

Fastighets AB Balder

Year-end report

January-December 2019

- Profit from property management attributable to parent company shareholders amounted to SEK 4,023m (3,304), corresponding to an increase per share by 22 % to SEK 22.35 (18.35)
- Long term net asset value amounted to SEK 345.76 per share (280.17)
- Rental income amounted to SEK 7,609m (6,714)
- Profit after tax attributable to parent company shareholders amounted to SEK 8,958m (9,308) corresponding to SEK 49.77 per share (51.71)

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 143.7 billion (118.1) as of 31 December 2019. The Balder share is listed on Nasdaq Stockholm, Large Cap.



The period in brief

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

October-December 2019

- Rental income amounted to SEK 2,031m (1,787) of which effect of changes in exchange rates amounted to SEK 32m (59).
- Net operating income amounted to SEK 1,490m (1,301) of which effect of changes in exchange rates amounted to SEK 22m (40).
- Profit from property management attributable to parent company shareholders increased by 20 % to SEK 1,053m (876), which corresponds to SEK 5.85 per share (4.86).
- Changes in value in respect of investment properties amounted to SEK 6,624m (1,657). The average yield requirement amounted to 4.5 % (4.8) which is 0.2 percentage points lower compared to last quarter.
- Changes in value of interest rate derivatives have impacted the result before tax by SEK 293m (–58).
- Net profit after tax for the period amounted to SEK 6,466m (2,213).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 4,485m (2,039) which corresponds to SEK 24.92 per share (11.33).
- 7 investment properties (8) have been acquired at a property value of SEK 3,889m (295).
- One investment property (–) was divested during the period, as well as condominiums and land at a value of SEK 740m (45).
- During the quarter, Balder's subsidiary SATO began using a yield based method to determine the value of the company's investment properties. The change resulted in an increase in the value of the properties by EUR 487m.

January-December 2019

- Rental income amounted to SEK 7,609m (6,714) of which effect of changes in exchange rates amounted to SEK 124m (220).
- Net operating income amounted to SEK 5,643m (4,890) of which effect of changes in exchange rates amounted to SEK 89m (155).
- Profit from property management attributable to parent company shareholders increased by 22 % to SEK 4,023m (3,304), which corresponds to SEK 22.35 per share (18.35).
- Changes in value in respect of investment properties amounted to SEK 9,577m (8,007). The average yield requirement amounted to 4.5 % (4.8).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK –180m (–34).
- Net profit after tax for the year amounted to SEK 11,526m (10,169).
- Net profit after tax for the year attributable to parent company shareholders amounted to SEK 8,958m (9,308) which corresponds to SEK 49.77 per share (51.71).
- 44 investment properties (35) have been acquired at a property value of SEK 8,439m (3,861).
- Two investment properties (–) were divested during the year as well as condominiums and land at a value of SEK 1,050m (311).
- One development property has been divested and recognised as income during the year. Sales profit amounted to SEK 95m (–).

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec
Rental income, SEKm	2,031	1,787	7,609	6,714	5,915	5,373	2,711	2,525	1,884
Profit from property management, SEKm ¹⁾	1,053	876	4,023	3,304	2,804	2,265	1,780	1,275	854
Changes in value of investment properties, SEKm	6,624	1,657	9,577	8,007	5,336	4,932	3,388	3,050	854
Changes in value of derivatives, SEKm	293	–58	–180	–34	144	–114	227	–624	433
Profit after tax, SEKm ¹⁾	4,485	2,039	8,958	9,308	7,118	5,474	4,916	3,128	1,738
Investment properties, SEKm	141,392	116,542	141,392	116,542	98,360	86,177	68,456	37,382	27,532
Development properties, SEKm ²⁾	2,344	1,598	2,344	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	180,000	173,598	162,753	161,786	159,537
Profit after tax, SEK	24.92	11.33	49.77	51.71	38.71	30.38	28.98	18.10	10.11
Profit from property management, SEK	5.85	4.86	22.35	18.35	14.74	11.89	9.71	6.64	4.57
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000	180,000	180,000	172,397	162,397	159,537
Shareholders' equity, SEK	276.34	225.60	276.34	225.60	185.02	157.63	128.03	70.10	52.14
Long-term net asset value (NAV), SEK	345.76	280.17	345.76	280.17	229.25	198.49	159.14	86.33	60.50
Share price on the closing date, SEK	433.20	252.00	433.20	252.00	219.40	184.10	208.70	110.25	66.00

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,

2019

Another financial year has been filed and the outcome for 2019 was an increase in profit from property management of 22 %. In Q4, profit from property management rose by 20 % and the net asset value increased by 23 % during the year.

To increase profit from property management/earning capacity over time is the single most important financial goal for us. To achieve a good growth rate over time, our existing property portfolio must perform well and we need to find new investments with reasonable yields in relation to the risk we have assumed.

Projects and investments

We invest through acquisition of properties and also through project investments. Acquisition of investment properties during 2019 amounted to just over SEK 8 billion. Our projects consist of those where we retain the finished buildings on a long-term basis as well as properties we sell where the majority are tenant-owner's apartments in Sweden. In the balance sheet, the latter properties are classified as development properties. We have successfully built up our project organisation over many years and our portfolio of ongoing and future projects. It feels really great to have this investment opportunity and I believe that we will generate substantial value there over time.

