



Fastighets AB Balder (publ)

Interim report January-September 2019

Fastighets AB Balder Q3 2019

- Taken possession of hotel property in Helsinki
- Acquisitions after the end of the period
 - Centrally located properties in Gothenburg and Stockholm
 - Well-located residential building right in Gothenburg
- Reported sale of development property
- Euro bond, EUR 500m, was issued, maturity 7.4 years and fixed rate 1.15 %
- Framework MTN programme, increased from SEK 10 billion to SEK 15 billion

Fastighets AB Balder Q3 2019

**Profit from property
management**

5.89 SEK/share

+12 %

NAV

314 SEK/share

+16 %

Net debt to total assets

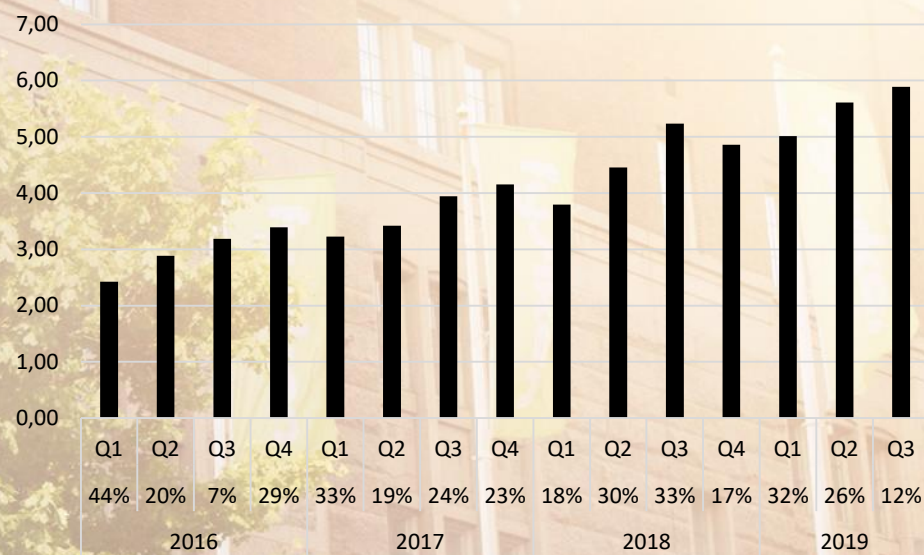
48.5 %

Like for like rental growth

3.3 %

Fastighets AB Balder Q3 2019

Profit from property management, SEK/share



Long-term net asset value (NAV), SEK/share



Current earnings capacity

SEKm	2019 30 Sep	2018 30 Sep	Deviation SEKm	%	2018 31 Dec
Rental income	7,830	6,800	1,030	15	7,000
Property costs	-2,060	-1,845	-215	12	-1,885
Net operating income	5,770	4,955	815	16	5,115
Management and administrative costs	-640	-590	-50	8	-595
Profit from property management from associated companies	775	660	115	17	735
Operating profit	5,905	5,025	880	18	5,255
Net financial items, incl. ground rent	-1,330	-1,100	-230	21	-1,125
Non-controlling interests	-655	-555	-100	18	-565
Profit from property management Parent Company	3,920	3,370	550	16	3,565
Tax	-855	-730	-125		-750
Profit after tax	3,065	2,640	425		2,815
Profit from property management per share, SEK	21.78	18.72	3.06	16	19.81

Consolidated statement of comprehensive income

SEKm	2019 July-Sep	2018 July-Sep	Deviation SEKm	%
Rental income	1,915	1,709	206	12
Property costs	-455	-423	-32	8
Net operating income	1,460	1,286	174	14
Management and administrative costs	-160	-143	-17	12
Participation in the profits of associated companies	264	185	79	43
Other income/costs	6	2	4	
Net financial items	-277	-220	-57	26
- Of which leasing cost/ground rent	-16	-	-16	
Non controlling interest	-179	-156	-23	
Profit from property management, Parent Company	1,060	943	117	12
<i>Changes in value</i>				
Changes in value properties, realised	7	14	-7	
Changes in value properties, unrealised	1,344	3,334	-1,990	-60
Income sale development properties	387	-	387	
Costs sale development properties	-292	-	-292	
Changes in value derivatives	-186	80	-266	
Changes in value total	1,259	3,428	-2,169	
Profit before tax	2,551	4,537	-1,986	-44
Income tax	-456	-937	481	
Net profit for the period	2,094	3,600	-1,506	-42
Profit from property management per share, SEK	5.89	5.24	0.65	12
Profit after tax per share, SEK	10.29	18.89	-8.60	-46

Consolidated statement of financial position

Including listed associated companies at market value

SEKm	2019 30 Sep	2018 30 Sep
Assets		
Investment properties	130,802	114,548
Development properties	2,370	-
Lease contract; Right-of-use assets	1,551	-
Other fixed assets	158	114
Participations in associated companies	7,202	6,556
Other receivables	2,932	1,660
Cash and cash equivalents and financial investments	5,345	1,177
Total assets	150,361	124,055
Shareholders' equity and liabilities		
Shareholders' equity	52,877	46,553
Deferred tax liability	9,830	8,322
Interest-bearing liabilities	80,191	65,462
<i>of which Hybrid capital</i>	3,755	3,603
Derivatives	1,735	865
Lease contract	1,551	-
Other liabilities	4,176	2,853
Total equity and liabilities	150,361	124,055

Property portfolio

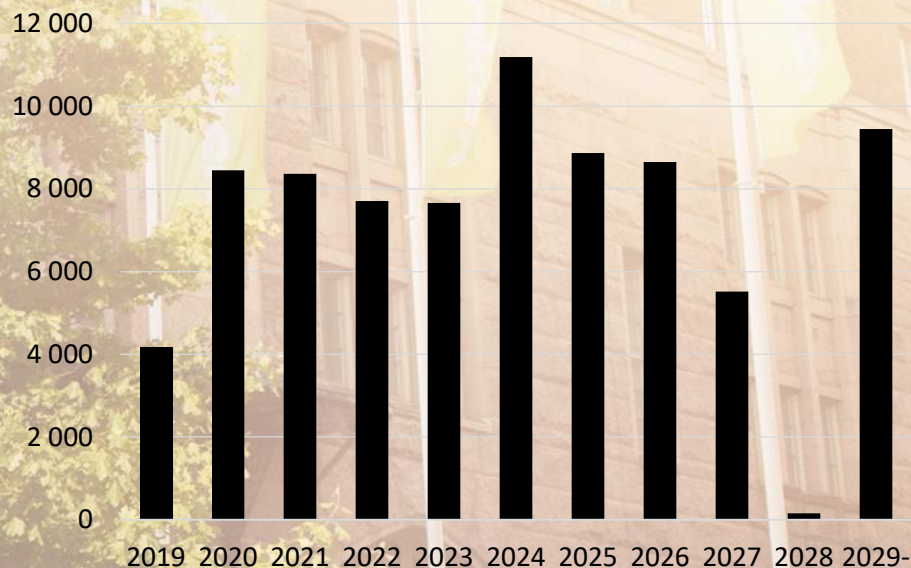
over 80 % of the property portfolio located in capitals and larger cities



Financing

- Equity/assets ratio 36.4 % (Target 40 %)
- Net debt to total assets 48.5 % (Target 50 %)
- ICR 5.1 (Target 2.0)
- The fixed credit term 5.6 years
- Average fixed-rate period 3.2 years

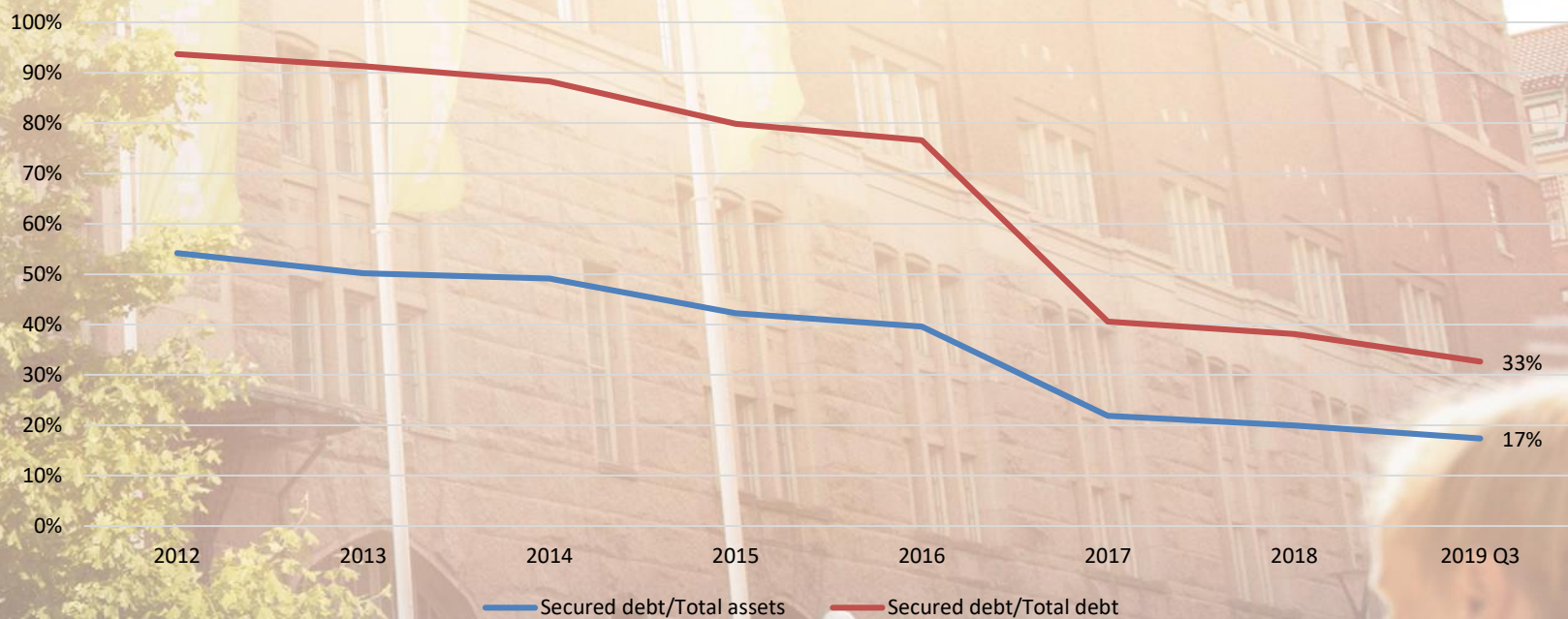
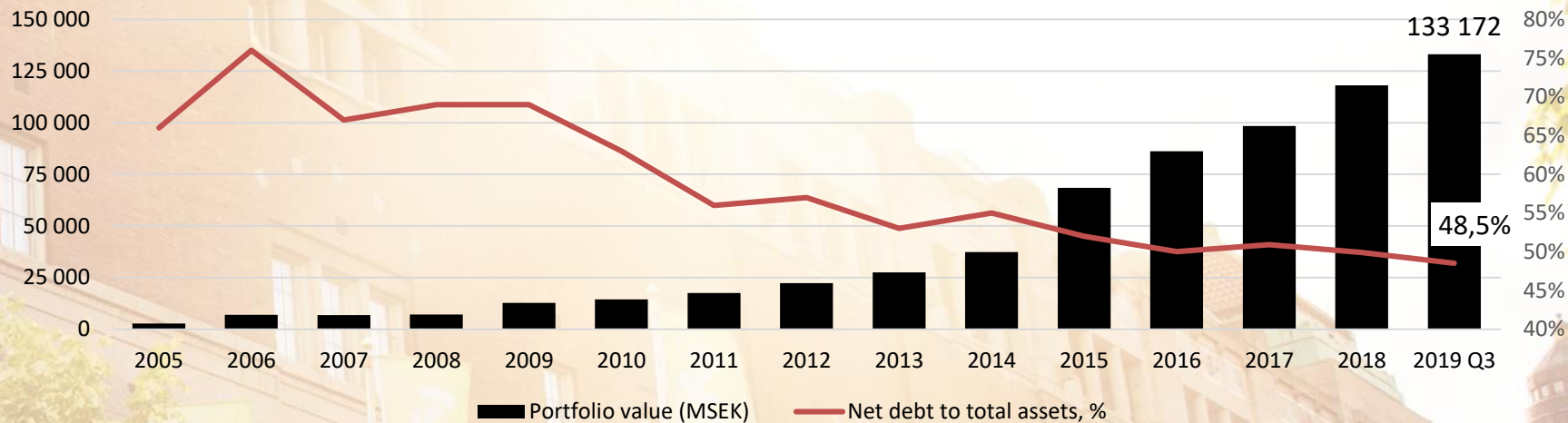
Debt maturities, SEKm



