A shares and 13,542,540 B shares, all via company.



Erik Selin

Born 1967.
Board member since 2005.

Education and experience
Business school economist CEO of Fastighets AB Balder, chairman of Skandrenting AB, board member and vice chairman of Collector Bank AB (publ), board member of Västsvenska Handelskammaren, Hexatronic Scandinavia AB, Hedin Bil AB and Ernström & Co.

Shareholding in Balder
10,500 B shares and 8,309,328 A shares and 57,200,400 B shares via company.

Balder's Board of Directors
Balder's Board of Directors is composed of five people, including the Chairman. Board members are elected annually at the AGM for the period until the end of the next AGM.

Auditor
Öhrlings PricewaterhouseCoopers AB
Auditor in charge: Bengt Kron, born 1965. Öhrlings PricewaterhouseCoopers AB was elected as auditor at the AGM on 11 May 2017 for the period until the AGM 2019.

Management



Erik Selin

Born 1967.
CEO of Fastighets AB Balder.

Education and experience

Business school economist. Employed since 2005.

Shareholding in Balder

10,500 B shares and 8,309,328 A shares and 57,200,400 B shares via company.



Magnus Björndahl

Born 1957.
CFO.

Education and experience

Bachelor of Science (Economics). Employed since 2008.

Shareholding in Balder

31,000 B shares.



Petra Sprangers

Born 1965.
Head of Personnel and Adminstration.

Education and experience

Business school economist. Employed since 2007.

Shareholding in Balder

300 B shares.



Benny Ivarsson

Born 1955.
Head of Property.

Education and experience

Bachelor of Science (Economics). Employed since 2006.

Shareholding in Balder

11,474 B shares and 11,720 B shares via company.



Sharam Rahi

Born 1973.
Vice CEO.

Education and experience

Compulsory school. Employed since 2005.

Shareholding in Balder

737,822 B shares and 788,978 B shares via company.



Marcus Hansson

Born 1974.
Head of Finance.

Education and experience

Bachelor of Science (Economics). Employed since 2007.

Shareholding in Balder

156,500 B shares.

Property list

Property list					Lettable area, sq.m.										Tax assessment value, SEK/m
					Office	Retail	Industrial/ Ware- house	Education/ Care	Hotel	Resi- dential	Other	Total			
Municipality	Name of property	Address	Year of construction	Property category	Site lease- hold right										
Helsinki Region															
Helsinki	Several properties			Residential							1,051,614		1,051,614		
Total Helsinki											1,051,614		1,051,614		
Stockholm region															
Botkyrka	Freja 2	Balders väg 10	1973	Residential							7,060	220	7,280	57	
Botkyrka	Freja 3	Balders väg 1	1973	Residential							7,060	220	7,280	55	
Botkyrka	Hallunda 4:11	Iduns väg 1-16		Other	Yes										
Botkyrka	Hallunda 4:9	Balders väg 1-16		Other	Yes										
Botkyrka	Idun 2	Iduns väg 10	1972	Residential							7,060	256	7,316	56	
Botkyrka	Idun 3	Iduns väg 1	1972	Residential				255			7,060		7,315	57	
Huddinge	Björkgården 6	Vårby Allé 32	1973	Residential							14,531		14,531	119	
Huddinge	Bäckgården 8	Vårby Centrum	1974	Office	Yes	2,719	2,550	381				2,238	7,888	56	
Huddinge	Krongården 7	Krongårdsvägen 1	1973	Residential							41,359		41,359	318	
Huddinge	Vinkeln 7	Geometrivägen	1994	Retail			5,391						5,391	61	
Järfälla	Säby 3:29	Korpralsvägen 10	2008	Residential		10		372			5,344	8	5,734	90	
Karlskoga	Fordonet 1	Tibastvägen 10	1975	Retail	Yes		1,660						1,660	4	
Lidingö	Fjällräven 1	Karins Allé 3-7, Vesslevägen 3	1963/1999	Residential				100	4,348		2,561		7,009		
Nacka	Sicklaön 354:1	Ektorpsvägen 2	1979	Office		6,058	3,871	1,172	5,726	1,385		320	18,532	69	
Nacka	Sicklaön 363:2	Värmdövägen 84	1986	Hotel		2,392		35		8,365			10,792	74	
Nacka	Älta 9:130	Ältavägen 170	1992	Retail			960				880		1,840	21	
● Norrtälje	Flygspanaren 8	Stockholmsvägen 39	1959	Retail			1,884						1,884	8	
Nynäshamn	Musköten 1	Björn Barkmans väg 1	1968	Residential		206		65			22,494	1,208	23,973	155	
● Sollentuna	Ritmallen 2	Kung Hans Väg 10	1981	Residential		298		1,721		7,844		1,148	11,011	43	
Solna	Banken 14	Hotelgatan 11	1965	Hotel		93				11,444			11,537	120	
Solna	Puman 1	Bangatan 21	1972	Hotel		340		145		1,664			2,149	18	
Stockholm	Alptanäs 1	Haukadalsgatan 3	1981	Retail	Yes	2,222	6,713					859	9,794	54	
Stockholm	Berget 2	Västmannagatan 13		Project										34	
Stockholm	Doggen 1	Vinthusdsvägen 157	1974	Office		1,650							1,650	7	
Stockholm	Doggen 2	Vinthusdsvägen 159	1984	Office	Yes	4,721							4,721	27	
Stockholm	Fiskaren Större 3	Götgatan 21	1929	Residential		235	993				1,375		2,603	66	
Stockholm	Gladan 3	Sankt Göransgatan 159		Project	Yes									81	
Stockholm	Granen 21	Floragatan 13	1972	Office		4,304							4,304	165	
Stockholm	Göta Ark 18	Göta Ark 100	1985	Office	Yes	17,026	320	876				559	18,781	433	
Stockholm	Havsfrun 26	Artillerigatan 42	1929	Office		3,267		252					3,519	92	
Stockholm	Holar 3	Skalholtsgatan 10	1985	Other		6,135		1,072					7,207	69	
Stockholm	Islandet 4	Adolf Fredriks Kyrkogata 13	1908	Office		1,845	245	125					2,215	62	
Stockholm	Järnplåten 23	Kungsgatan 37	1937	Office		5,226	440	171	148			2,048	8,033	354	
Stockholm	Katthavet 8	Näckströmsgatan 8	1863	Retail						8,022			8,022	212	
Stockholm	Kilaberg 1	Kilabergsvägen	1975	Office	Yes	7,893		5,009					12,902	91	
Stockholm	Kungsbacken 8	Drottningsgatan 108	1929	Office		1,787	563	67				25	2,442	64	
Stockholm	Kvasten 8	Mäster Samuelsgatan 10	1929	Office		1,336	614	81				10	2,041	174	
Stockholm	Lindansaren 23	Flaggstång, Holländargatan 22	1929	Office		7,103	863	603			293		8,862	213	
Stockholm	Luftspringaren 10	Saltmätargatan 10	1931	Office		498		18					516		
Stockholm	Luftspringaren 16	Saltmätargatan 19 A	1929	Office		615	372	80			613	794	2,474	43	
Stockholm	Lärftet 2	Brommaplan 407	1941	Residential	Yes	204	530	143			895		1,772	26	
Stockholm	Magneten 32	Voltavägen 13	1982	Office		6,539	450	3,118					10,107	84	
Stockholm	Meteorologen 4	Finn Malmgrens Väg 9	1991	Residential	Yes		399				725		1,124	19	
Stockholm	Meteorologen 5	Finn Malmgrens Väg 11	1991	Residential	Yes		1,090	74			1,235		2,399	38	
Stockholm	Murmästaren 3	Garvargatan 10	1926	Other					16,325				16,325		
Stockholm	Murmästaren 7	Hantverkargatan 31	1929	Office		2,448	462	89				83	3,082	78	
● Stockholm	Murmästaren 9	Hantverkargatan 21	1929	Residential		1,414	756	6			2,444		4,620	108	
Stockholm	Prästgårdsängen 3	Götalandsvägen 218	1986	Office	Yes	5,385	847	39					6,271	53	
Stockholm	Silket 2	Brommabågen 4	1941	Retail	Yes	174	602	94			555	7	1,432	23	
Stockholm	Singeln 9	Sorterargatan 8	1970	Office	Yes	5,139		103					5,242	28	
Stockholm	Skeppshandeln 1	Hammarby Allé 45	2013	Retail		2,143	3,033	210		8,550			13,936	399	
● Stockholm	Skeppshandeln 2			Project										29	
Stockholm	Snöflingan 3	Drottningsholmsvägen 59	2009	Hotel						22,000			22,000	402	
Stockholm	Spelbomskan 14	Gyldéngatan 6, Sandåsgatan 2	1939	Other				147	2,553				2,700		
Stockholm	Spårvagnen 4	Birger Jarlsgatan 57	1995	Office		18,897	3,084	962				191	23,134	840	
Stockholm	Tråden 1	Brommaplan 418-420	1941	Retail	Yes	555		41			537		1,133	18	
Stockholm	Varmvattnet 3	Esbogatan 8	1977	Retail	Yes		15,000					18,009	33,009	111	
Stockholm	Vattenkraften 1	Solkraftsvägen 13	1989	Office	Yes	6,408	734		3,689			4	10,835	36	
Stockholm	Vilunda 6:48	Hotelvägen 1	1986	Hotel						6,955			6,955	45	