Increased commitments in the sustainability area

Balder is a long-term property owner that takes responsibility for the impact of its operations in relation to economic, environmental and social issues. We are continuing to work with development of our areas and have a strong social engagement focused on safety and well-being, children, young people and employment.

During the year, we signed the UN's Global Compact, which are a set of principles for companies in the areas of human rights, labour, anti-corruption and the environment.

We have noticed a continued increased engagement on sustainability issues from our stakeholders, for example from investors. Last spring, we developed a so-called green framework and listed our first green bond with the aim of financing green and energy-efficient buildings.

Associated companies

The property-related associated companies delivered consistently strong profit from property management and positive changes in value. The year's disappointment was Collector, which after large non-recurring items made a profit of zero followed by many "crisis headlines". Crisis is a relative term and spontaneously I personally then think of huge recurring losses. Collector, despite this, has generated a combined profit to date of SEK 1.7 billion after tax since its listing in 2015.

Future

Well at the beginning of the year, of course, it is impossible to know how things will go in terms of earnings and operationally but I can confirm a continued very strong interest and a good development for us and the sector generally. However, what I do know is that Balder as a company and investment platform is becoming better and better with time. On my own behalf and on behalf of our shareholders, I want to take this opportunity to express a big and warm thank you to all of you in the Balder family for your really amazing efforts during the year.

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 31 Dec	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
Rental income	8,000	7,830	7,435	7,175	7,000	6,800	6,665	6,430	6,240	5,920	5,860
Property costs ²⁾	-2,080	-2,060	-1,940	-1,875	-1,885	-1,845	-1,815	-1,760	-1,720	-1,655	-1,690
Net operating income	5,920	5,770	5,495	5,300	5,115	4,955	4,850	4,670	4,520	4,265	4,170
Management and administrative costs	-670	-640	-640	-620	-595	-590	-590	-565	-550	-510	-490
Profit from property management from associated companies	785	775	750	775	735	660	650	650	640	600	530
Operating profit	6,035	5,905	5,605	5,455	5,255	5,025	4,910	4,755	4,610	4,355	4,210
Net financial items, including ground rent ²⁾	-1,330	-1,330	-1,270	-1,250	-1,125	-1,100	-1,120	-1,120	-1,060	-1,050	-950
Of which non-controlling interests	-675	-655	-620	-580	-565	-555	-555	-550	-525	-475	-455
Profit from property management ¹⁾	4,030	3,920	3,715	3,625	3,565	3,370	3,235	3,085	3,025	2,830	2,805
Tax ³⁾	-875	-855	-775	-765	-750	-730	-700	-665	-650	-610	-605
Profit after tax	3,155	3,065	2,940	2,860	2,815	2,640	2,535	2,420	2,375	2,220	2,200
Profit from property management per share, SEK	22.39	21.78	20.64	20.14	19.81	18.72	17.97	17.14	16.81	15.72	14.47

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.

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

Consolidated statement of financial position

including listed associated companies at market value

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

SEKm	2019 31 Dec	2018 31 Dec
Assets		
Investment properties	141,392	116,542
Development properties	2,344	1,598
Lease contract; Right-of-use assets	1,541	–
Other fixed assets	166	123
Participations in associated companies ^{1,2)}	7,749	6,682
Other receivables	2,566	2,198
Cash and cash equivalents and financial investments	2,902	1,328
Total assets	158,659	128,471
Shareholders' equity and liabilities		
Shareholders' equity ³⁾	59,456	47,871
Deferred tax liability	11,285	8,857
Interest-bearing liabilities	81,242	67,205
–of which Hybrid capital ⁴⁾	3,652	3,596
Derivatives	1,210	965
Lease contract	1,543	–
Other liabilities	3,923	3,573
Total equity and liabilities	158,659	128,471
1) Including Balder's market value of Collector AB (publ) Collector's share price (SEK)	2,285 50.50	2,240 49.50
2) Including Balder's market value of Brinova Fastigheter AB (publ) Brinova's share price (SEK)	582 31.60	319 17.30
3) Of which non-controlling interests	9,714	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.	1,826	1,798

Consolidated statement of changes in equity

SEKm	2019 31 Dec	2018 31 Dec
Opening equity	47,871	39,725
Transition effect IFRS 9	–	–92
Changed accounting principles in SATO Oyj (IAS 12)	–	–124
Total comprehensive income for the period/year	11,482	10,143
Transactions with non-controlling interests	–35	–111
Dividend to non-controlling interests	–137	–135
Non-controlling interests, arising on the acquisitions of subsidiary	8	8
The change during the period/year of listed associated companies at market value	268	–1,545
Closing equity	59,456	47,871

Income, costs and results

Profit from property management

Profit from property management for the year amounted to SEK 4,604m (3,877), of which effect of changes in exchange rates amounted to SEK 55m (95). Profit from property management attributable to parent company shareholders increased by 22 % and amounted to SEK 4,023m (3,304), which corresponds to SEK 22.35 per share (18.35). Profit from property management includes SEK 787m (658) in respect of associated companies.

Net profit after tax

Net profit after tax for the year amounted to SEK 11,526m (10,169). Net profit after tax for the year attributable to parent company shareholders amounted to SEK 8,958m (9,308), corresponding to SEK 49.77 per share (51.71). Profit before tax was affected by changes in value in respect of investment properties of SEK 9,577m (8,007), changes in value of development properties of SEK 95m (–), changes in value of interest rate derivatives of SEK –180m (–34) and profit from participations in associated companies of SEK 876m (881).