Interest maturity structure

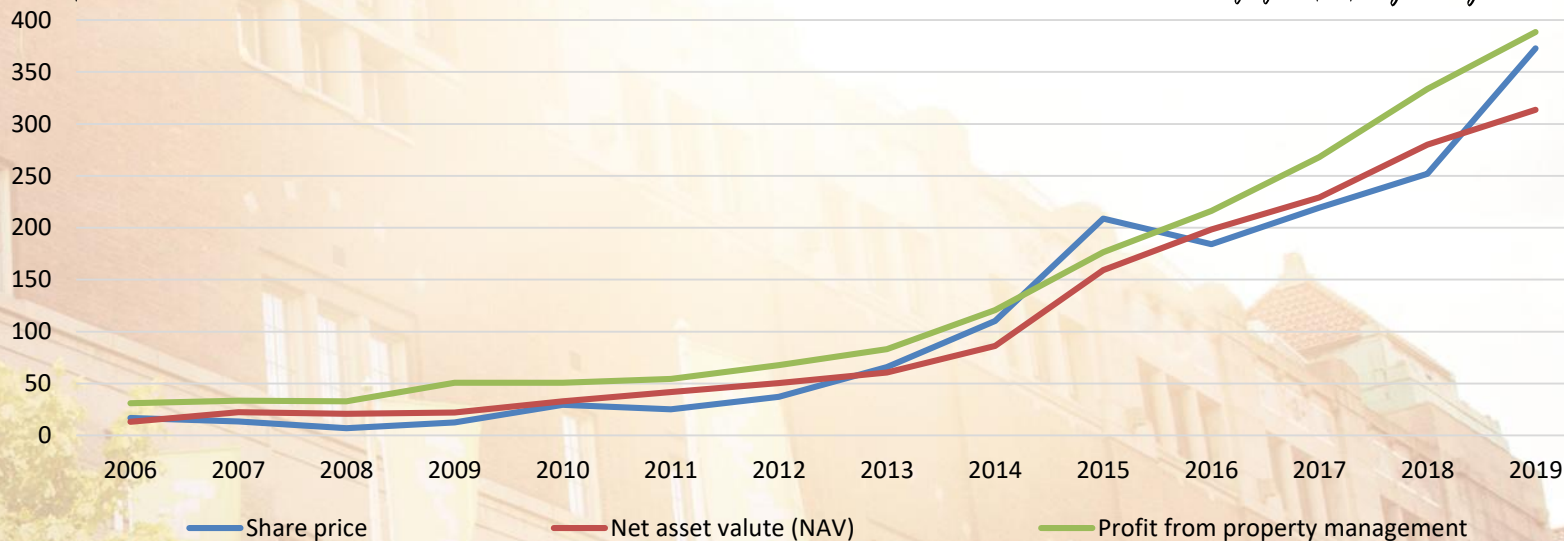
Year	SEKm	Interest Proportion	
		%	%
Within one year	33,546	0.9	42
1-2 years	4,294	2.4	5
2-3 years	7,413	1.8	9
3-4 years	4,827	3.0	6
4-5 years	4,618	1.7	6
5-6 years	7,875	2.1	10
6-7 years	7,747	2.2	10
7-8 years	6,364	1.1	8
8-9 years	-	-	-
9-10 years	2,000	2.0	2
> 10 years	1,507	3.2	2
Total	80,191	1.6	100

Financing



The share

Share price, net asset value (NAV), SEK/share

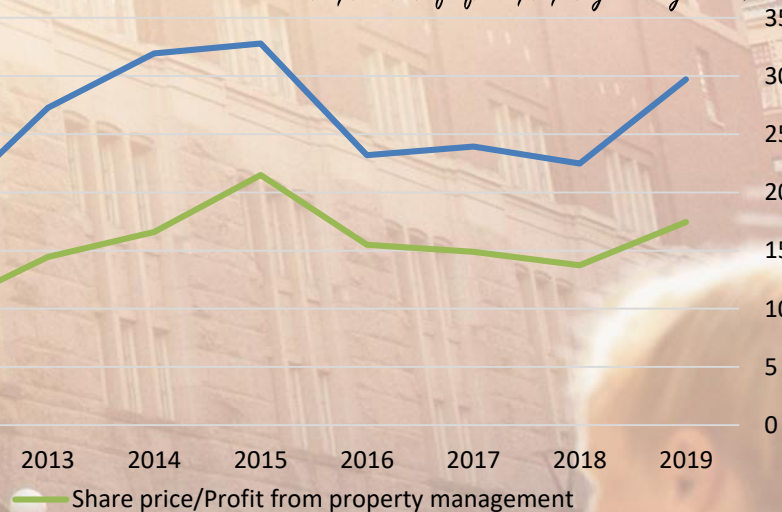


Profit from property management, SEK/share

Share price/net asset value (NAV), %



Share price/Profit from property management, times



Fastighets AB Balder

Interim report

January-September 2019

- Profit from property management attributable to parent company shareholders amounted to SEK 2,970m (2,428), corresponding to an increase per share by 22 % to SEK 16.50 (13.49)
- Long term net asset value amounted to SEK 313.73 per share (269.66)
- Rental income amounted to SEK 5,577m (4,926)
- Profit after tax attributable to parent company shareholders amounted to SEK 4,473m (7,269) corresponding to SEK 24.85 per share (40.38)

Fastighets AB Balder is a listed property company which shall meet the needs of different customer groups for premises and housing based on local support. Balder's real estate portfolio had a value of SEK 133.2 billion (114.5) as of 30 September 2019. The Balder share is listed on Nasdaq Stockholm, Large Cap.



Clarion Hotel Draken, Gothenburg
Illustration: Adore Adore

The period in brief

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

July-September 2019

- Rental income amounted to SEK 1,915m (1,709) of which effect of changes in exchange rates amounted to SEK 31m (57).
- Net operating income amounted to SEK 1,460m (1,286) of which effect of changes in exchange rates amounted to SEK 23m (43).
- Profit from property management attributable to parent company shareholders increased by 12 % to SEK 1,060m (943), which corresponds to SEK 5.89 per share (5.24).
- Changes in value in respect of investment properties amounted to SEK 1,350m (3,348). The average yield requirement amounted to 4.7 % (4.8) which is 0.1 percentage points lower than at year-end.
- Changes in value of interest rate derivatives have impacted the result before tax by SEK –186m (80).
- Net profit after tax for the period amounted to SEK 2,094m (3,600).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 1,852m (3,400) which corresponds to SEK 10.29 per share (18.89).
- One investment property (4) have been acquired at a property value of SEK 122m (727).
- No investment properties (–) were divested during the period, only condominiums and land were divested at a value of SEK 20m (152).
- One development property were divested and recognised as income during the quarter. Sales profit amounted to SEK 95m (–).

January-September 2019

- Rental income amounted to SEK 5,577m (4,926) of which effect of changes in exchange rates amounted to SEK 92m (169).
- Net operating income amounted to SEK 4,153m (3,588) of which effect of changes in exchange rates amounted to SEK 66m (120).
- Profit from property management attributable to parent company shareholders increased by 22 % to SEK 2,970m (2,428), which corresponds to SEK 16.50 per share (13.49).
- Changes in value in respect of investment properties amounted to SEK 2,953m (6,351). The average yield requirement amounted to 4.7 % (4.8) which is 0.1 percentage points lower than at year-end.
- Changes in value of interest rate derivatives have impacted the result before tax by SEK –473m (24).
- Net profit after tax for the period amounted to SEK 5,060m (7,955).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 4,473m (7,269) which corresponds to SEK 24.85 per share (40.38).
- 37 investment properties (27) have been acquired at a property value of SEK 4,550m (3,566).
- One investment property (–) were divested during the period as well as divestment of condominiums and land at a value of SEK 310m (266).