● Acquisitions during 2018.

						Lettable area, sq.m.							Tax assessment value,SEKm
Municipality	Name of property	Address	Year of construction	Property category	Site lease- hold right	Office	Retail	Industrial/ Ware- house	Education/ Care	Hotel	Resi- dential	Other	Total
	Stockholm	Årstaäng 4 & 6	1966/2001	Office	Yes	27,922	815	5,417				19	34,173
●	Sundbyberg	Bivacken 2	1990	Other		4,017	499	95	70			2	4,683
●	Sundbyberg	Bollspelaren 1	1993	Other				4,028	5,621				9,649
●	Sundbyberg	Kartan 1	1971	Other		14,735		96		2,414	1,960	39	19,250
●	Sundbyberg	Kasernen 1	1940	Other					1,546			2	1,548
●	Sundbyberg	Kasernen 2	1940	Other					1,594				1,594
●	Sundbyberg	Kasernen 3	1940	Other				1,551					1,551
●	Sundbyberg	Kvartermästaren 1	1984	Retail		470	1,657	87	1,916			6	4,136
●	Sundbyberg	Maden 4	1988	Retail	Yes	4,314	6,357					466	11,137
●	Sundbyberg	Terränglöparen 11	1984	Office		7,355	5,628	2,994	3,829			4,867	24,673
	Södertälje	Grävmaskinen 23	1973	Retail			2,391						2,391
	Södertälje	Yxan 8	1975	Hotel						14,115			14,115
	Uppsala	Berthåga 53:1	2007	Residential							3,814		3,814
	Uppsala	Denmarks-Säby 11:1	2012	Retail			20,727					712	21,439
	Uppsala	Dragarbrunn 16:4	1962	Hotel			680	51		5,275			6,006
	Uppsala	Kvarngärdet 3:2	1983	Hotel						7,518			7,518
●	Uppsala	Årsta 68:1	1976	Retail			7,558						7,558
	Uppsala	Årsta 94:1	1988	Residential							5,274	39	5,313
	Uppsala	Årsta 95:1	2005	Residential						4,117		8	4,125
	Örebro	Stjärnregnet 1	1979	Retail			4,341						4,341
						186,098	105,079	30,394	48,916	105,551	140,263	34,367	650,668
													7,361