Rental income

Rental income increased by 13 % to SEK 7,609m (6,714), of which the effect of changes in exchange rates was SEK 124m (220). The increase was primarily due to acquisitions, new leases and completed projects for own management. The leasing portfolio was estimated to have a rental value on 31 December of SEK 8,304m (7,260). The average rental level for the entire real estate portfolio amounted to SEK 1,921/sq.m. (1,802) excluding project properties.

The like for like rental income has increased with 3.8 % (2.7) after adjustments for currency changes.

Rental income shows a considerable diversification of risks as regards tenants, sectors and locations. The economic occupancy rate amounted to 96 % (96) on 31 December. The total rental value of unlet areas at the end of the year amounted to SEK 304m (260) on an annual basis.

Property costs

Property costs amounted to SEK –1,966m (–1,824) during the year, of which the effect of changes in exchange rates was SEK –36m (–65).

Net operating income increased by 15 % to SEK 5,643m (4,890), 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 63m.

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

Changes in value of investment properties

Balder carried out an individual internal valuation on 31 December of the entire real estate portfolio, see page 9. Unrealised changes in value during the year amounted to SEK 9,562m (7,922). Realised changes in value amounted to

SEK 14m (86). The average yield requirement as of 31 December amounted to 4.5 % (4.8), which is 0.2 percentage points lower than at previous quarter. The change in value during the year is attributable to improved net operating income and a lower yield requirement.

Profit from sales of development properties

During the year, for the first time, a profit is reported from Balder's investments in development properties. A 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 year 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 –664m (–592) during the year, of which the effect of changes in exchange rates was SEK –13m (–23).

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 876m (881) and Balder's participation in the associated companies profit from property management amounted to SEK 787m (658).

Profit before tax was impacted by SEK 297m (407) as a result of unrealised changes in value in respect of properties and interest rate derivatives as well as the extra provisioning for credit losses and write down that occurred in Collector. The tax expense for the year amounted to SEK –209m (–184).

Net financial items and changes in value of derivatives

Net financial items amounted to SEK –1,170m (–1,076), of which the effect of changes in exchange rates was SEK –21m (–37).

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 –63m.

Changes in value of interest rate derivatives amounted to SEK –180m (–34). The negative change in value of derivatives

during the year is due to the fact that the interest rates have fallen during the year. Unrealised changes in value do not affect the cash flow.

The average interest rate was 1.5 % (1.7) on the closing date and 1.7 % (1.8) for the year.

Taxes

The group's tax cost amounted to SEK –2,659m (–1,897), of which effect of changes in exchange rates amounted to SEK –52m (–46). Current tax for the year amounts to SEK –259m (–306), mainly attributable to SATO Oyj, and also a deferred tax expense of SEK –2,400m (–1,591). Current tax attributable to parent company shareholders amounted to SEK –157m (–188).

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 paid tax in the near future. For 2019, the new rules resulted in increased consumption of deficits, which has led to an increased deferred tax 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 11,285m (8,857).

Fourth quarter 2019

Profit from property management for the fourth quarter of 2019 increased by 19 % and amounted to SEK 1,206m (1,015). Profit from property management attributable to parent company shareholders for the fourth quarter of 2019 increased by 20 % and amounted to SEK 1,053m (876) which corresponds to SEK 5.85 per share (4.86). Profit from property management included SEK 175m (172) in respect of associated companies. Rental income amounted to SEK 2,031m (1,787) and property costs amounted to SEK –542m (–486), which meant that net operating income increased by 15 % to SEK 1,490m (1,301), of which the effect of changes in exchange rates was SEK 22m (40). The surplus ratio amounted to 73 % (73).

Due to new accounting rules, from 1 January 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 6,466m (2,213). Profit after tax attributable to parent company shareholders amounted to SEK 4,485m (2,039) corresponding to SEK 24.92 per share (11.33). The result was affected by changes in value in respect of investment properties of SEK 6,624m (1,657), changes in value of interest rate derivatives of SEK 293m (–58) and profit from participations in associated companies of SEK 150m (290).

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 3,288m (2,871). Investing activities have burdened the cash flow by SEK –15,867m (–11,435).

During the year, acquisition of investment properties of SEK –7,972m (–3,861), investments in existing properties and projects of SEK –8,133m (–6,210), investments in property, plant and equipment, financial investments, associated companies and transactions with non-controlling interests SEK –1,315m (–1,832), amortisation of lease liability SEK –26m (–) and dividends to non-controlling interests of SEK –137m (–135) adds up to SEK –17,583m (–12,037).

These have been financed through cash flow from operating activities of SEK 3,209m (3,667), by divestments of investment properties of SEK 1,050m (311), development properties SEK 387m (–), financial investments of SEK 60m (133), dividends from associated companies SEK 42m (24), sale of shares in associated companies SEK 15m (–) and net borrowings of SEK 13,641m (7,180), which adds up to SEK 18,404m (11,314).

Total cash flow for the year amounted to SEK 821m (–723). In addition to unutilised credit facilities of SEK 8,673m (8,470), the group's cash and cash equivalents, financial investments and unutilised overdraft facilities amounted to SEK 3,252m (1,678) on 31 December.