	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec
Rental income, SEKm	5,577	4,926	6,714	5,915	5,373	2,711	2,525	1,884	1,701
Profit from property management, SEKm ¹⁾	2,970	2,428	3,304	2,804	2,265	1,780	1,275	854	691
Changes in value of investment properties, SEKm	2,953	6,351	8,007	5,336	4,932	3,388	3,050	854	812
Changes in value of derivatives, SEKm	–473	24	–34	144	–114	227	–624	433	–71
Profit after tax, SEKm ¹⁾	4,473	7,269	9,308	7,118	5,474	4,916	3,128	1,738	1,162
Investment properties, SEKm	130,802	114,548	116,542	98,360	86,177	68,456	37,382	27,532	22,278
Development properties, SEKm ²⁾	2,370	–	1,598	–	–	–	–	–	–

Data per share, including listed associated companies at market value ³⁾

Average number of shares, thousands	180,000	180,000	180,000	180,000	173,598	162,753	161,786	159,537	159,537
Profit after tax, SEK	24.85	40.38	51.71	38.71	30.38	28.98	18.10	10.11	6.69
Profit from property management, SEK	16.50	13.49	18.35	14.74	11.89	9.71	6.64	4.57	3.73
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000	180,000	172,397	162,397	159,537	159,537
Shareholders' equity, SEK	249.48	218.62	225.60	185.02	157.63	128.03	70.10	52.14	42.15
Long-term net asset value (NAV), SEK	313.73	269.66	280.17	229.25	198.49	159.14	86.33	60.50	50.37
Share price on the closing date, SEK	372.80	246.60	252.00	219.40	184.10	208.70	110.25	66.00	37.30

1) Attributable to parent company shareholders.

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

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

Comments by the CEO

Dear shareholder,

The third quarter 2019

Profit from property management increased during the third quarter by 12 % and for the period January-September by 22%. Current earnings are still improving and are up 16 % compared to Q3 last year. Overall, it still feels stable and positive as we look towards the future.

Development properties in projects

For the first time in the income statement, we reported a sale of a development property. The profit (SEK 95m) relates to a completed tenant-owners apartment project. We have many tenant-owners association projects ahead of us, and in the future income will also be recognised on completion, which means a large variation in terms of profits between quarters and years in this area of our operations.

For projects that are retained for our own long-term ownership, the profit is recognised as unrealised changes in value, investment properties.

Taken together, our entire project portfolio feels very good with excellent opportunities and limited risks.

Investments

Q3 was a quiet quarter with only one possession taking place of a hotel property in Helsinki.

After the end of the period, we acquired an excellent centrally located investment property in Gothenburg of 38,000 sqm and a well-located residential building right.

Even though the competition for properties remains intense, I still feel optimistic regarding the possibilities of finding reasonably good investments over time.

Erik Selin
Chief Executive Officer

Current earning capacity

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

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

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

Current earning capacity on a twelve-months basis

SEKm	2019 30 Sep	2019 30 June	2019 31 March	2018 31 Dec	2018 30 Sep	2018 30 June	2018 31 March	2017 31 Dec	2017 30 Sep	2017 30 June	2017 31 March
Rental income	7,830	7,435	7,175	7,000	6,800	6,665	6,430	6,240	5,920	5,860	5,700
Property costs ²⁾	-2,060	-1,940	-1,875	-1,885	-1,845	-1,815	-1,760	-1,720	-1,655	-1,690	-1,660
Net operating income	5,770	5,495	5,300	5,115	4,955	4,850	4,670	4,520	4,265	4,170	4,040
Management and administrative costs	-640	-640	-620	-595	-590	-590	-565	-550	-510	-490	-490
Profit from property management from associated companies	775	750	775	735	660	650	650	640	600	530	530
Operating profit	5,905	5,605	5,455	5,255	5,025	4,910	4,755	4,610	4,355	4,210	4,080
Net financial items, including ground rent ²⁾	-1,330	-1,270	-1,250	-1,125	-1,100	-1,120	-1,120	-1,060	-1,050	-950	-950
Of which non-controlling interests	-655	-620	-580	-565	-555	-555	-550	-525	-475	-455	-450
Profit from property management ¹⁾	3,920	3,715	3,625	3,565	3,370	3,235	3,085	3,025	2,830	2,805	2,680
Tax ³⁾	-855	-775	-765	-750	-730	-700	-665	-650	-610	-605	-580
Profit after tax	3,065	2,940	2,860	2,815	2,640	2,535	2,420	2,375	2,220	2,200	2,100
Profit from property management per share, SEK	21.78	20.64	20.14	19.81	18.72	17.97	17.14	16.81	15.72	14.47	13.78

1) Attributable to parent company shareholders.

2) As a consequence of new accounting rules, from 1 January 2019, ground rents are recognised within net financial items. Previous periods have not been recalculated.

3) Mainly refers to deferred tax, which does not affect the cash flow.

Current earning capacity as of September 30, 2019 is including acquired properties that were taken over on October 1, 2019.

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

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

Under IFRS, Collector AB (publ) and Brinova Fastigheter AB (publ) should not be recognised at market value when Balder reports its participation in the profit from associated companies from these companies. In order to clarify the listed associated companies at market value, Collector and Brinova is reported below at the share price as of 30 September.

SEKm	2019 30 Sep	2018 30 Sep	2018 31 Dec
Assets			
Investment properties	130,802	114,548	116,542
Development properties	2,370	–	1,598
Lease contract; Right-of-use assets	1,551	–	–
Other fixed assets	158	114	123
Participations in associated companies ^{1,2)}	7,202	6,556	6,682
Other receivables	2,932	1,660	2,198
Cash and cash equivalents and financial investments	5,345	1,177	1,328
Total assets	150,361	124,055	128,471
Shareholders' equity and liabilities			
Shareholders' equity ³⁾	52,877	46,553	47,871
Deferred tax liability	9,830	8,322	8,857
Interest-bearing liabilities	80,191	65,462	67,205
–of which Hybrid capital ⁴⁾	3,755	3,603	3,596
Derivatives	1,735	865	965
Lease contract	1,551	–	–
Other liabilities	4,176	2,853	3,573
Total equity and liabilities	150,361	124,055	128,471
1) Including Balder's market value of Collector AB (publ) Collector's share price (SEK)	2,349 51.90	2,796 61.80	2,240 49.50
2) Including Balder's market value of Brinova Fastigheter AB (publ) Brinova's share price (SEK)	455 24.70	326 17.70	319 17.30
3) Of which non-controlling interests	7,971	7,201	7,262
4) 50 % of Hybrid capital is treated as equity by the rating agencies and thus decreases the interest-bearing liabilities when calculating the debt/equity ratio and the net debt to total assets ratio and increases equity when calculating the equity/assets ratio.	1,878	1,802	1,798

Consolidated statement of changes in equity

SEKm	2019 30 Sep	2018 30 Sep	2018 31 Dec
Opening equity	47,871	39,725	39,725
Transition effect IFRS 9	–	–92	–92
Changed accounting principles in SATO Oyj (IAS 12)	–	–	–124
Total comprehensive income for the period/year	5,130	8,034	10,143
Transactions with non-controlling interests	–3	–79	–111
Dividend to non-controlling interests	–135	–135	–135
Non-controlling interests, arising on the acquisitions of subsidiary	3	–	8
The change during the period/year of listed associated companies at market value	10	–901	–1,545
Closing equity	52,877	46,553	47,871

Income, costs and results

Profit from property management

Profit from property management for the period amounted to SEK 3,398m (2,862), of which effect of changes in exchange rates amounted to SEK 41m (72). Profit from property management attributable to parent company shareholders increased by 22 % and amounted to SEK 2,970m (2,428), which corresponds to SEK 16.50 per share (13.49). Profit from property management includes SEK 612m (485) in respect of associated companies.

Net profit after tax

Net profit after tax for the period amounted to SEK 5,060m (7,955). Net profit after tax for the period attributable to parent company shareholders amounted to SEK 4,473m (7,269), corresponding to SEK 24.85 per share (40.38). Profit before tax was affected by changes in value in respect of investment properties of SEK 2,953m (6,351), changes in value of development properties of SEK 95m (–), changes in value of interest rate derivatives of SEK –473m (24) and profit from participations in associated companies of SEK 726m (590).

Rental income

Rental income increased by 13 % to SEK 5,577m (4,926), of which the effect of changes in exchange rates was SEK 92m (169). The increase was primarily due to acquisitions, new leases and completed projects for own management. The leasing portfolio was estimated to have a rental value on 30 September of SEK 7,963m (7,062). The average rental level for the entire real estate portfolio amounted to SEK 1,874/sq.m. (1,762) excluding project properties.

The like for like rental income has increased with 3.3 % (2.5) after adjustments for currency changes.

Rental income shows a considerable diversification of risks as regards tenants, sectors and locations. The economic occupancy rate amounted to 96 % (96) on 30 September. The total rental value of unlet areas at the end of the period amounted to SEK 301m (262) on an annual basis.

Property costs

Property costs amounted to SEK –1,424m (–1,338) during the period, of which the effect of changes in exchange rates was SEK –26m (–48).

Net operating income increased by 16 % to SEK 4,153m (3,588), which implies a surplus ratio of 74 % (73).

As a consequence of new accounting rules, from 1 January 2019, ground rents are recognised within net financial items, which had a positive impact on property costs of about SEK 47m.

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

Changes in value of investment properties

Balder carried out an individual internal valuation on

30 September of the entire real estate portfolio, see page 9. Unrealised changes in value during the period amounted to SEK 2,933m (6,301). Realised changes in value amounted to SEK 20m (50). The average yield requirement as of 30 September amounted to 4.7 % (4.8), which is 0.1 percentage points lower than at year-end. The change in value during the period is attributable to improved net operating income and a slightly lower yield requirement.

Profit from sales of development properties

For the first time, a profit is reported from Balder's investments in development properties. A first project has been recognised as income and is reported on two new line items in the consolidated income statement.

Profit from sales of development properties is recognised when the property is taken into possession by the purchaser. Apart from the cost, selling and marketing expenses are included, which are expensed as they arise. The sales result during the period amounted to SEK 95m (–) and includes the sale of the development property Sjöstjärnans (Rud 8:15) tenant-owners apartments in Gothenburg.

Management and administrative costs

Management and administrative costs amounted to SEK –485m (–436) during the period, of which the effect of changes in exchange rates was SEK –9m (–19).

Participations in the profits of associated companies

Balder owns property managing and project developing associated companies, see note 15 in Balder's Annual Report for 2018, and 44.1 % in Collector AB (publ) which is listed. Brinova Fastigheter AB (publ) is also listed and Balder's share amounts to 25.5 %. In order to clarify these associated companies value in Balder, Balder also reports a consolidated statement of financial position including listed associated companies at market value, see page 5.

During the year, Balder acquired the remaining shares in Första Långgatan Fastigheter i GBG HB, in addition, the associated company Balder Skåne AB has distributed all assets to its owners. The former associated companies are now subsidiaries.