Total Stockholm													
Gothenburg region													
Ale	Nödinge 38:14	Ale Torg 10	2007	Retail		3,920	10,032	30					13,982
Ale	Surte 1:245	Göteborgsvägen 64 B	1967	Residential		215	337			1,216	90		1,858
Ale	Surte 1:293	Göteborgsvägen 93 A	1946	Residential					424	356			780
Ale	Surte 1:294	Brattåsstigen 6	1992	Residential					455	330			785
Ale	Surte 4:119	Göteborgsvägen 64	1987	Retail		808	1,440	277		457	114		3,096
Alingsås	Bagaren 14	Hantverksgatan 2	1991	Residential						556			556
Alingsås	Bagaren 2	Hantverksgatan 4	1992	Residential						424	9		433
Alingsås	Björkhagen 1	Björkhagegatan 2 A	2008	Residential						3,212			3,212
Alingsås	Bolltorp 4:13	Bolltorp	2003	Residential						14,166			14,166
Alingsås	Dryckeshornet 1	Bankgatan 1	1911	Hotel			219				5,362		5,581
Alingsås	Smedjan 3	Malmgatan 6A	1953	Retail			3,207					15	3,222
Borås	Plutonen 1	Pickesjövägen 2	2011	Retail		40	12,318					762	13,120
Borås	Vattnet 4	Elementgatan 8	2018	Retail			6,660						6,660
Borås	Vindtyget 6	Ödegårdsgatan 2A	2012	Retail			3,350						3,350
Gothenburg	Askim 243:20	Askims torg	1972	Office		1,803	638	553	1,385				4,379
Gothenburg	Backa 169:2	Södra Deltavägen 3B	1994	Retail			3,615						3,615
Gothenburg	Backa 169:3	Södra Deltavägen 3 A	2006	Retail			1,975						1,975
Gothenburg	Backa 171:3	Backavägen 1	1955	Retail			4,353						4,353
●	Gothenburg	Backa 171:4	1990	Office		4,861	2,913	8					7,782
Gothenburg	Backa 21:14	Exportgatan 47 B	1989	Other		608		1,784				108	2,500
Gothenburg	Bagaregården 5:8	Kungälvsgatan 6 A	1929	Residential						584			584
Gothenburg	Bagaregården 5:9	Kungälvsgatan 6 A	1929	Residential						581			581
Gothenburg	Bergsjön 34:1	Atmosfärgatan 1	1970	Residential		115		281		22,271			22,667
Gothenburg	Bergsjön 9:6	Kosmosgatan 1	1967	Residential		77	162	399		41,610	3,537		45,785
Gothenburg	Biskopsgården 7:1	Långströmsgatan 26	1967	Residential	Yes			388		15,278			15,666
Gothenburg	Biskopsgården 7:2	Långströmsgatan 14 C	1967	Residential	Yes	1,130		215		13,744			15,089
Gothenburg	Biskopsgården 7:3	Långströmsgatan 10 A	1968	Residential	Yes			278		13,736			14,014
Gothenburg	Biskopsgården 830:842	Långströmsgatan 2-52	1967	Other	Yes								
Gothenburg	Biskopsgården 830:843		1967	Other	Yes								
Gothenburg	Bråmaregården 72:4	Hisingsgatan 28	1959	Office	Yes	2,495	889	42				20	3,446
Gothenburg	Bur 134:1	Oxholmsgatan 28	1989	Residential								302	302
Gothenburg	Bö 93:2	Sofierogatan 1	1940	Office		8,304		472				316	9,092
Gothenburg	Gamelestaden 25:11	Marieholmsgatan 4	1990	Office	Yes	2,988	681	178				70	3,917
Gothenburg	Gamelestaden 26:13	Vassgatan 3	1988	Office	Yes	3,803		6,363				4,016	14,182
Gothenburg	Gullbergsvass 11:2	Gullbergs Strandgata 40	1977	Other	Yes			5,865					5,865
Gothenburg	Gårda 15:1	Fabriksgatan 7	1929	Office		7,200	207	487					7,894
Gothenburg	Gårda 15:1 (15:12)	Drakegatan 2	1937	Residential		1,583	87				6,717		8,387
Gothenburg	Göteborg Tuve 116:6	Grimbodalen 6	2008	Retail			3,213						3,213
Gothenburg	Heden 24:11	Engelbrektsgatan 73	1964	Hotel	Yes					17,875			17,875
Gothenburg	Heden 47:3	Parkgatan 49	2015	Office		5,788	472	50				1,231	7,541
Gothenburg	Högsbo 1:1	J A Wettergrens gata 7	1967	Office		10,997		3,974				84	15,055
Gothenburg	Högsbo 11:10	Victor Hasselblads gata 8	1982	Office			4,050						4,050
Gothenburg	Högsbo 23:4	Gustaf Werners Gata 1	2006	Retail			33,159						33,159
Gothenburg	Högsbo 36:2	Norra Långebergsgatan 2	1974	Retail			5,597					456	6,053
Gothenburg	Högsbo 36:8	Hulda Mellgrens gata 11	1992	Retail		2,448							2,448
Gothenburg	Högsbo 38:17	Sisjö Kullegata 5	1986	Office		1,680						26	1,706
Gothenburg	Högsbo 38:20	Sisjö Kullegata 6	1989	Office		2,010		780					2,790