Employees and organisation

The number of employees on 31 December amounted to 784 persons (652), of whom 327 were women (290). 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 361m (289) during the year.

Net profit after tax amounted to SEK 1,025m (1,590). Dividends from subsidiaries was included with SEK 800m (1,608), other net financial items amounted to SEK 194m (110) of which exchange rates differences amounted to SEK –251m (–729), changes in value of interest rate derivatives amounted to SEK –180m (–34) and group contributions received/payed amounted to SEK 229m (–87).

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

Proposed dividend

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

Annual Report and Annual General Meeting

The annual report for 2019 will be available on Balder's website, balder.se, from week 13, 2020.

Fastighets AB Balder's annual general meeting will take place on Monday 11 May, 2020, 4 pm at Elite Park Avenue Hotel in Gothenburg.

Real estate portfolio

On 31 December Balder owned 1,298 investment properties (1,185) with a lettable area of 4,304 thousand sq.m. (4,025) and a value of SEK 141,392m (116,542). Balder's total rental value excluding projects amounted to SEK 8,267m (7,252).

In addition to investment properties Balder owns development properties with a value of SEK 2,344m (1,598). The value of the total property portfolio amounted to SEK 143,736m (118,140).

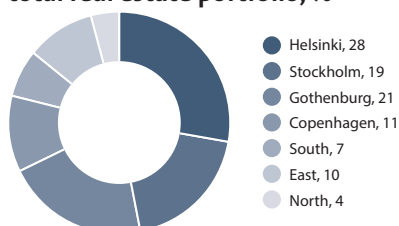
Balder's commercial properties are mainly located in the central parts of the major cities. Balder's residential properties are located in metropolitan areas and places that are growing and developing positively. Balder's ambition is to continue growing in selected markets.

Balder's real estate portfolio on 31/12/2019 ¹⁾

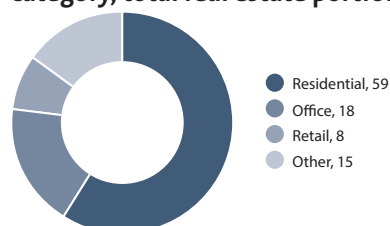
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	572	1,090,354	2,636	2,417	2,615	99	38,132	27
Stockholm	83	692,596	1,394	2,012	1,319	95	26,331	18
Gothenburg	179	1,051,164	1,648	1,568	1,566	95	28,966	20
Copenhagen	17	236,760	650	2,744	607	93	13,582	9
South	80	404,238	623	1,541	584	94	10,196	7
East	283	628,449	1,035	1,647	997	96	14,072	10
North	84	200,765	282	1,407	276	98	4,792	3
Total excluding projects	1,298	4,304,326	8,267	1,921	7,963	96	136,071	95
Projects for own management			37		37		5,320	4
Total investment properties	1,298	4,304,326	8,304	1,921	8,000	96	141,392	98
Development properties							2,344	2
Total real estate portfolio	1,298	4,304,326	8,304	1,921	8,000	96	143,736	100
Distributed by property category								
Residential	1,024	2,567,727	4,975	1,938	4,837	97	78,141	54
Office	96	596,106	1,417	2,377	1,313	93	25,754	18
Retail	101	579,493	750	1,295	709	94	11,093	8
Other	77	561,000	1,125	2,005	1,104	98	21,083	15
Total excluding projects	1,298	4,304,326	8,267	1,921	7,963	96	136,071	95
Projects for own management			37		37		5,320	4
Total investment properties	1,298	4,304,326	8,304	1,921	8,000	96	141,392	98
Development properties							2,344	2
Total real estate portfolio	1,298	4,304,326	8,304	1,921	8,000	96	143,736	100

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

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



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



Changes in real estate portfolio

Investment properties

Balder's investment properties are reported on the basis of internal valuations. The properties in Sweden, Denmark, Finland, Norway, Germany and United Kingdom are valued using the cash flow based method.

During the fourth quarter, Balder's subsidiary SATO in Finland has started to use a yield based valuation method to determine the market value of the company's properties. The yield requirement has declined in recent years, which means that the yield method better reflects the fair value of the properties. The change has meant that the company's property value has increased by EUR 487 million during the fourth quarter.

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 31 December, Balder's average yield requirement amounted to 4.5 % (4.8) excluding project properties for own management, which is 0.2 percentage points lower than at previous quarter.

In order to quality-assure its internal valuations, Balder regularly allows parts of its portfolio to be externally valued and obtain second opinions on internal valuations. During the year, external valuations or second opinions have been carried out regarding approximately 56 % (43) of the properties excluding projects for own management. The difference between the external valuations and the internal valuations was less than 1 %. Historically, deviations between external and internal valuations have been insignificant.

Unrealised changes in value investment properties

The overall carrying amount of Balder's investment properties amounted to SEK 141,392m (116,542) on 31 December. The unrealised change in value during the year amounted to SEK 9,562m (7,922) and is attributable to improved net operating income and a lower yield requirement.

Investments, acquisitions and divestments

During the year, a total of SEK 15,006m (10,071) was invested relating to investment properties, of which SEK 8,439m (3,861) related to acquisitions and SEK 6,567m (6,210) related to investments in existing properties and projects for own management. During the year two investment properties (–)

as well as condominiums and land have been divested at a sales value of SEK 1,050m (311). Profit from property sales amounted to SEK 14m (86).