Profit from participations in associated companies amounted to SEK 726m (590) and Balder's participation in the associated companies profit from property management amounted to SEK 612m (485).

Profit before tax was impacted by unrealised changes in value in respect of properties and interest rate derivatives of SEK 304m (228). The tax expense for the period amounted to SEK –190m (–123).

Net financial items and changes in value of derivatives

Net financial items amounted to SEK –883m (–774), of which the effect of changes in exchange rates was SEK –16m (–30).

Due to new accounting rules, from January 1, 2019, ground

rents are reported in net financial items, which negatively impacted net financial items by approximately SEK –47m.

Changes in value of interest rate derivatives amounted to SEK –473m (24). The negative change in value of derivatives during the period is due to the fact that the interest rates have fallen during the period. Unrealised changes in value do not affect the cash flow.

The average interest rate was 1.6 % (1.7) on the closing date and 1.7 % (1.8) for the period.

Taxes

The group's tax cost amounted to SEK –1,026m (–1,385), of which effect of changes in exchange rates amounted to SEK –13m (–43). Current tax for the period amounts to SEK –184m (–209), mainly attributable to SATO Oyj, and also a deferred tax expense of SEK –842m (–1,176). Current tax attributable to parent company shareholders amounted to SEK –120m (–130).

Tax was calculated based on the applicable tax rate in each country. In Sweden, tax was calculated at 21.4 % based on current taxable income. Deferred tax liabilities and tax receivables were calculated at the lower tax rate of 20.6 %, which applies starting from 2021.

The new tax rules apply as of 1 January 2019 in Sweden. Balder estimates that the new rules will not have any material impact on the calculation of taxes for the year 2019 provided that an efficient balancing can occur in the Group of net interest income and expense.

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 9,830m (8,322).

Third quarter 2019

Profit from property management for the third quarter of 2019 increased by 13 % and amounted to SEK 1,239m (1,099). Profit from property management attributable to parent company shareholders for the third quarter of 2019 increased by 12 % and amounted to SEK 1,060m (943) which corresponds to SEK 5.89 per share (5.24). Profit from property management included SEK 211m (174) in respect of associated companies. Rental income amounted to SEK 1,915m (1,709) and property costs amounted to SEK –455m (–423), which meant that net operating income increased by 14 % to SEK 1,460m (1,286), of which the effect of changes in exchange rates was SEK 23m (43). The surplus ratio amounted to 76 % (75).

Due to new accounting rules, from January 1, 2019, ground rents are reported in net financial items, which positively impact property costs with SEK 16m and negatively impact net financial items by approximately SEK –16m during the quarter.

Net profit after tax for the period amounted to SEK 2,094m (3,600). Profit after tax attributable to parent company shareholders amounted to SEK 1,852m (3,400) corresponding to

SEK 10.29 per share (18.89). The result was affected by changes in value in respect of investment properties of SEK 1,350m (3,348), changes in value of development properties of SEK 95m (–), changes in value of interest rate derivatives of SEK –186m (80) and profit from participations in associated companies of SEK 264m (185).

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 2,301m (2,000). Investing activities have burdened the cash flow by SEK –9,830m (–8,412). During the period, acquisition of investment properties of SEK –4,083m (–3,566), investments in existing properties and projects of SEK –5,606m (–4,404), investments in property, plant and equipment, financial investments, associated companies and transactions with non-controlling interests SEK –941m (–739) and dividends to non-controlling interests of SEK –135m (–135) adds up to SEK –10,766m (–8,843).

These have been financed through cash flow from operating activities of SEK 2,687m (2,452), by divestments of investment properties of SEK 310m (266), development properties SEK 387m (–), financial investments of SEK 47m (7), dividends from associated companies SEK 42m (24), sale of shares in associated companies SEK 15m (–) and net borrowings of SEK 11,077m (5,286), which adds up to SEK 14,565m (8,035).

Total cash flow for the period amounted to SEK 3,799m (–808). In addition to unutilised credit facilities of SEK 8,791m (7,147), the group's cash and cash equivalents, financial investments and unutilised overdraft facilities amounted to SEK 5,695m (1,527) on 30 September.

Employees and organisation

The number of employees on 30 September amounted to 750 persons (643), of whom 305 were women (284). Balder is organised into seven regions. The head office with groupwide functions is located in Gothenburg.

Parent Company

The parent company's operations mainly consist of performing group-wide services but an important part relates to sales of services, principally to associated companies. Sales in the parent company amounted to SEK 261m (197) during the period.

Net profit after tax amounted to SEK 117m (1,646). Dividends from subsidiaries was included with SEK 800m (1,608), other net financial items amounted to SEK –361m (30) of which exchange rates differences amounted to SEK –670m (–762), changes in value of interest rate derivatives amounted to SEK –473m (24).

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

Real estate portfolio

On 30 September Balder owned 1,280 investment properties (1,179) with a lettable area of 4,191 thousand sq.m. (3,993) and a value of SEK 130,802m (114,548). Balder's total rental value excluding projects amounted to SEK 7,854m (7,035).

In addition to investment properties Balder owns development properties with a value of SEK 2,370m (–). The value of the total property portfolio amounted to SEK 133,172m (114,548).

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

Balder's real estate portfolio on 30/09/2019¹⁾

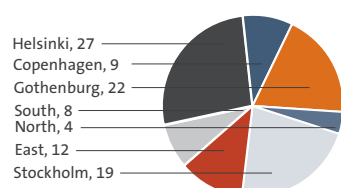
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	556	1,057,852	2,603	2,461	2,560	98	32,541	24
Stockholm	81	670,570	1,271	1,895	1,200	94	24,804	19
Gothenburg	177	1,023,808	1,484	1,450	1,411	95	26,010	20
Copenhagen	15	192,906	542	2,809	515	95	11,656	9
South	80	404,238	615	1,520	574	93	10,016	8
East	287	640,663	1,064	1,660	1,025	96	14,420	11
North	84	200,765	276	1,374	269	97	4,687	4
Total excluding projects	1,280	4,190,802	7,854	1,874	7,554	96	124,134	93
Projects for own management			108		108		6,667	5
Total investment properties	1,280	4,190,802	7,963	1,874	7,662	96	130,802	98
Development properties							2,370	2
Total real estate portfolio	1,280	4,190,802	7,963	1,874	7,662	96	133,172	100

Distributed by property category

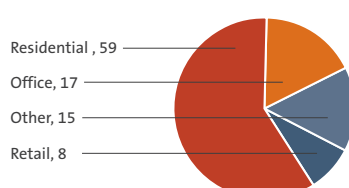
Residential	1,010	2,506,783	4,841	1,931	4,701	97	70,509	53
Office	94	570,043	1,256	2,204	1,162	92	23,286	17
Retail	100	574,571	716	1,246	669	93	10,690	8
Other	76	539,405	1,040	1,929	1,022	98	19,649	15
Total excluding projects	1,280	4,190,802	7,854	1,874	7,554	96	124,134	93
Projects for own management			108		108		6,667	5
Total investment properties	1,280	4,190,802	7,963	1,874	7,662	96	130,802	98
Development properties							2,370	2
Total real estate portfolio	1,280	4,190,802	7,963	1,874	7,662	96	133,172	100

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

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



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



Changes in real estate portfolio

Investment properties

Balder's investment properties are reported on the basis of internal valuations. The properties in Sweden, Denmark, Norway, Germany and United Kingdom are valued using the cash flow based method. In Finland and Russia, in addition to the cash flow based method, the sales comparison method and valuation at acquisition cost are used. Properties under construction and project properties for own management are valued at market value reduced by estimated building expenditure and project risk, which usually results in valuation at cost. On 30 September, Balder's average yield requirement amounted to 4.7 % (4.8) excluding project properties for own management, which is 0.1 percentage points lower than at year-end.

In order to quality-assure its internal valuations, Balder regularly allows parts of its portfolio to be externally valued and obtain second opinions on internal valuations. Historically, deviations between external and internal valuations have been insignificant.

Unrealised changes in value investment properties

The overall carrying amount of Balder's investment properties amounted to SEK 130,802m (114,548) on 30 September. The unrealised change in value during the period amounted to SEK 2,933m (6,301) and is attributable to improved net operating income and a slightly lower yield requirement.

Investments, acquisitions and divestments

During the period, a total of SEK 9,092m (7,970) was invested relating to investment properties, of which SEK 4,550m (3,566) related to acquisitions and SEK 4,542m (4,404) related to investments in existing properties and projects for own management. During the period one investment property as well as condominiums and land have been divested at a sales value of SEK 310m (266). Profit from property sales amounted to SEK 20m (50).

Project properties for own management

On 30 September, Balder has project properties for own management amounting to SEK 6.7 billion. Projects with ongoing construction are included with SEK 6.1 billion and projects where construction has not yet started amounts to SEK 0.6 billion. The ongoing construction work has an estimated total investment of approximately SEK 8.5 billion, which means that SEK 2.4 billion remains to be invested. Most of the ongoing projects relate to residential projects. The projects mainly comprise about 1,200 apartments in Copenhagen and about 1,400 apartments in Helsinki. The investments relate to owner apartments for rental use.

Development properties

On 30 September, Balder has development properties amounting to SEK 2.4 billion. Projects with ongoing construction are included with SEK 1.4 billion and projects where construction has not begun amounts to SEK 1.0 billion. The projects with ongoing construction has an estimated total investment of approximately SEK 2.8 billion, which means that SEK 1.4 billion remains to invest. The majority of the development projects in progress refer to tenant-owner's apartments and primarily involve approx. 900 tenant-owner's apartments in Sweden.

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.

As a result of Balder's investments in development properties, a sales result is recognised for the first time in the third quarter in respect of our project operations. The densification project Sjöstjärnans (Rud 8:15) tenant-owners apartments in Gothenburg has been recognised as income. The cost of the project amounted to SEK –292m and the profit from the sale amounted to SEK 95m.

Change in carrying amount of properties

	2019		2018	
	SEKm	Number ¹⁾	SEKm	Number ¹⁾
Investment properties, 1 January	116,542	1,185	98,360	1,148
Investments in existing properties and projects	4,542		4,404	
Acquisitions	4,550	37	3,566	27
Sales/Reclassifications	–290	58 ³⁾	–216	4 ³⁾
Change in value of investment properties, unrealised	2,933		6,301	
Currency changes	2,525		2,133	
Investment properties, 30 September	130,802	1,280	114,548	1,179
Development properties, 1 January ²⁾	1,598		–	
Investments in projects	1,064		–	
Sales	–292		–	
Development properties, 30 September	2,370		–	
Total real estate portfolio, 30 September	133,172		–	

1) Number of investment properties.