						Site lease- hold right	Lettable area, sq.m.							Tax assessment value,SEKm
							Office	Retail	Industrial/ Ware- house	Education/ Care	Hotel	Resi- dential	Other	
Municipality	Name of property	Address	Year of construction	Property category										
Gothenburg	Högsbo 38:8	Sisjö Kullegata 8	1990	Office		4,527		2,190				13	6,730	53
Gothenburg	Inom Vallgraven 1:13	Drottninggatan 62	1986	Hotel						26,656			26,656	345
Gothenburg	Inom Vallgraven 14:1	Södra Hamngatan 2	1907	Retail			2,637			2,190			4,827	95
Gothenburg	Inom Vallgraven 15:3	Drottninggatan 30	1980	Office		3,847	379	169					4,395	109
Gothenburg	Inom Vallgraven 16:21	Drottninggatan 10	1882	Retail		2,370	352	86				200	3,008	73
Gothenburg	Inom Vallgraven 19:4	Drottninggatan 31	1929	Office		852	183						1,035	25
Gothenburg	Inom Vallgraven 19:6	Drottninggatan 35	1929	Office		525	510						1,035	22
Gothenburg	Inom Vallgraven 2:2	Drottninggatan 69	1853	Office		1,038	254						1,292	31
Gothenburg	Inom Vallgraven 22:6	Kungsgatan 41	1869	Office		405	468						873	37
Gothenburg	Inom Vallgraven 33:7	Magasinsgatan 26	1929	Office		2,189	897				258	387	3,731	60
Gothenburg	Inom Vallgraven 36:4	Kaserntorget 11 A	1912	Office		2,447		10	9,494			4,859	16,810	
Gothenburg	Inom Vallgraven 4:2	Lilla Kungsgatan 1	1929	Office		2,068	630	62				1,001	3,761	70
Gothenburg	Inom Vallgraven 4:4	Lilla Kungsgatan 3	1929	Office		5,819							5,819	89
Gothenburg	Inom Vallgraven 54:10	Lilla Torget 3	1929	Office		700	175						875	16
Gothenburg	Inom Vallgraven 54:9	Lilla Torget 4	1929	Office		802		8					810	18
Gothenburg	Inom Vallgraven 58:6	Kungsgatan 34	1989	Office		2,816	328	10				1,374	4,528	114
Gothenburg	Inom Vallgraven 8:1	Kyrkogatan 29-31	1850	Retail		1,526	1,668					10	3,204	120
Gothenburg	Inom Vallgraven 8:19	Kungsgatan 56	1962	Office		712	409						1,121	59
Gothenburg	Inom Vallgraven 8:20	Kyrkogatan 33	1940	Retail			803						803	28
Gothenburg	Järnbrott 145:6	Svängrumsgatan 45	1963	Residential							3,899	13	3,912	42
Gothenburg	Kobbegården 6:725	Datavägen 12 A	1988	Office		3,268							3,268	27
Gothenburg	Kvillebäcken 16:10	Färgfabriksгатan 7	1965	Other		100	1,876	527				985	3,488	7
Gothenburg	Kvillebäcken 16:11	Gamla Björlandavägen 2	1966	Office		3,161	780	217				4,288	8,446	38
Gothenburg	Kvillebäcken 62:7	Ångpannegatan 2		Project										9
Gothenburg	Kyrkbyn 147:1	Almquistgatan 1	1967	Other	Yes				520				520	
Gothenburg	Källtorp 36:7	Solrosгатan 13 A	1935	Residential							769	105	874	15
Gothenburg	Källtorp 39:1	Råstensгатan 2 A	1936	Residential							791		791	13
Gothenburg	Kärra 32:22	Tagenevägen 26	1980	Retail			2,800						2,800	15
Gothenburg	Kärra 73:1-2	Tagenevägen 17A	1971	Retail	Yes	192	4,160					220	4,572	16
Gothenburg	Kärra 95:3	Orrekulla Industrialgata 14	1990	Retail			7,080					129	7,209	47
Gothenburg	Lindholmen 29:1	Theres Svenssons Gata 15	2002	Office		11,019	475	347				1	11,842	227
Gothenburg	Lindholmen 39:2	Lindholmspiran 4	2013	Hotel						13,299			13,299	248
Gothenburg	Lorensberg 45:20	Kungsportsavenyen 6-8	1971	Hotel			1,357			2,305			3,662	95
Gothenburg	Lorensberg 46:1	Kungsportsavenyen 3	1929	Retail		737	1,823	42				316	2,918	66
Gothenburg	Lorensberg 46:10	Kungsportsavenyn 17	1944	Office		983	572						1,555	42
Gothenburg	Lorensberg 46:11	Teaterгатan 18	1929	Retail								1,203	1,203	22
Gothenburg	Lorensberg 46:12	Kungsportsavenyn 11	1929	Retail			2,394						2,394	56
Gothenburg	Lorensberg 46:5	Kungsportsavenyn 7	1929	Retail		201	766						967	25
Gothenburg	Lorensberg 46:6	Kungsportsavenyn 9	1950	Retail								1,176	1,176	32
Gothenburg	Nordstaden 10:15	Köpmansгатan 27	1929	Office		1,031	590					812	2,433	72
Gothenburg	Nordstaden 10:16 & 10:17	Köpmansгатan 29	2008	Hotel			113			7,753			7,866	138
Gothenburg	Olskroken 10:5	Olskroksgatan 30	1985	Office		1,974		32	3,449				5,455	
Gothenburg	Olskroken 25:11	Falkгатan 7	1932	Other					1,969			292	2,261	
Gothenburg	Rud 8:10	Munspelsгатan 10	1962	Residential		255		614			43,889	805	45,563	478
Gothenburg	Sannegården 25:1	Säterigatan 20	1971	Other		3,482		192					3,674	18
Gothenburg	Sannegården 28:5	Sjöporten 1	1945	Office		69	307			1,161			1,537	20
Gothenburg	Tingstadsvassen 3:6	Krokegårdsgatan 3	1944	Retail		128	3,436	100				6	3,670	87
Gothenburg	Tingstadsvassen 3:7	Krokegårdsgatan 7	1987	Retail			5,243						5,243	109
Gothenburg	Torslanda 153:1	Mossfyndsgatan 15	1989	Residential	Yes	362							362	
Gothenburg	Torslanda 155:3	Mossfyndsgatan 10	1989	Residential	Yes	300							300	
Gothenburg	Torslanda 95:1	Torslanda torg 2	1973	Retail		231	4,578	26			871	968	6,674	48
Gothenburg	Utby 39:11	Västra Tvärskedet 3	1990	Residential					116		351		467	
Jönköping	Visionen 4	Bataljonsgatan 14	2016	Retail			22,448					385	22,833	85
Kungsbacka	Hede 4:14	Hedebrovägen 15	2011	Retail			4,177						4,177	24
Kungsbacka	Kungsbacka 6:28	Smörhålevägen 1	1993	Other								2,675	2,675	
Kungsbacka	Kungsbacka 6:29	Smörhålevägen 3-5	1993	Other								5,019	5,019	
Kungsbacka	Spekedal 1:104	Kopparvägen 4-14	1988	Residential						2,519			2,519	23
Kungsbacka	Spekedal 1:92	Gottskärsvägen 28	1987	Residential						681			681	6
Kungsbacka	Varla 2:367	Energigatan 3	1986	Other								563	563	2
Kungsbacka	Varla 2:394	Energigatan 5 A-C	1987	Other								685	685	4
Kungsbacka	Varla 2:429	Magasinsгатan 2 A	2004	Other								1,172	1,172	6
Kungsbacka	Verkmästaren 11	Lantmannagatan 4		Project										7
Kungsbacka	Ysby 2:25	Klovstensvägen 13-17		Other										
Kungälv	Klocktornet 36	Västra гatan 57	1972	Retail			3,351					423	3,774	32
Kungälv	Krabbetornt 1&35	Västra Gatan 84	1938	Retail		391	840				272		1,503	13
Kungälv	Rhodin 19	Strandгатan 77	1967	Retail			2,822	91				7	2,920	27
Kungälv	Skomakaren 10	Fabriksгатan 10	1988	Office		1,781	478	79	1,474			312	4,124	33
Kungälv	Slottsträdgården 5	Gamla torget	1958	Hotel						6,100			6,100	32
Kungälv	Stopet 1	Fränke Gränd 20	2018	Residential							11,239		11,239	43
Lerum	Floda 3:121	Gamla Vägen 26	1991	Residential							1,016		1,016	11
Lerum	Lerum 43:21	Skattegårdshagen 10	1991	Residential							1,383		1,383	3
Lerum	Torp 1:328	Lindvägen 34 A	1988	Residential							428	11	439	3
Acquisitions during 2018.														