Project properties for own management

On 31 December, Balder has project properties for own management amounting to SEK 5.3 billion. Projects with ongoing construction are included with SEK 4.7 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 7.2 billion, which means that SEK 2.5 billion remains to be invested. Most of the ongoing projects relate to residential projects. The projects comprise about 2,200 apartments and mainly refers to 700 apartments in Copenhagen and about 900 apartments in Helsinki. The investments relate to owner apartments for rental use.

Development properties

On 31 December, Balder has development properties amounting to SEK 2.3 billion. Projects with ongoing construction are included with SEK 1.1 billion and projects where construction has not begun amounts to SEK 1.2 billion. The projects with ongoing construction has an estimated total investment of approximately SEK 2.3 billion, which means that SEK 1.2 billion remains to invest. The majority of the development projects in progress refer to tenant-owner's apartments and primarily involve approx. 700 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 in respect of the project operations is recognised for the first time during the year. The densification project Sjöstjärnan's (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	6,567		6,210	
Acquisitions	8,439	44	3,861	35
Sales	-1,036	-1	-225	-
Change in value of investment properties, unrealised	9,562		7,922	
Currency changes	789		2,012	
Reclassification	528	70	-1,598	2
Investment properties, 31 December	141,392	1,298	116,542	1,185
Development properties, 1 January	1,598		-	
Reclassification	-528		1,598	
Investments in projects	1,566		-	
Sales	-292		-	
Development properties, 31 December	2,344		1,598	
Total real estate portfolio, 31 December	143,736		118,140	

1) Number of investment properties.

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
Four	1	Lorensberg 55:15	Gothenburg	Office	38,000
Four	1	Domherren 1	Stockholm	Office	10,374
Four	1	Tre Vapen 7	Stockholm	Other	11,741
Four	1	Tingstadsvassen 3:8	Gothenburg	Retail	4,865
Four	1	Tingstadsvassen 4:3	Gothenburg	Retail	3,785
Four	1	Verkmästaren 10	Kungsbacka	Office	1,744
Four	1	Hovås 2:60	Gothenburg	Project	–
Total	44				222,265

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Divestments					
Two	–	Årstaäng 7	Stockholm	Office	10,187
Four	1	Kyrkbyn 147:1	Gothenburg	Other	520
Total	1				10,707

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 % (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 % (33) 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-emanagement.dk, shhbostad.se and rosengardfastigheter.se.

Balder's participation in the 50 %-owned associated companies' real estate portfolio on 31/12/2019 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	81	208,052	310	1,488	292	94	5,475	46
Gothenburg	40	154,215	172	1,116	161	94	2,243	19
Öresund	22	65,018	100	1,534	88	88	1,555	13
East	27	102,219	140	1,368	135	97	1,875	16
Total excluding projects	170	529,504	721	1,362	676	94	11,148	93
Projects for own management			1		1		856	7
Total real estate portfolio	170	529,504	722	1,362	677	94	12,004	100
Distributed by property category								
Residential	41	73,523	141	1,916	139	98	2,968	25
Office	28	75,301	114	1,512	103	91	1,708	14
Retail	61	241,748	293	1,213	279	95	3,827	32
Other	40	138,932	173	1,247	156	90	2,645	22
Total excluding projects	170	529,504	721	1,362	676	94	11,148	93
Projects for own management			1		1		856	7
Total real estate portfolio	170	529,504	722	1,362	677	94	12,004	100

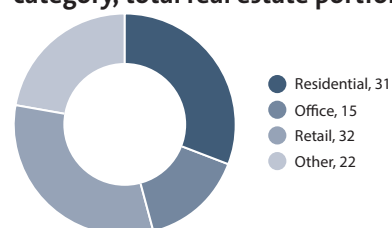
1) The above table refers to the properties owned by the associated companies at the end of the year. Sold properties have been excluded and acquired properties have been estimated using full-year values. Other properties include hotel, educational, care, industrial and mixed-use properties.

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

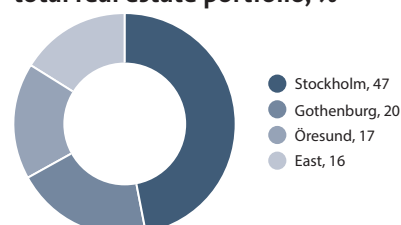
Balder's participation in the balance sheets of 50 %-owned associated companies

SEKm	2019 31 Dec	2018 31 Dec
Assets		
Properties	12,004	10,356
Other assets	243	50
Cash and cash equivalents	204	111
Total assets	12,450	10,517
Shareholders' equity and liabilities		
Equity/interest-bearing shareholder loan	5,635	4,499
Deferred tax liability	657	529
Interest-bearing liabilities	5,671	5,199
Other liabilities	488	290
Total equity and liabilities	12,450	10,517

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



Carrying amount distributed by region, 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 7.1 years (7.8). Balder's 10 largest leases represent 4.6 % (5.4) of total rental income and the average lease term amounts to 12.7 years (11.9).

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 3.6 % (4.1) of total rental income.