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

3) Refers to no (–) divestments of investment properties and 58 (4) reclassifications.

Property transactions 2019

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Acquisitions					
One	1	Hans Michelsen 10	Malmö	Hotel	4,168
One	1	Stampen 7:12	Gothenburg	Hotel	3,533
One	1	Lejonet 1	Malmö	Hotel	3,849
One	1	Bulten 1	Borås	Retail	1,815
One	1	Skorpionen 9	Luleå	Retail	1,800
One	1	Traktorn 5	Östersund	Retail	3,216
One	1	Basaren 1	Sundbyberg	Residential	10,272
One	1	Muraren 9	Sundbyberg	Residential	8,275
One	1	Kvillebäcken 61:5	Gothenburg	Office	3,564
One	1	Kvillebäcken 61:8	Gothenburg	Project	–
One	1	Aagaards plass 5	Sandefjord, Norway	Project	–
One	1	8 Fenchurch Place	London, United Kingdom	Office	9,161
Two	1	Ribby 1:531	Haninge	Residential	3,140
Two	1	Loket 5 & 6	Nynäshamn	Residential	6,305
Two	1	Masthugget 11:13	Gothenburg	Office	32,528
Two	1	Lorensberg 49:2	Gothenburg	Hotel	1,500
Two	1	Kobbegården 6:170	Gothenburg	Office	1,574
Two	1	Skyffeln 2	Alingsås	Office	6,076
Two	1	Safiren 1	Alingsås	Residential	4,342
Two	1	Skatan 1	Alingsås	Office	1,489
Two	1	Uggledal 408:1	Gothenburg	Office	3,199
Two	1	Kobbegården 6:259	Gothenburg	Office	–
Two	1	Kobbegården 6:261	Gothenburg	Office	8,952
Two	1	Lorensberg 55:4	Gothenburg	Office	3,376
Two	1	Lorensberg 55:8	Gothenburg	Office	–
Two	1	Gårda 70:9	Gothenburg	Residential	1,520
Two	1	Lunden 45:2	Gothenburg	Residential	625
Two	1	Kobbegården 6:56	Gothenburg	Office	2,891
Two	1	Kobbegården 6:169	Gothenburg	Office	1,555
Two	1	Bolsheden 1:18	Kungsbacka	Office	4,568
Two	1	Bolsheden 1:48	Kungsbacka	Office	4,909
Two	1	Fallström 14	Mölnadal	Office	1,389
Two	1	Gaslyktan 8	Mölnadal	Office	6,386
Two	1	Ironmonger Lane	London, United Kingdom	Office	1,800
Two	1	Gnr: 102, bnr 4 (Øvre Eikervei 126)	Drammen, Norway	Project	–
Two	1	Gnr: 102, bnr 80 og bnr 90 (Øvre Eikervei 122)	Drammen, Norway	Project	–
Three	1	91-12-352-1 (Helsinginkatu 25)	Helsinki, Finland	Hotel	3,979
Total	37				151,756
Divestments					
Two	–	Årstaäng 7	Stockholm	Office	10,187
Total	–				10,187

Associated companies

Balder owns 50 % of a number of property companies where Balder handles the management and administration, for further information, see page 28-31 in Balder's Annual Report for 2018. Balder's 50 %-owned associated companies are shown in the table below together with Balder's share of 49 % (–) in Sinoma Fastighets AB and 56 % (56) in Serena Properties AB where Balder has a joint control, for company website, see Serenaproperties.se.

Apart from the 50 %-owned associated companies, Balder owns 44.1 % (44.1) in Collector AB (publ), 33 % (31) of Tornet Bostadsproduktion AB, 25.5 % (25.5) of Brinova Fastigheter AB (publ), 49 % (49) in Sjaelsö Management ApS, 20 % (20) in SHH Bostad AB and 25 % (25) in Rosengård Fastighets AB. For more information about these associated companies, see each company's website: Collector.se, Tornet.se, Brinova.se, Sjaelso-emangement.dk, Shhbostad.se and Rosengardfastigheter.se.

Balder's participation in the 50 %-owned associated companies' real estate portfolio on 30/09/2019 ¹⁾

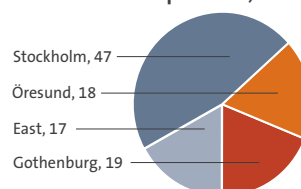
	Number of properties ²⁾	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Stockholm	79	197,770	291	1,470	276	95	5,147	46
Gothenburg	38	145,019	153	1,054	146	96	1,979	18
Öresund	21	62,115	94	1,510	83	88	1,463	13
East	27	99,982	135	1,351	131	97	1,863	17
Total excluding projects	165	504,885	673	1,332	636	95	10,452	93
Projects for own management			1		1		772	7
Total real estate portfolio	165	504,885	673	1,332	636	95	11,224	100
Distributed by property category								
Residential	38	66,752	125	1,879	124	99	2,669	24
Office	27	67,511	98	1,456	90	92	1,507	13
Retail	60	232,376	278	1,198	267	96	3,712	33
Other	40	138,247	170	1,233	155	91	2,564	23
Total excluding projects	165	504,885	673	1,332	636	95	10,452	93
Projects for own management			1		1		772	7
Total real estate portfolio	165	504,885	673	1,332	636	95	11,224	100

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

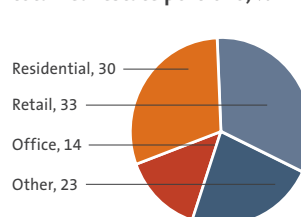
Balder's participation in the balance sheets of 50 %-owned associated companies

SEKm	2019 30 Sep	2018 30 Sep	2018 31 Dec
Assets			
Properties	11,224	9,187	10,356
Other assets	86	90	50
Cash and cash equivalents	212	163	111
Total assets	11,521	9,440	10,517
Shareholders' equity and liabilities			
Equity/interest-bearing shareholder loan	5,236	4,270	4,499
Deferred tax liability	622	489	529
Interest-bearing liabilities	5,349	4,420	5,199
Other liabilities	314	261	290
Total equity and liabilities	11,521	9,440	10,517

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



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



Customers

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

steady and satisfactory occupancy rate. Balder's commercial leases have an average lease term of 7.2 years (7.8). Balder's 10 largest leases represent 4.5 % (5.5) of total rental income and the average lease term amounts to 13.0 years (12.2).

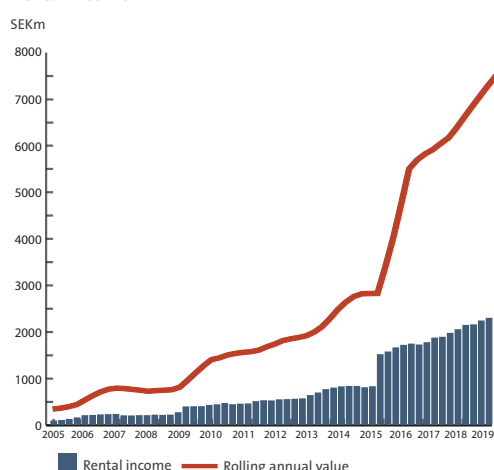
No individual lease accounts for more than 0.7 % (0.9) of Balder's total rental income and no individual customer accounts for more than 3.7 % (4.0) of total rental income.

Lease maturity structure 30/09/2019

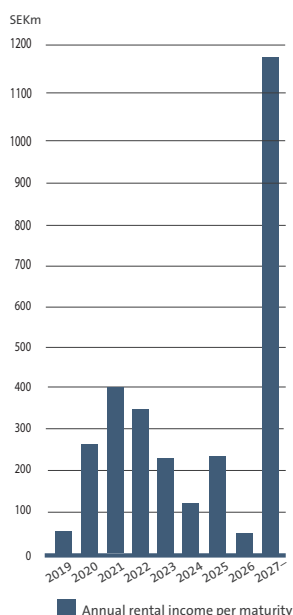
Maturity date	Number of leases	Proportion, %	Contracted rent, SEKm	Proportion, %
2019	176	5	62	1
2020	1,208	38	272	4
2021	724	23	396	5
2022	499	16	344	4
2023–	598	19	1,824	24
Total	3,205	100	2,899	38
Residential ¹⁾	39,098		4,695	61
Car park ¹⁾	4,935		18	0
Garage ¹⁾	4,575		51	1
Total	51,813		7,662	100

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

Rental income



Maturity structure of commercial lease contracts



Balder's 10 largest customers

as of 30/09/2019

- I.A. Hedin Bil AB
- ICA Sverige AB
- Kesko Oyj
- Ligula Hospitality Group
- Norwegian State
- Scandic Hotels
- City of Stockholm
- Stureplansgruppen
- The municipality of Sundbyberg
- Winn Hotel Group

Financing

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

these financing sources, Balder also has issued Hybrid capital which has a maturity of 60 years and is considered as 50 % equity by the credit rating agencies.

During the quarter, Balder has issued a first bond of EUR 500m under the EMTN programme. The bond has a maturity of 7.4 years and a fixed rate of 1.15 %. During the quarter the framework regarding Balder's MTN programme was increased from SEK 10 billion to SEK 15 billion.

Financial Key ratios

	2019 30 Sep	2018 30 Sep	2018 31 Dec
Interest-bearing liabilities excl. Hybrid capital, SEKm	76,436	61,859	63,609
Hybrid capital, SEKm	3,755	3,603	3,596
Available liquidity including confirmed loan commitments, SEKm	14,486	8,674	10,148
Average fixed credit term, years	5.6	5.0	5.6
Average interest rate refixing period, years	3.2	3.3	3.1
Net debt to total assets (financial covenant ¹⁾ < 65), %	48.5	50.4	49.9
Interest coverage ratio (financial covenant ¹⁾ > 1.8), times	5.1	4.7	4.6
Secured debt/Total assets (financial covenant ¹⁾ < 45), %	17.4	19.6	20.0
Credit rating S&P	BBB Stable outlook	BBB Stable outlook	BBB Stable outlook
Calculation of net debt			
Interest-bearing liabilities excl. Hybrid capital, SEKm	76,436	61,859	63,609
Hybrid capital (50 % is treated as equity by rating agencies), SEKm	1,878	1,802	1,798
Cash and cash equivalents and financial investments, SEKm	–5,345	–1,177	–1,328
Net debt	72,968	62,483	64,079

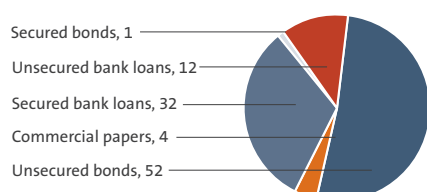
1) Financial covenants refers to obligations that Balder has to its financiers in the form of financial key ratios.