Municipality	Name of property	Address	Year of construction	Property category	Site lease-hold right	Lettable area, sq.m.							Total	Tax assessment value,SEKm
						Office	Retail	Industrial/ Ware-house	Education/ Care	Hotel	Resi- dential	Other		
cont. Gothenburg region														
Mariestad	Enen 23	Viktoriagatan 16	1985	Retail			3,889				1,952		5,841	35
Mariestad	Furan 11	Stockholmsvägen 23	1962	Residential		121					1,620	637	2,378	35
Mariestad	Furan 12	Stockholmsvägen 25	1962	Residential				6			4,254		4,260	
Mariestad	Fårtickan 1	Bergsgatan 20	1968	Residential							4,632		4,632	24
Mariestad	Granen 8	Viktoriagatan 17		Other										0
Mariestad	Hunden 3	Nya Torget 1	1965	Retail			2,187	260			158	1,251	3,856	13
Mariestad	Murklan 1	Bergsgatan 18	1968	Residential							12,557		12,557	70
Mariestad	Staren 8	Nygatan 14	1966	Retail		355	1,621				65	21	2,062	7
Möln dal	Bastuban 1	Bäckstensgatan 5		Project										242
Möln dal	Gaslyktan 2	Argongatan 20	1981	Retail			3,483					81	3,564	29
Möln dal	Leoparden 2	Göteborgsvägen 129	1923	Retail		1,476	20,669				495		22,640	121
Möln dal	Pianot 5	Bäckstensgatan 13	2009	Retail		2,390							2,390	16
Möln dal	Presenten 1	Flöjelbergsgatan 24	2001	Retail		774	12,726				77		13,577	84
Möln dal	Presenten 2	Flöjelbergsgtan 22	1978	Retail			2,250				75		2,325	12
Möln dal	Stockrosen 10	Norra Ågatan 26 C	1973	Office		1,648		53			35		1,736	11
Möln dal	Stockrosen 3	Norra Ågatan 38	1964	Office		604	408	4,819			190		6,021	6
Möln dal	Stockrosen 6	Norra Ågatan 34	1948	Office		551	1,212	252					2,015	12
Skövde	Dagslåndan 10	Barkvägen 10 A	1972	Residential		222					22,212		22,434	71
Skövde	Ekoxen 10	Barkvägen 32	1974	Residential		2,478	180				22,158	5,815	30,631	120
Skövde	Mellomkvarn 1	Mellomkvarnsvägen 2	1972	Retail			10,959						10,959	32
Skövde	Smeden 5	Petter Heléns Gata 2	1976	Office	Yes	2,574							2,574	14
Skövde	Storängen 13	Kåsatorpsvägen 5	1992	Office		2,205		70					2,275	12
Trollhättan	Fullriggaren 1	Sandviksvägen 2	1990	Retail			2,200						2,200	9
Trollhättan	Hoppet 1	Drottningg 13, Staveredsg 19	1992	Residential		295					2,341	265	2,901	26
Trollhättan	Plogen 1	Lantmannavägen	1969	Residential	Yes	32		316			11,156		11,504	50
Trollhättan	Plogen 2	Lantmannavägen	1967	Residential	Yes						10,387	168	10,555	37
Trollhättan	Propellern 7	Saabvägen 1	1992	Office		4,759						9	4,768	18
Trollhättan	Sjöfrun 5	Magasinsg 4A-4B, Storgatan 35	1936	Residential			193				1,367	161	1,721	14
Trollhättan	Strandpiparen 12	Slättbergsvägen 22	1952	Residential				14			640	110	764	8
Trollhättan	Svan 7	Storgatan 47	1989	Hotel						11,632			11,632	45
Trollhättan	Venus 9	Föreningsg 10A-10C, Österlångg 44-46	1989	Residential		1,250	475				1,594		3,319	25
Uddevalla	Bagge 7	Kungsgatan 10	1968	Retail		1,050	1,569	103					2,722	22
Uddevalla	Frölandsgärdet 2	Brunegårdsvägen 5	1989	Retail			5,516					136	5,652	1
Uddevalla	Kålgården 51	Kyrkogårdsgatan 1, 3, 5	1930	Hotel		1,189	590	500	294	6,500		10	9,083	45
Uddevalla	Sälghugget 1	Lillbräckegatan	1972	Residential	Yes	243	239	206			14,420		15,108	113
Varberg	Kardanen 4	Kardanvägen 6A	1991	Retail			3,847						3,847	11
Total Gothenburg						153,446	251,896	33,825	19,580	100,833	316,274	51,107	926,961	8,293

Öresund region														
Gislaved	Anderstorp 8:16	Ågatan 35	1970	Retail			1,400					100	1,500	3
Halmstad	Eketånga 24:20	Olofsdalsvägen 33	1973	Retail			5,836						5,836	7
Halmstad	Eketånga 24:47	Olofsdalsvägen 37	2012	Retail			3,220						3,220	21
Halmstad	Stenalyckan 2	Orkangatan 1	1992	Retail			3,750						3,750	15
Helsingborg	Amerika Södra 28	Bryggaregatan 7	1950	Residential		561	501	20			5,094	1,363	7,539	82
Helsingborg	Huggjärnet 10	Garnisonsgatan 5	1971	Retail			11,110						11,110	30
Helsingborg	Skalbaggen 15	Gustav Adolfs Gata 13	1939	Residential							762	19	781	7
Helsingborg	Skalbaggen 16	Gasverksgatan 32 A	1935	Residential			195				2,155	65	2,415	21
Helsingborg	Skalbaggen 17	Gasverksgatan 34	1935	Residential			83				712	32	827	7
Helsingborg	Skalbaggen 18	Gasverksgatan 36	1933	Residential			34				818	66	918	8
Helsingborg	Skalbaggen 19	Gasverksgatan 38	1935	Residential							708	57	765	6
Helsingborg	Skalbaggen 20	Gasverksgatan 40	1935	Residential			83				632	109	824	6
Helsingborg	Skalbaggen 21	Gasverksgatan 42	1935	Residential							711	103	814	7
Helsingborg	Skalbaggen 22	Gasverksgatan 44 A	1930	Residential			143				1,905		2,048	18
Helsingborg	Skalbaggen 23	Gustav Adolfs Gata 17	1967	Residential							3,685	60	3,745	36
Helsingborg	Skalbaggen 24	Gustav Adolfs Gata 15	1983	Residential							2,134		2,134	20
Helsingborg	Skalbaggen 7	Drakegatan 5	1929	Residential							688	111	799	7
Helsingborg	Verdandi 1	Bifrostgatan 71	2006	Residential			62				3,763		3,825	44
Helsingborg	Furutorpsberg 20	Württemberg 29	1937	Retail		1,589	6,123	15			4,786	1,314	13,827	118
Helsingborg	Zirkonen 3	Andesitgatan 18	2016	Retail			5,500						5,500	9
Kristianstad	Hammar 9:184	Blekingevägen 104	1989	Retail								5,135	5,135	10
Kristianstad	Hovrätten 41	Västra Storgatan 13	1985	Hotel			380			7,075			7,455	27
Kristianstad	Topplocket 1	Sävevägen 1	1999	Retail			6,509						6,509	22
Kristianstad	Traversen 1	Hedentorpsvägen 14A	1990	Retail			2,088						2,088	7
Ljungby	Linné 9	Fabriksgatan 5	1970	Retail			1,975						1,975	3
Lund	Dioriten 1	Brunnsgård, Råbyvägen 1	2001	Office		3,080							3,080	32
Lund	Jöns Petter Borg 14	Hedvig Möllers gata 2	2013	Hotel						8,462			8,462	96
Lund	Kalkstenen 1	Kalkstensvägen 32	2000	Retail			2,180						2,180	16
Lund	Kopparkisen 13	Porfyrvägen 11	1989	Retail			4,732					72	4,804	21
Lund	Lagfarten 1 & 2	Magistratsvägen 10	1968	Office		3,472	1,005	289					4,766	36