Lease maturity structure 31/12/2019

Maturity date	Number of leases	Proportion, %	Contracted rent, SEKm	Proportion, %
2020	1,095	33	237	3
2021	871	26	418	5
2022	553	17	428	5
2023	385	12	299	4
2024–	409	12	1,797	22
Total	3,313	100	3,178	40
Residential ¹⁾	39,546		4,737	59
Car park ¹⁾	5,021		19	0
Garage ¹⁾	5,117		66	1
Total	52,997		8,000	100

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

Balders 10 largest customers

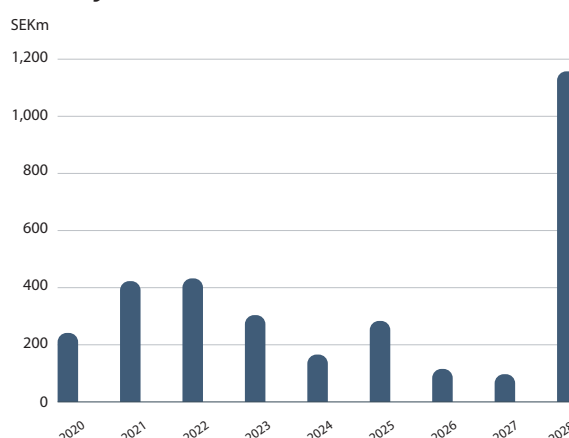
as of 31/12/2019

- 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

Rental income and profit from property management



Maturity structure of commercial lease contracts



Financing

Balder has assets in Sweden, Denmark, Finland, Russia, Norway, Germany and United Kingdom which means that the Group is exposed to currency risks. Balder therefore has a diversified financing structure with bonds issued under a domestic MTN programme and a EMTN programme. In addition to bonds, bank financing in several currencies and a commercial paper programme in Euro and Swedish kronor are used. The single largest source of funding is bonds issued on the European bond market in Euro. 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 year, Balder issued bonds under the MTN programme amounting to SEK 6,000m, whereof green bonds SEK 3,500m. During the year Balder also issued EUR 500m under the EMTN programme.

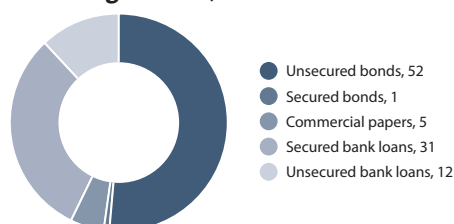
Financial Key ratios	2019 31 Dec	2018 31 Dec
Interest-bearing liabilities excl. Hybrid capital, SEKm	77,590	63,609
Hybrid capital, SEKm	3,652	3,596
Available liquidity including confirmed loan commitments, SEKm	11,925	10,148
Average fixed credit term, years	5.8	5.6
Average interest rate refixing period, years	3.1	3.1
Net debt to total assets (financial covenant ¹⁾ < 65), %	48.2	49.9
Interest coverage ratio (financial covenant ¹⁾ > 1.8), times	5.2	4.6
Secured debt/Total assets (financial covenant ¹⁾ < 45), %	16.2	20.0
Net debt/EBITDA, times	13.0	12.9
Credit rating S&P	BBB Stable outlook	BBB Stable outlook
Calculation of net debt		
Interest-bearing liabilities excl. Hybrid capital, SEKm	77,590	63,609
Hybrid capital (50 % is treated as equity by rating agencies), SEKm	1,826	1,798
Cash and cash equivalents and financial investments, SEKm	-2,902	-1,328
Net debt	76,514	64,079

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

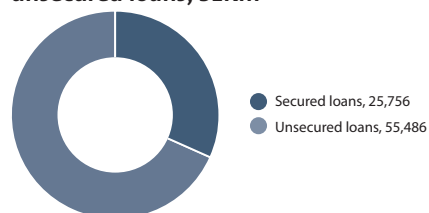
Financial targets		Target	Outcome ²⁾
Equity/assets ratio, %	min.	40.0	38.6
Net debt to total assets, %	max.	50.0	48.2
Interest coverage ratio, times	min.	2.0	5.2

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

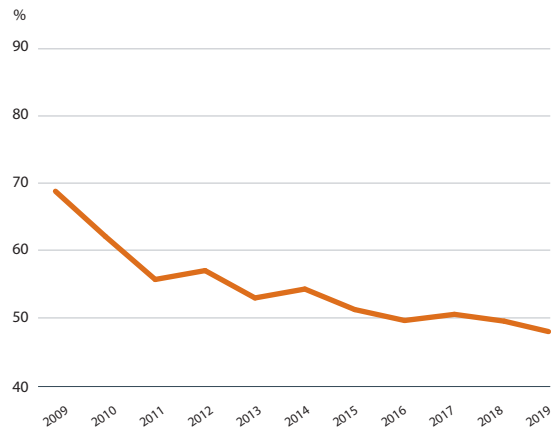
Financing sources, %



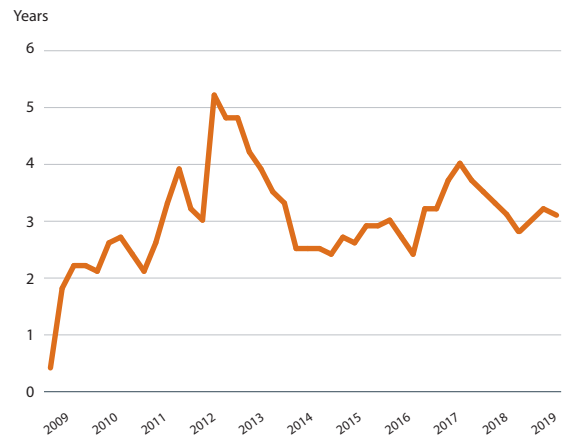
Distributed secured and unsecured loans, SEKm