Financial targets

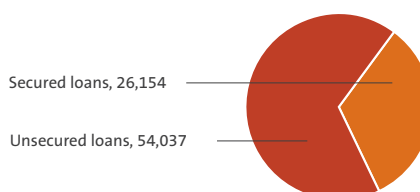
		Target	Outcome ²⁾
Equity/assets ratio, %	min.	40.0	36.4
Net debt to total assets, %	max.	50.0	48.5
Interest coverage ratio, times	min.	2.0	5.1

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

Financing sources, %



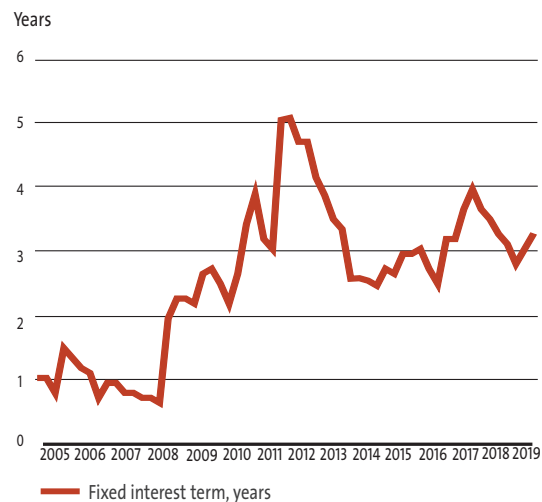
Distribution secured and unsecured loans, SEKm



Net debt to total assets



Fixed interest term



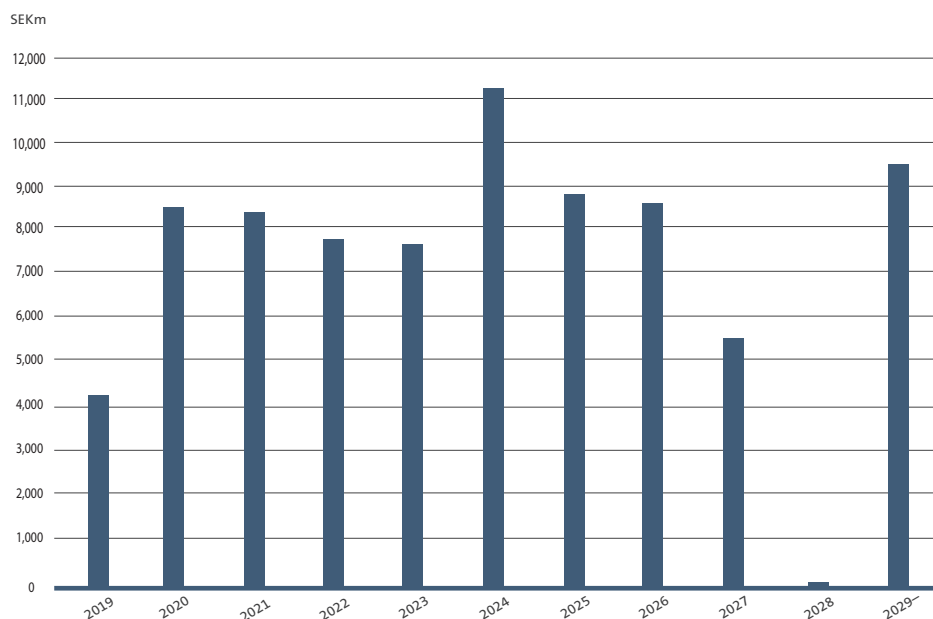
Interest maturity structure on 30/09/2019

Year	Fixed interest term		
	SEKm	Interest, %	Proportion, %
Within one year	33,546	0.9	42
1–2 years	4,294	2.4	5
2–3 years	7,413	1.8	9
3–4 years	4,827	3.0	6
4–5 years	4,618	1.7	6
5–6 years	7,875	2.1	10
6–7 years	7,747	2.2	10
7–8 years	6,364	1.1	8
8–9 years	–	–	–
9–10 years	2,000	2.0	2
> 10 years	1,507	3.2	2
Total	80,191	1.6	100

Fixed credit term on 30/09/2019

Year	Fixed credit term	
	SEKm	Proportion, %
Within one year	7,913	10
1–2 years	12,549	16
2–3 years	6,593	8
3–4 years	7,404	9
4–5 years	12,222	15
5–6 years	9,540	12
6–7 years	8,830	11
7–8 years	5,520	7
8–9 years	151	0
9–10 years	136	0
> 10 years	9,332	12
Total	80,191	100

Debt maturities on 30/09/2019



Other disclosures

Events after the end of the period

Balder has acquired and taken over the property Lorensberg 55:15 as of 1 October 2019. The property contains 38,000 square meters of hotel, retail and offices along Kungssportsavenyn in central Gothenburg. Large tenants are Scandic, Coop, HM, KappAhl, Intersport among others. The property is environmentally certified according to Miljöbyggnad Gold. Balder also acquired a building right in central Gothenburg that enables the construction of approximately 290 apartments comprising a gross floor area of 23,000 square meters.

On 1 October Balder has also taken possession of the acquired office properties Stockholm Tre vapen 7 and A House.

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

Related party transactions

Balder receives fees from associated companies and Erik Selin Fastigheter AB for property and company management services. These fees amounted to SEK 54m (38) during the period and are reported in management and administrative costs. In addition, services are bought from Collector AB (publ). All transactions have been priced on market terms.

Risks and uncertainties

Balder's operations, financial position and results may be affected by a number of risks and uncertainty factors. These are described in the Annual Report for 2018, on pages 65-68. Otherwise, no significant changes has been noted.

Accounting policies

Balder applies IFRS (International Financial Reporting Standards) as adopted by the European Union in its consolidated accounts and the interpretations of these (IFRIC). This interim report is prepared in accordance with IAS 34, Interim Financial Reporting. In addition, relevant provisions of the Swedish Annual Accounts Act and the Swedish Securities Markets Act have also been applied. The parent company has prepared its financial statements in accordance with the Annual Accounts Act, the Securities Markets Act and RFR 2, Accounting for Legal Entities. The accounting principles follow those reported in the Annual Report 2018, with addition for application of IFRS 16 as below.

New accounting policies from and including 1 January 2019

From and including 1 January 2019, the Group has adopted the following new standards:

IFRS 16 Leases - Effect of introduction of the standard

The Group applies IFRS 16 Leases from 1 January 2019. No distinction is made between operating and finance leases any more. As a lessor/landlord, the change does not affect Balder's accounting. According to the new standard, a non-current asset (the 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. 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 single most significant leases, together with a number of leases in SATO Oyj. On 30 September 2019, the lease liability for ground rents and leases amounted to SEK 1,551m, the liability is recognised as a separate line item in the balance sheet, Lease contract. The corresponding right-of-use assets are recognised in the balance sheet in the line item, Lease contract; Right-of-use assets.

The Group has applied the modified retrospective method, which means that right-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 thus has not had any impact on the Group's equity. As the modified retrospective method was applied, comparative figures for 2018 were not restated.

The expense for ground rents of SEK -47m, as an effect of the transition to IFRS 16, is recognised in its entirety, as a financial expense as these are considered to be interest according to IFRS 16, which is a difference compared to the earlier principle when this was recognised as part of the property costs and was charged to net operating income. Profit from property management is not affected.

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.

Nomination Committee

The Annual General Meeting on 8 May 2019 resolved 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 names of the other two members and the owners they represent shall be announced not later than six months before the Annual General Meeting and shall be based on known ownership immediately prior to publication.

In accordance with this resolution, Balder's nomination committee, based on ownership as of 30 September 2019 and known changes subsequently, Lars Rasin, Chairman, Jesper Mårtensson, representing Erik Selin Fastigheter AB and Rikard Svensson, representing Arvid Svensson Invest AB.

The Annual General Meeting will be held in Gothenburg on Monday 11 May 2020. Shareholders who wish to contact the nomination committee can do so via e-mail to info@balder.se

Gothenburg 25 October 2019

Erik Selin
CEO

Auditor's report

Fastighets AB Balder (publ), corp. id. no. 556525-6905

Introduction

We have reviewed the condensed interim financial information (interim report) for Fastighets AB Balder (publ) as of 30 September 2019 and for the nine-month period that ended on this date. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

The focus and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of the interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that give us reason to believe that the interim report, in all material respects, is not prepared for the Group in compliance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in compliance with the Swedish Annual Accounts Act.

Gothenburg 25 October 2019
Öhrlings PricewaterhouseCoopers AB

Bengt Kron	Konstantin Belogorcev
Authorised Public Accountant	Authorised Public Accountant
Auditor in charge	

Consolidated statement of comprehensive income

SEKm	2019 July-Sep	2018 July-Sep	2019 Jan-Sep	2018 Jan-Sep	2018/2019 Oct-Sep	2018 Jan-Dec
Rental income	1,915	1,709	5,577	4,926	7,365	6,714
Property costs	-455	-423	-1,424	-1,338	-1,910	-1,824
Net operating income	1,460	1,286	4,153	3,588	5,455	4,890
Management and administrative costs	-160	-143	-485	-436	-640	-592
Participations in the profits of associated companies	264	185	726	590	1,016	881
– of which profit from property management	211	174	612	485	784	658
– of which changes in value	131	68	304	228	483	407
– of which tax	-78	-57	-190	-123	-252	-184
Other income/costs	6	2	0	-2	0	-3
Net financial items	-277	-220	-883	-774	-1,185	-1,076
– of which cost of leases/ground rent	-16	–	-47	–	-47	–
Profit including changes in value and tax in associated companies	1,292	1,109	3,512	2,967	4,645	4,100
– of which Profit from property management	1,239	1,099	3,398	2,862	4,414	3,877
<i>Changes in value</i>						
Changes in value investment properties, realised	7	14	20	50	56	86
Changes in value investment properties, unrealised	1,344	3,334	2,933	6,301	4,546	7,914
Income sale development properties	387	–	387	–	387	–
Costs sale development properties	-292	–	-292	–	-292	–
Changes in value derivatives	-186	80	-473	24	-531	-34
Changes in value total	1,259	3,428	2,575	6,374	4,166	7,965
Profit before tax	2,551	4,537	6,087	9,341	8,811	12,065
Income tax	-456	-937	-1,026	-1,385	-1,538	-1,897
Net profit for the period/year	2,094	3,600	5,060	7,955	7,274	10,169
<i>Net profit for the period/year attributable to:</i>						
Parent company shareholders	1,852	3,400	4,473	7,269	6,512	9,308
Non-controlling interests	243	200	587	687	762	861
	2,094	3,600	5,060	7,955	7,274	10,169
Other comprehensive income – items that may be subsequently reclassified to profit or loss						
Translation difference relating to foreign operations (net after hedge accounting)	66	-38	212	13	154	-45
Cash flow hedges after tax	-37	42	-154	52	-197	9
Participation in other comprehensive income of associated companies	4	-2	12	13	9	10
Total comprehensive income for the period/year	2,128	3,603	5,130	8,034	7,240	10,143
<i>Total comprehensive income for the period/year attributable to:</i>						
Parent company shareholders	1,776	3,477	4,287	7,035	6,256	9,003
Non-controlling interests	352	126	843	1,000	984	1,140
	2,128	3,603	5,130	8,034	7,240	10,143
Profit from property management	1,239	1,099	3,398	2,862	4,414	3,877
Of which non-controlling interests part of Profit from property management	-179	-156	-428	-434	-568	-573
Profit from property management attributable to parent company shareholder	1,060	943	2,970	2,428	3,846	3,304
Profit from property management per share, SEK	5.89	5.24	16.50	13.49	21.37	18.35
Profit after tax per share, SEK	10.29	18.89	24.85	40.38	36.18	51.71

There is no dilutive effect as no potential shares arise.