Municipality	Name of property	Address	Year of construction	Property category	Site lease-hold right	Lettable area, sq.m.							Total	Tax assessment value,SEKm
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel	Residential	Other		
cont. Öresund region														
Lund	Porfyren 2	Glimmervägen 3	1991	Hotel						15,711			15,711	92
Lund	Rügen 1	Stralsundsvägen 1-25	2006	Residential							3,083		3,083	46
Lund	Rügen 2	Stralsundsvägen 29	2006	Residential							5,264	528	5,792	81
Malmö	Automobilen 1	Jägersrovägen 100	1985	Retail	Yes		9,891					827	10,718	41
Malmö	Draglädret 1	Jägersrovägen 179	1994	Retail			2,679						2,679	16
Malmö	Grytan 4	Agneslundsvägen 24 A-B		Other	Yes				2,400				2,400	
Malmö	Grytan 9	Agneslundsvägen 22		Other		98	164	418	11,190		1,366	762	13,998	
Malmö	Hästkälken 3	Jägershillgatan 4	1979	Retail			2,290						2,290	11
Malmö	Ledebur 15	Amiralsgatan 20	1990	Office		6 136						1,300	7,436	67
Malmö	Lejonet 2	Lilla Torg 1	1929	Office		4 770	39	68			314	504	5,695	121
Malmö	Rosen 9	Engelbrektsgatan 2	1960	Hotel			1,430			9,777			11,207	211
Malmö	Spinneriet 8	Baltzarsgatan 20	1957	Office		12 342	2,966	2,219		5,540		1,454	24,521	481
Malmö	Spännbucklan 12 & 13	Agnesfridsvägen 180	1983	Retail	Yes		5,320						5,320	23
Malmö	Von Conow 54	Baltzarsgatan 31	1964	Office		9 731	3,987	491			2,584	4,185	20,978	349
Trelleborg	Lavetten 41	Hedvägen 167-173	1987	Retail			990						990	4
Trelleborg	Phylatterion 6	Bryggaregatan 25-39	1991	Retail			3,520	1,563					5,083	16
Trelleborg	Snickeriet 16-17 och Verkstaden 11	Maskingatan 1	1975	Retail			1,600					220	1,820	7
Värnamo	Sjötungan 1	Margretelundsvägen 2	1973	Retail			4,924					425	5,349	12
Växjö	Elden Södra 17	Biblioteksgatan 7	1985	Hotel			65			6,888		57	7,010	36
Växjö	Kocken 3	Hejaregatan 19	1969	Hotel						3,982			3,982	16
Åstorp	Asken 14	Esplanaden 15	1952	Residential		167	239	53			771		1,230	5
Åstorp	Blåkllockan 9	Fågelsångsgatan 32 A	1966	Residential							808		808	4
Åstorp	Boken 4	Esplanaden 19 A	1945	Residential		243	1,207	154			7,606		9,210	40
Åstorp	Ekorren 27	Skolgatan 7	1929	Residential			162	70			724		956	4
Åstorp	Hyllinge 5:122	Postgatan 12 A	1963	Residential				164	120		7,431	134	7,849	22
Åstorp	Hästhoven 12	Fabriksgatan 19 A	1960	Residential			704	110			2,633		3,447	14
Åstorp	Kastanjen 16	Esplanaden 7	1972	Residential		1 919	833				3,543	156	6,451	27
Åstorp	Linden 11	Nyvångsgatan 1 A	1961	Residential							340		340	2
Åstorp	Lotusblomman 15	Nyvångsgatan 31	1961	Residential							340		340	2
Åstorp	Lungörten 1	Nyvångsgatan 2 A	1961	Residential							792		792	4
Åstorp	Lärksoppen 10	Ekebrogatan 100	1972	Residential				28			8,050	165	8,243	33
Åstorp	Lärkrädet 10	Ekebrogatan 1	1970	Residential				42			5,799	142	5,983	24
Åstorp	Moroten 10	Torggatan 35 A	1954	Residential							776		776	4
Åstorp	Resedan 1	Norra Storgatan 10 A	1964	Residential				20			1,061		1,081	5
Åstorp	Svärdsiljan 7	Östergatan 16 A	1958	Residential		245	457	16			6,457		7,175	31
Åstorp	Tranan 1	Fjällvägen 10 A	1991	Residential							3,820		3,820	22
Ängelholm	Skräddaren 5	Verkstadsгатan 5	1973	Retail			1,180						1,180	4
Ängelholm	Taktäckaren 6	Midgårdsgatan 11	2015	Retail		676	5,655					429	6,760	28
Burlöv	Tågarp 16:12	Testvägen 4	1990	Retail			3,360						3,360	13
Denmark, Greve	Matr.nr. 60s	Ventrupparken 6	2010	Retail				4,723					4,723	
Denmark, Copenhagen	Matr.nr 1002 d Sundby Overdrev	Hannemanns Allé	2018	Residential							7,137		7,137	
Denmark, Copenhagen	Matr.nr 1034, 1035, 955a Sundby Overdrev	Else Alfelts Vej 85-89, 95-101, Richard Mortensens Vej 84-88	2016	Residential							18,234		18,234	
Denmark, Copenhagen	Matr.nr 1041 Sundby øster	Lergravsvej nr. 64- 76, Øresundsvej 145-159	2017 / 2018	Residential							39,796		39,796	
Denmark, Copenhagen	Matr.nr 130 & 158 Vestervold Kvarter	Colbjørnsensgade 13	1889	Hotel						5,120			5,120	
Denmark, Copenhagen	Matr.nr 1565 Udenbys Vester	Havneholmen 12 B-G, 14 B-G	2016	Residential							17,451		17,451	
Denmark, Copenhagen	Matr.nr 2406 Udenbys Klædebo Kvarter	Marskens Gade 1-35, Borgm. Jensens Allé 11-41, Serridslev-vej 4-22	1996	Residential							43,609		43,609	
Denmark, Copenhagen	Matr.nr 274 Vestervold kvarter	Jernbanegade 8	1912	Other							5,300		5,300	
Denmark, Copenhagen	Matr.nr 329 Vestervold Kvarter	Bernstorffsgade 4	1913	Hotel						5,310			5,310	
Denmark, Copenhagen	Matr.nr 371 Vestervold Kvarter	Vester Farimagsgade 33	1950	Hotel						6,308			6,308	
Denmark, Copenhagen	Matr.nr 378 Vestervold Kvarter	Vester Farimagsgade 17	1957	Hotel							5,181		5,181	
Denmark, Copenhagen	Matr.nr 59o Hillerød Markjorder	Studiestræde 3-27, 3400 Hillerød		Project										
Denmark, Copenhagen	Matr.nr 938 Østervold Kvarter	Oslo Plads 5	1958	Hotel						7,453			7,453	
Denmark, Copenhagen	Matr.nr 952 g Sundby Overdrev	Else Alfelts Vej 52 - 58		Project										
Denmark, Copenhagen	Matr.nr 954 b, Sundby Overdrev	Else Alfelts Vej 80	2017	Residential							14,991		14,991	
Denmark, Copenhagen	Matr.nr 957 og 980A Sundby Overdrev	Richard Mortensens vej 60		Project										
Denmark, Copenhagen	Matr.nr 964 a, Sundby Overdrev	Robert Jacobsens Vej 50		Project										