Net debt to total assets



Fixed interest term



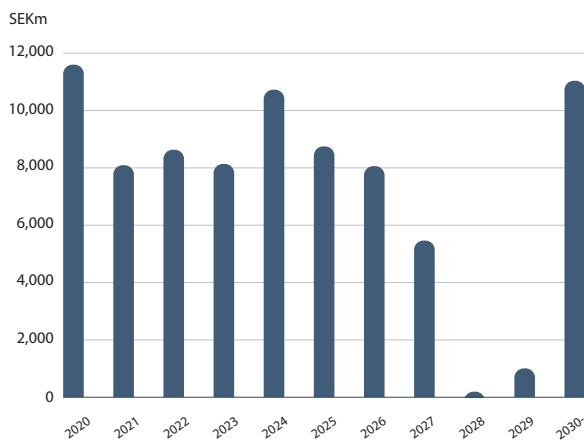
Interest maturity structure on 31/12/2019

Year	Fixed interest term		
	SEKm	Interest, %	Proportion, %
Within one year	35,789	0.9	44
1–2 years	4,493	2.4	6
2–3 years	6,279	1.4	8
3–4 years	4,712	3.0	6
4–5 years	4,285	1.6	5
5–6 years	7,492	2.1	9
6–7 years	7,561	2.2	9
7–8 years	6,217	1.1	8
8–9 years	—	—	—
9–10 years	2,907	1.6	4
> 10 years	1,507	3.2	2
Total	81,242	1.5	100

Fixed credit term on 31/12/2019

Year	Fixed credit term	
	SEKm	Proportion, %
Within one year	11,578	14
1–2 years	8,052	10
2–3 years	8,588	11
3–4 years	8,098	10
4–5 years	10,684	13
5–6 years	8,705	11
6–7 years	8,017	10
7–8 years	5,419	7
8–9 years	146	0
9–10 years	960	1
> 10 years	10,995	14
Total	81,242	100

Debt maturities on 31/12/2019



Other disclosures

Events after the end of the year

Collector AB (publ), where Fastighets AB Balder is principal owner, has at an extra general meeting on 17 February 2020 decided on new issue of ordinary shares with preferential rights for the existing shareholders, with the aim to strengthen the company's capital base. The total issue proceeds amount to approximately SEK 1,000m and Balder has undertaken to subscribe for its share of the issue of approximately SEK 450m.

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 73m (53) during the year and are reported in management and administrative costs. During the year, construction services were bought from Tommy Byggare AB amounting to SEK 17m (-). 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 year-end 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 identi-

fied as the single most significant leases, together with a number of leases. On 1 January 2019, the lease liability for ground rents and leases amounted to SEK 1,534m, 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, 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.

The Board's proposal to the Annual General Meeting 2020

Ahead of the annual general meeting on 11 May 2020, the board intends to propose the meeting to decide:

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

This year-end report has not been subject to review by the company's auditors.

Gothenburg 27 February 2020

Erik Selin
CEO

Consolidated statement of comprehensive income

SEKm	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Rental income	2,031	1,787	7,609	6,714
Property costs	–542	–486	–1,966	–1,824
Net operating income	1,490	1,301	5,643	4,890
Management and administrative costs	–179	–156	–664	–592
Participations in the profits of associated companies	150	290	876	881
– of which profit from property management	175	172	787	658
– of which changes in value	–7	179	297	407
– of which tax	–18	–61	–209	–184
Other income/costs	7	–1	7	–3
Net financial items	–286	–302	–1,170	–1,076
– of which cost of leases/ground rent	–16	–	–63	–
Profit including changes in value and tax in associated companies	1,181	1,134	4,693	4,100
– of which Profit from property management	1,206	1,015	4,604	3,877
<i>Changes in value</i>				
Changes in value investment properties, realised	–6	36	14	86
Changes in value investment properties, unrealised	6,630	1,613	9,562	7,914
Income sale development properties	–	–	387	–
Costs sale development properties	–	–	–292	–
Changes in value derivatives	293	–58	–180	–34
Changes in value total	6,917	1,591	9,492	7,965
Profit before tax	8,098	2,725	14,185	12,065
Income tax	–1,632	–511	–2,659	–1,897
Net profit for the period/year	6,466	2,213	11,526	10,169
<i>Net profit for the period/year attributable to:</i>				
Parent company shareholders	4,485	2,039	8,958	9,308
Non-controlling interests	1,980	174	2,568	861
	6,466	2,213	11,526	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)	–204	–58	8	–45
Cash flow hedges after tax	99	–43	–55	9
Participation in other comprehensive income of associated companies	–9	–4	3	10
Total comprehensive income for the period/year	6,351	2,109	11,482	10,143
<i>Total comprehensive income for the period/year attributable to:</i>				
Parent company shareholders	4,578	1,969	8,865	9,003
Non-controlling interests	1,773	140	2,617	1,140
	6,351	2,109	11,482	10,143
Profit from property management	1,206	1,015	4,604	3,877
Of which non-controlling interests part of Profit from property management	–154	–140	–581	–573
Profit from property management attributable to parent company shareholder	1,053	876	4,023	3,304
Profit from property management per share, SEK	5.85	4.86	22.35	18.35
Profit after tax per share, SEK	24.92	11.33	49.77	51.71

There is no dilutive effect as no potential shares arise.