Consolidated statement of financial position

SEKm	2019 30 Sep	2018 30 Sep	2018 31 Dec
Assets			
Investment properties	130,802	114,548	116,542
Development properties	2,370	—	1,598
Lease contract; Right-of-use assets	1,551	—	—
Other fixed assets	158	114	123
Participations in associated companies	6,730	5,449	6,219
Other receivables	2,932	1,660	2,198
Cash and cash equivalents and financial investments	5,345	1,177	1,328
Total assets	149,888	122,948	128,008
Shareholders' equity and liabilities			
Shareholders' equity ¹⁾	52,404	45,447	47,408
Deferred tax liability	9,830	8,322	8,857
Interest-bearing liabilities	80,191	65,462	67,205
—of which Hybrid capital ²⁾	3,755	3,603	3,596
Derivatives	1,735	865	965
Lease contract	1,551	—	—
Other liabilities	4,176	2,853	3,573
Total equity and liabilities	149,888	122,948	128,008
1) Of which non-controlling interests	7,971	7,201	7,262
2) 50 % of Hybrid capital is treated as equity by the rating agencies and thus decreases interest-bearing liabilities when calculating the debt/equity ratio and net debt to total assets ratio and increases equity when calculating the equity/assets ratio.	1,878	1,802	1,798

Consolidated statement of changes in equity

SEKm	2019 30 Sep	2018 30 Sep	2018 31 Dec
Opening equity	47,408	37,718	37,718
Transition effect IFRS 9	—	–92	–92
Changed accounting principles in Sato Oyj (IAS 12)	—	—	–124
Total comprehensive income for the period/year	5,130	8,034	10,143
Transactions with non-controlling interests	–3	–79	–111
Dividend to non-controlling interests	–135	–135	–135
Non-controlling interests arising on the acquisition of subsidiary	3	—	8
Closing equity	52,404	45,447	47,408

Consolidated statement of cash flows

SEKm	2019 July-Sep	2018 July-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Net operating income	1,460	1,286	4,153	3,588	4,890
Other income/costs	6	2	0	-2	-3
Management and administrative costs	-160	-143	-485	-436	-592
Reversal of depreciation	11	5	32	14	20
Net financial items paid	-316	-288	-1,142	-890	-1,099
Taxes paid	-66	-84	-259	-275	-345
Cash flow from operating activities before change in working capital	934	777	2,301	2,000	2,871
Change in operating receivables	110	-12	-145	-103	-394
Change in operating liabilities	157	126	531	555	1,189
Cash flow from operating activities	1,201	891	2,687	2,452	3,667
Acquisition of investment properties	-122	-727	-4,083	-3,566	-3,861
Acquisition/Divestment of property, plant and equipment	-15	-6	-66	-21	-44
Purchase of financial investments	-6	-136	-56	-358	-593
Acquisition of shares in associated companies/Capital contribution to associated companies/Loans to associated companies	-358	-0	-816	-250	-1,085
Investment in existing properties and projects	-1,916	-1,536	-5,606	-4,404	-6,210
Transactions with non-controlling interests	-	-94	-3	-111	-111
Sale of investment properties	20	152	310	266	311
Sale of development properties	387	-	387	-	-
Sale of financial investments	16	1	47	7	133
Sale of shares in associated companies	0	-	15	-	-
Dividend paid from associated companies	-	-	42	24	24
Cash flow from investing activities	-1,993	-2,345	-9,830	-8,412	-11,435
Dividend paid to non-controlling interests	-	-	-135	-135	-135
Loans raised	7,156	1,999	20,732	9,359	12,148
Amortisation/redemption of loans sold properties/changes in overdraft facilities	-2,692	-680	-9,655	-4,073	-4,967
Cash flow from financing activities	4,464	1,319	10,942	5,152	7,046
Cash flow for the period/year	3,671	-136	3,799	-808	-723
Cash and cash equivalents at the start of the period/year	686	608	558	1,281	1,281
Cash and cash equivalents at the end of the period/year	4,357	472	4,357	472	558
Cash and cash equivalents	4,357	472	4,357	472	558
Unutilised overdraft facilities	350	350	350	350	350
Unutilised credit facilities	8,791	7,147	8,791	7,147	8,470
Financial investments	988	705	988	705	770
Available liquidity including confirmed credit commitments	14,486	8,674	14,486	8,674	10,148

Segment information

SEKm	2019 July-Sep	2018 July-Sep	2019 Jan-Sep	2018 Jan-Sep	2018/2019 Oct-Sep	2018 Jan-Dec
Rental income						
Helsinki	614	588	1,811	1,717	2,396	2,302
Stockholm	306	274	907	771	1,193	1,057
Gothenburg	350	308	1,016	921	1,351	1,255
Copenhagen	152	119	424	334	565	475
South	147	122	429	319	555	444
East	276	240	788	697	1,031	940
North	70	57	202	169	273	240
Total	1,915	1,709	5,577	4,926	7,365	6,714
Net operating income						
Helsinki	460	432	1,305	1,198	1,689	1,583
Stockholm	245	214	721	596	946	821
Gothenburg	273	239	783	691	1,044	951
Copenhagen	118	94	332	264	447	378
South	117	100	342	243	441	343
East	194	164	527	481	690	645
North	52	42	144	115	197	168
Total	1,460	1,286	4,153	3,588	5,455	4,890

The group's internal reporting of operations is divided into the above segments. Total net operating income corresponds with reported net operating income in the income statement. The difference between net operating income of SEK 4,153m (3,588) and profit before tax of SEK 6,087m (9,341) consists of changes in value of investment properties of SEK 2,953m (6,351), changes in value development properties SEK 95m (–), other income/costs SEK 0m (–2), management and administrative costs of SEK –485m (–436), participations in profits of associated companies of SEK 726m (590), net financial items of SEK –883m (–774) and changes in value of derivatives of SEK –473m (24).

SEKm	2019 30 Sep	2018 30 Sep	2018 31 Dec
Real estate portfolio			
Helsinki	32,541	30,037	30,881
Stockholm	24,804	22,605	23,523
Gothenburg	26,010	21,812	22,448
Copenhagen	11,656	10,792	11,033
South	10,016	8,041	8,151
East	14,420	12,303	12,436
North	4,687	4,188	4,271
Total excluding projects	124,134	109,778	112,742
Projects for own management	6,667	4,770	3,799
Total investment properties	130,802	114,548	116,542
Development properties	2,370	–	1,598
Total real estate portfolio	133,172	114,548	118,140

The carrying amounts of properties have during the period changed by investments, acquisitions, divestments, unrealised changes in value and currency changes, with SEK 1,660m in Helsinki region, SEK 1,281m in the Stockholm region, SEK 3,562m in the Gothenburg region, SEK 623m in Copenhagen region, SEK 1,865m in South region, SEK 416m in the North region and by SEK 1,984m in the East region. The group's projects for own management has increased by SEK 2,868m and the group's development properties has increased by SEK 772m. SATO's property portfolio is divided between the regions Helsinki and East. The real estate holdings in Norway is classified in the North region, the real estate holdings in Denmark in the Copenhagen region and the properties in Germany and United Kingdom in the South region.

Key ratios including listed associated companies at market value

	2019 July-Sep	2018 July-Sep	2019 Jan-Sep	2018 Jan-Sep	2018/2019 Oct-Sep	2018 Jan-Dec
Share-related ¹⁾						
Average number of shares, thousands	180,000	180,000	180,000	180,000	180,000	180,000
Profit after tax, SEK	10.29	18.89	24.85	40.38	36.18	51.71
Profit after tax excluding unrealised changes in value, SEK	5.14	4.18	14.02	13.73	18.01	17.25
Profit from property management, SEK	5.89	5.24	16.50	13.49	21.37	18.35
Net operating income, SEK	6.62	5.80	18.86	16.04	24.83	22.00
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000	180,000	180,000
Shareholders' equity, SEK	249.48	218.62	249.48	218.62	249.48	225.60
Long-term net asset value (NAV), SEK	313.73	269.66	313.73	269.66	313.73	280.17
Share price on the closing date, SEK	372.80	246.60	372.80	246.60	372.80	252.00
Property-related						
Rental value full-year, SEK/sq.m.	1,874	1,762	1,874	1,762	1,874	1,802
Rental income full-year, SEK/sq.m.	1,803	1,696	1,803	1,696	1,803	1,737
Economic occupancy rate, %	96	96	96	96	96	96
Vacancy rate, %	4	4	4	4	4	4
Surplus ratio, %	76	75	74	73	74	73
Carrying amount, SEK/sq.m.	29,621	27,490	29,621	27,490	29,621	28,013
Number of properties	1,280	1,179	1,280	1,179	1,280	1,185
Lettable area, sq.m. thousands	4,191	3,993	4,191	3,993	4,191	4,025
Profit from property management, attributable to parent company shareholders, SEKm	1,060	943	2,970	2,428	3,846	3,304
Financial						
Return on equity, %	10.0	15.0	12.4	22.3	15.5	25.2
Return on total assets, %	4.9	7.0	6.0	9.7	7.3	11.1
Interest coverage ratio, times	5.7	6.0	5.1	4.7	4.9	4.6
Equity/assets ratio, %	36.4	39.0	36.4	39.0	36.4	38.7
Debt/equity ratio, times	1.5	1.4	1.5	1.4	1.5	1.4
Net debt to total assets, %	48.5	50.4	48.5	50.4	48.5	49.9