Municipality	Name of property	Address	Year of construction	Property category	Site lease- hold right	Lettable area, sq.m.							Total	Tax assessment value,SEKm
						Office	Retail	Industrial/ Ware- house	Education/ Care	Hotel	Residential	Other		
cont. Öresund region														
Denmark, Copenhagen	Matr.nr 966 Sundby Overdrev	Robert Jacobsens vej 93-101	2009	Residential							6,807		6,807	
Denmark, Copenhagen	Matr.nr Vestervold kvarter 0273	Niels Brocks Gade 1	2017	Hotel						5,300			5,300	
Germany	Several properties			Hotel						40,381			40,381	
Total Öresund						45,029	110,571	10,463	13,710	132,488	240,525	25,194	577,980	2,658
East region														
Gotland	Soldaten 1	Volontärgatan	2005	Residential				29			3,050	50	3,129	43
Linköping	Nöjet 1	Låsbomsgatan 27	2010	Retail			1,380						1,380	6
Linköping	Paletten 2	Ottargatan 1	1972	Retail			5,202					440	5,642	27
Linköping	Papegojan 1	Vigfastgatan 5	1967	Retail			7,775					15	7,790	27
Norrköping	Gärdet 1	Rågången 71	1958	Residential			491	7			4,609		5,107	40
Norrköping	Lammet 2	Kungstorget 2	1939	Residential		173	1,950				2,405	60	4,588	30
Norrköping	Lokatten 12	Trädgårdsgatan 8B	1992	Residential		1,693	380				5,364	539	7,976	80
Norrköping	Planket 20	Bråddgatan 54	1983	Residential							1,139		1,139	11
Norrköping	Planket 23	Plankgatan 46	1940	Residential		25	60				940	600	1,625	10
Norrköping	Prinsen 18	Hospitalsgatan 42	1967	Residential			30	99			9,558	11	9,698	91
Norrköping	Sprutan 8	Gamla Rådstugugatan 52	1940	Residential			370	12			1,318	145	1,845	15
Norrköping	Stenhuggaren 25	Sandgatan 28	1960	Residential							2,914		2,914	27
Norrköping	Storgatan 10	Drottninggatan 10	1929	Residential		484					1,213	755	2,452	16
Norrköping	Storgatan 9	Nya Rådstugegatan 2	1985	Residential		252	355	15			5,909	352	6,883	64
Norrköping	Ståvan 2	Rösgången 32	1959	Residential	Yes						3,639		3,639	31
Norrköping	Tullhuset 1	Gamla Rådstugugatan 11	1929	Residential			273				1,320		1,593	15
Nyköping	Brandholmen 1:72	Idrottsvägen 12 E	2014	Other								16,324	16,324	
Västerås	Badelundaåsen 3	Stockholmsvägen 144	1987	Retail			2,796						2,796	18
Västerås	Fältnössan 1	Rönnergagatan 1	1963	Residential			150	106			14,331		14,587	221
Västerås	Klockarkärleken 2	Rönnergagatan 4	1962	Residential				260			5,778		6,038	37
Västerås	Rödklinten 2	Bangatan 15	1957	Residential			133	120			7,003	30	7,286	45
Västerås	Sågen 1	Pilgatan 33	1980	Hotel						8,317			8,317	33
Västerås	Vallmon 6	Bangatan 1 A	1968	Residential				84			13,914		13,998	89
Västerås	Vapenrocken 1	Regementsgatan 62	1963	Residential		441		114			19,194	2	19,751	
Finland	Helsinki	Sulhasenkujä 3	2005	Hotel						9,734			9,734	
Finland	Keminmaa	Joulantie 1-3	2001/2002	Retail			12,337						12,337	
Finland	Klaukkala	Isoseppälä 14	1966	Retail			3,008						3,008	
Finland	Koupio	Leväsentie 2B	2006	Retail			19,808						19,808	
Finland	Kuusamo	Ouluntaival 1	1978	Retail			3,718						3,718	
Finland	Kuusamo	Loumantie 1-3	1990	Retail			12,617						12,617	
Finland	Mäntsälä	Mäntsäläntie 1	1989	Retail			3,463						3,463	
Finland	Närpes	Yhdistyksentie 3	2017	Retail			2,513						2,513	
Finland	Raisio	Kauppakaju 2	1995	Retail			5,514						5,514	
Finland	Sato Oyj	Several properties		Residential							392,617		392,617	

North region														
Gävle	Hemsta 14:2	Skolgången 1	1974	Retail			4,100						4,100	6
Gävle	Hemsta 14:3	Skolgången 3	1983	Retail			1,448						1,448	4
Gävle	Holmsund 11:1 mfl	Korsnäsvägen 104 A	1929	Residential							1,200	260	1,460	4
Gävle	Holmsund 7:6	Holmsundsvägen 7, 17-29, (Uneven numbers)	1929	Residential							3,002	8	3,010	11
Gävle	Kastet 8:1, 12:1 mfl	Forskarvägen 27 mfl	1929	Residential		1,014	104	260			12,407	2,114	15,899	51
Gävle	Lillhagen 5:3	Torkarvägen 10	1946	Residential							3,029		3,029	10
Gävle	Norr 18:6	Hattmakargatan 11	1985	Residential			42	408			2,641	385	3,476	31
Gävle	Norr 27:2	Nygatan 40	1929	Residential		127	480				2,185	40	2,832	24
Gävle	Söder 58:7	Kaserngatan 65	1969	Residential			933	205			2,329		3,467	24
Karlstad	Anden 9	Långgatan 65	1983	Residential							1,472	75	1,547	17
Karlstad	Braxen 34	Nygatan 1	1944	Residential			322	27			1,198	521	2,067	16
Karlstad	Druvan 1	Drottninggatan 22	1929	Residential			459			601	1,443	80	2,583	34
Karlstad	Ekorren 9	Sandbäcksg 5/S Klaragatan 1	1929	Residential		715	46				1,811		2,572	23
Karlstad	Furan 5	Gillbergsgatan 3	1951	Residential			119				1,710		1,829	21
Karlstad	Furan 7	Jössegatan 3	1968	Residential							925	97	1,022	12
Karlstad	Granatkastaren 4	Artillerigatan 1	1945	Residential							748		748	6
Karlstad	Gruvan 12	Västra Kanalgatan 3	1991	Residential			126				2,525		2,651	34
Karlstad	Gruvan 2	Östra Kyrkogatan 4	1929	Residential							1,064	102	1,166	14
Karlstad	Grävlingen 3	Herrhagsgatan 43	1929	Residential			138				1,018	32	1,188	13
Karlstad	Höken 1	Hamngatan 16	1929	Hotel						5,890			5,890	43
Karlstad	Pilbågen 1	Sandelsgatan 2 a	1942	Residential							2,184		2,184	18
Karlstad	Registratorn 1	Norra Allén 26 A	1949	Residential							502	56	558	6
Karlstad	Registratorn 8	Norra Allén 30 A	1948	Residential				12			456	61	529	6
Karlstad	Registratorn 9	Norra Allén 28 A	1946	Residential		100					466	29	595	6
Karlstad	Spiran 1-6	Lignellsgatan 1	1939	Residential			95				4,456	145	4,696	52
Karlstad	Trätälja 11	Drottningg 37/Pihlgrens-gatan 4	1959	Residential			259				4,567	35	4,861	58

Municipality	Name of property	Address	Year of construction	Property category	Site lease- hold right	Lettable area, sq.m.							Total	Tax assessment value,SEKm
						Office	Retail	Industrial/ Ware- house	Education/ Care	Hotel	Resi- dential	Other		
cont. North region														
Karlstad	Tusenskönan 1	Älvdalsgatan 8	1950	Residential	Yes		69				1,288		1,357	16
Karlstad	Våduren 3	Rudsvägen 1	1942	Residential							1,344	54	1,398	15
Sundsvall	Aeolus 1	Nybrogatan 19	1944	Residential		89	501				872		1,462	9
Sundsvall	Bredsand 1:3 mfl	Appelbergsvägen 1 a	1950	Residential				118			7,127	119	7,364	25
Sundsvall	Bredsand 1:4 mfl	Appelbergsv. 14, 16, 18	1950	Residential							4,479	3	4,482	16
Sundsvall	Dingersjö 28:27 mfl	Appelbergsvägen 26	1989	Residential				15			9,464	56	9,535	11
Sundsvall	Dingersjö 3:131 mfl	Bergsvägen 3	1964	Residential		16		350			21,176	2,828	24,370	64
Sundsvall	Fliten 10	Skolhusallén 7	1990	Office		3,125		5				36	3,166	26
Sundsvall	Fliten 11	Rådhusgatan 39 a	1992	Residential		272					3,371		3,643	33
Sundsvall	Kvissle 2:53 & 2:43	Affärsgatan 26 A-D	1962	Residential							1,468		1,468	4
Sundsvall	Kvissle 22:2 & 39:1	Affärsgatan 22	1968	Residential		87	137	19			6,416	45	6,704	17
Sundsvall	Lagmannen 10	Esplanaden 18	1962	Residential		757	240				3,985	962	5,944	35
Sundsvall	Nolby 1:48, 40:1, 1:108	Affärsgatan 20	1983	Residential		1,063		39			4,097	748	5,947	18
Sundsvall	Nolby 3:268	Brovägen 9	1988	Residential							997		997	4
Sundsvall	Nolby 40:2	Affärsgatan 18	1964	Residential			901	6			2,243	130	3,280	8
Sundsvall	Nolby 41:3 & 37:1	Affärsgatan 14	1974	Residential			1,006	5			5,328	43	6,381	19
Norway	Elverum, 13/1059/0/1	Hamarvegen 112	2010	Other					16,393				16,393	
🇳🇴 Norway	Oslo, 230/397	Lakkegata 3	1983	Residential							8,551		8,551	
Total North						7,407	11,891	1,061	16,393	13,873	136,061	9,063	195,749	900
Total Fastighets AB Balder						395,048	563,759	76,588	98,599	370,796	2,380,862	139,054	4,024,706	20,188

● Acquisitions during 2018.

Definitions

The company presents a number of financial metrics in the annual 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 ratio's are defined and calculated.

Financial

Return on equity, %

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

Loan-to-value ratio, %

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. In estimation of the Profit from property management, attributable to the parent company's shareholders, the profit from property management is also reduced by the participation of non-controlling interests.

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 less cash and cash equivalents, financial investments and 50% of the hybrid capital, which is treated by the rating agencies Moody's and S&P as 50% equity.

Interest coverage ratio, times

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

Debt/equity ratio, times

Interest-bearing liabilities less 50% of hybrid capital in relation to equity.

Equity/assets ratio, %

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

Share-related

Equity per share, SEK

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

Profit from property management per share, SEK

Profit from property management in relation to 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 year-end.

Net operating income, SEKm

Rental income less property costs.

Economic occupancy rate, %¹⁾

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

Development properties

Refers to properties constructed with the intention of being sold 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 property is mostly used for.

Property costs, SEKm

This item includes direct property costs, such as operating expenses, media 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, SEKm¹⁾

Contracted rent and estimated market rent for vacant premises.

Surplus ratio, %

Net operating income in relation to rental income.

Contact information

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Calendar

Annual general meeting	8 May 2019
Interim report Jan–Mar 2019	8 May 2019
Interim report Jan–Jun 2019	17 July 2019
Interim report Jan–Sep 2019	25 October 2019
Year-end report Jan–Dec 2019	27 February 2020

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

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

ANNUAL REPORT 2018

Insights

A result to safeguard.