Key ratios excluding listed associated companies at market value

	2019 July-Sep	2018 July-Sep	2019 Jan-Sep	2018 Jan-Sep	2018/2019 Oct-Sep	2018 Jan-Dec
Share-related ¹⁾						
Shareholders' equity, SEK	246.85	212.47	246.85	212.47	246.85	223.03
Financial						
Return on equity, %	10.1	15.5	12.5	23.3	15.8	26.1
Return on total assets, %	4.9	7.1	6.0	9.8	7.3	11.2
Equity/assets ratio, %	36.2	38.4	36.2	38.4	36.2	38.4
Debt/equity ratio, times	1.5	1.4	1.5	1.4	1.5	1.4
Net debt to total assets, %	48.7	50.8	48.7	50.8	48.7	50.1

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

Condensed parent company income statement

SEKm	2019 July-Sep	2018 July-Sep	2019 Jan-Sep	2018 Jan-Sep	2018/2019 Oct-Sep	2018 Jan-Dec
Net sales	92	56	261	197	353	289
Administrative costs	-83	-64	-261	-196	-358	-292
Operating profit	9	-8	-0	1	-5	-4
Profit from financial items						
Dividends from subsidiaries	—	—	800	1,608	800	1,608
Other net financial items	-117	558	-361	30	-282	110
— of which exchange rate differences	-204	207	-670	-762	-637	-729
Changes in value of derivatives	-186	80	-473	24	-531	-34
Profit before appropriations and taxes	-293	630	-35	1,663	-17	1,680
Appropriations						
Group contributions paid	—	—	—	—	-87	-87
Profit before tax	-293	630	-35	1,663	-104	1,594
Deferred tax	46	-130	152	-17	165	-3
Net profit for the period/year ¹⁾	-247	500	117	1,646	61	1,590

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

Condensed parent company balance sheet

SEKm	2019 30 Sep	2018 30 Sep	2018 31 Dec
Assets			
Property, plant and equipment	22	11	18
Financial non-current assets	12,381	6,762	11,319
Receivables from group companies	45,395	41,959	38,337
Current receivables	212	215	197
Cash and cash equivalents and financial investments	4,941	887	1,000
Total assets	62,950	49,825	50,870
Shareholders' equity and liabilities			
Shareholders' equity	11,344	11,283	11,227
Interest-bearing liabilities	43,110	32,385	33,275
— of which Hybrid capital	3,755	3,603	3,596
Liabilities to group companies	7,186	5,356	5,282
Derivatives	919	388	446
Other liabilities	391	413	640
Total equity and liabilities	62,950	49,825	50,870

The share and owners

Balder's share is listed on Nasdaq Stockholm, Large Cap segment. The company's market capitalisation as of 30 September amounted to SEK 67,104m (44,388).

The principal owner in Fastighets AB Balder is Erik Selin Fastigheter AB, which owns 36.4 % (36.4) of the capital and 49.9 % (49.9) of the votes. Foreign ownership amounts to approximately 25 % (25) of outstanding shares.

The share

At the end of the period, approximately 16,000 shareholders (13,000) held shares. During the period, approximately 59 million shares were traded (51) which corresponds to an average of about 319,000 shares per trading day (278,000). The annual turnover rate amounted to 44 % (38). The price of the share was SEK 372.80 (246.60) on 30 September, corresponding to an increase of 48 % since year-end.

Share capital

On 30 September, the share capital in Balder amounted to SEK 180,000,000 distributed among 180,000,000 shares.

Each share has a quota value of SEK 1, where of 11,229,432 shares are of Class A and 168,770,568 of Class B. The total number of outstanding shares as of 30 September amounts to 180,000,000. Each Class A share carries one vote and each Class B share carries one tenth of one vote.

Ownership list as of 30/09/2019

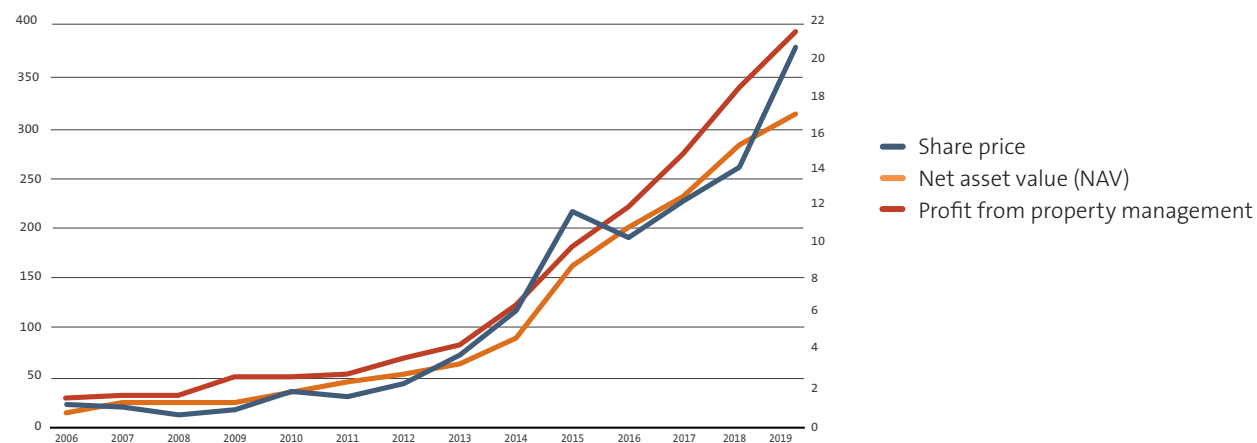
Owner	A shares	B shares	Total number of shares	Capital, %	Votes, %
Erik Selin via company	8,309,328	57,210,900	65,520,228	36.4	49.9
Arvid Svensson Invest AB	2,915,892	13,542,540	16,458,432	9.1	15.2
Swedbank Robur fonder	–	8,129,480	8,129,480	4.5	2.9
Länsförsäkringar fondförvaltning AB	–	7,795,234	7,795,234	4.3	2.8
SEB Investment Management	–	6,964,708	6,964,708	3.9	2.5
Handelsbanken Fonder AB	–	4,981,982	4,981,982	2.8	1.8
Vanguard	–	3,401,802	3,401,802	1.9	1.2
Second Swedish National Pension Fund	–	3,055,563	3,055,563	1.7	1.1
Livförsäkringsbolaget Skandia	–	2,933,709	2,933,709	1.6	1.0
CBNY - Norges Bank	–	2,317,498	2,317,498	1.3	0.8
Other	4,212	58,437,152	58,441,364	32.5	20.8
Total	11,229,432	168,770,568	180,000,000	100	100

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

Share price, Net asset value (NAV)

Profit from property management

SEK/share



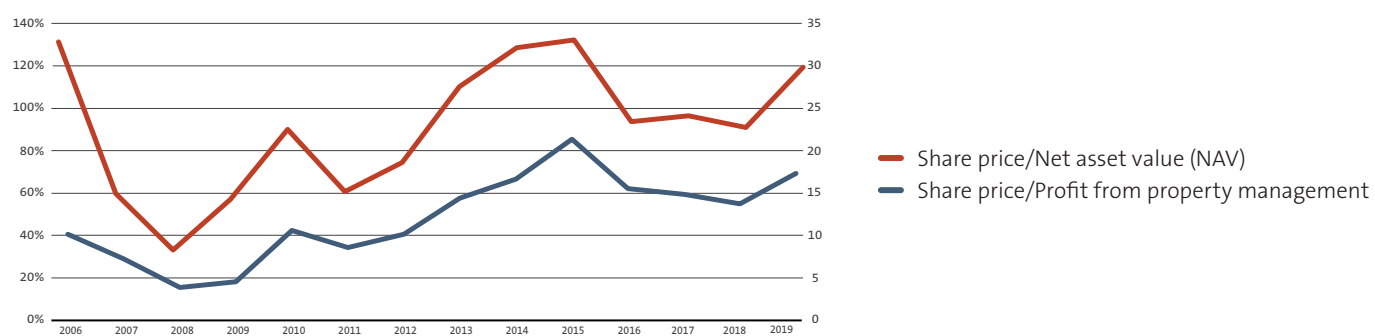
Share price/Net asset value and Share price/profit from property management

Share price/Net asset value (NAV)

Share price/Profit from property management

%

times



Definitions

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

Financial

Return on equity, %

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

Return on total assets, %

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

Net debt to total assets, %

Net debt in relation to total assets.

Profit from property management, SEKm

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

Average interest, %

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

Net debt, SEKm

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

Hybrid capital

A bond with a maturity of 60 years. The bond is reported as interest bearing liability but is treated as 50 % equity by the rating agencies.

Interest coverage ratio, times

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

Debt/equity ratio, times

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

Equity/assets ratio, % ¹⁾

Shareholders' equity including non-controlling interests and 50 % of hybrid capital in relation to the balance sheet total at the end of the period.

Share related

Equity per share, SEK

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

Profit from property management per share, SEK

Profit from property management attributable to the parent company shareholders divided by the average number of outstanding shares.

Average number of shares

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

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 parent company shareholders in relation to average number of shares.

Property related

Yield, %

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

Net operating income, SEKm

Rental income less property costs.

Economic occupancy rate, % ²⁾

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

Development properties

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

Real estate portfolio

Refers to both investment properties and development properties.

Property category

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

Property costs, SEKm

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

Investment properties

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

Rental value, SEKm ²⁾

Contracted rent and estimated market rent for vacant premises.

Surplus ratio, %

Net operating income in relation to rental income.

1) Adjusted definition from 2019 Q3.

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

The information in this report is such that Fastighets AB Balder (publ) is obliged to disclose according to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. This information has been published at 08.00 a.m. on October 25, 2019.

This report is a translation of the Swedish Interim Report January-September 2019. In the event of any disparities between this report and the Swedish version, the latter will have priority.

Contact

For additional information, please contact CEO Erik Selin, telephone +46 706 074 790 or CFO Magnus Björndahl, telephone +46 735 582 929.

Financial information

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

Calendar

Year-end report 2019	27 February 2020
Annual General Meeting	11 May 2020
Interim report Jan-March 2020	8 May 2020
Interim report Jan-June 2020	16 July 2020
Interim report Jan-Sep 2020	5 November 2020
Year-end report 2020	11 February 2021

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