Consolidated statement of financial position

SEKm	2019 31 Dec	2018 31 Dec
Assets		
Investment properties	141,392	116,542
Development properties	2,344	1,598
Lease contract; Right-of-use assets	1,541	–
Other fixed assets	166	123
Participations in associated companies	7,018	6,219
Other receivables	2,566	2,198
Cash and cash equivalents and financial investments	2,902	1,328
Total assets	157,928	128,008
Shareholders' equity and liabilities		
Shareholders' equity ¹⁾	58,725	47,408
Deferred tax liability	11,285	8,857
Interest-bearing liabilities	81,242	67,205
–of which Hybrid capital ²⁾	3,652	3,596
Derivatives	1,210	965
Lease contract	1,543	–
Other liabilities	3,923	3,573
Total equity and liabilities	157,928	128,008
1) Of which non-controlling interests	9,714	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.	1,826	1,798

Consolidated statement of changes in equity

SEKm	2019 31 Dec	2018 31 Dec
Opening equity	47,408	37,718
Transition effect IFRS 9	–	–92
Changed accounting principles in Sato Oyj (IAS 12)	–	–124
Total comprehensive income for the year	11,482	10,143
Transactions with non-controlling interests	–35	–111
Dividend to non-controlling interests	–137	–135
Non-controlling interests arising on the acquisition of subsidiary	8	8
Closing equity	58,725	47,408

Consolidated statement of cash flow

SEKm	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Net operating income	1,490	1,301	5,643	4,890
Other income/costs	7	-1	7	-3
Management and administrative costs	-179	-156	-664	-592
Reversal of depreciation	11	6	42	20
Net financial items paid	-278	-209	-1,419	-1,099
Taxes paid	-63	-71	-321	-345
Cash flow from operating activities before change in working capital	988	872	3,288	2,871
Change in operating receivables	-117	-291	-262	-394
Change in operating liabilities	-348	634	183	1,189
Cash flow from operating activities	522	1,215	3,209	3,667
Acquisition of investment properties	-3,889	-295	-7,972	-3,861
Acquisition/Divestment of property, plant and equipment	-18	-23	-85	-44
Purchase of financial investments	-538	-235	-594	-593
Acquisition of shares in associated companies/Capital contribution to associated companies/Loans to associated companies	215	-835	-601	-1,085
Investment in existing properties and projects	-2,527	-1,806	-8,133	-6,210
Transactions with non-controlling interests	-33	-	-35	-111
Sale of investment properties	740	45	1,050	311
Sale of development properties	-	-	387	-
Sale of financial investments	13	126	60	133
Sale of shares in associated companies	-	-	15	-
Dividend paid from associated companies	-	-	42	24
Cash flow from investing activities	-6,037	-3,023	-15,867	-11,435
Dividend paid to non-controlling interests	-2	-	-137	-135
Amortisation of lease liability	-26	-	-26	-
Loans raised	4,437	2,788	25,169	12,148
Amortisation/redemption of loans sold properties/changes in overdraft facilities	-1,872	-894	-11,527	-4,967
Cash flow from financing activities	2,536	1,894	13,479	7,046
Cash flow for the period/year	-2,978	85	821	-723
Cash and cash equivalents at the start of the period/year	4,357	472	558	1,281
Cash and cash equivalents at the end of the period/year	1,379	558	1,379	558
Cash and cash equivalents	1,379	558	1,379	558
Unutilised overdraft facilities	350	350	350	350
Unutilised credit facilities	8,673	8,470	8,673	8,470
Financial investments	1,523	770	1,523	770
Available liquidity including confirmed credit commitments	11,925	10,148	11,925	10,148

Segment information

SEKm	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Rental income				
Helsinki	622	585	2,433	2,302
Stockholm	327	286	1,234	1,057
Gothenburg	410	335	1,426	1,255
Copenhagen	142	141	566	475
South	160	126	589	444
East	295	243	1,083	940
North	75	71	277	240
Total	2,031	1,787	7,609	6,714
Net operating income				
Helsinki	442	385	1,747	1,583
Stockholm	252	225	973	821
Gothenburg	316	260	1,099	951
Copenhagen	104	115	436	378
South	129	99	471	343
East	191	164	717	645
North	55	53	199	168
Total	1,490	1,301	5,643	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 5,643m (4,890) and profit before tax of SEK 14,185m (12,065) consists of changes in value of investment properties of SEK 9,577m (8,007), changes in value development properties SEK 95m (–), other income/costs SEK 7m (–3), management and administrative costs of SEK –664m (–592), participations in profits of associated companies of SEK 876m (881), net financial items of SEK –1,170m (–1,076) and changes in value of derivatives of SEK –180m (–34).

SEKm	2019 31 Dec	2018 31 Dec
Real estate portfolio		
Helsinki	38,132	30,881
Stockholm	26,331	23,523
Gothenburg	28,966	22,448
Copenhagen	13,582	11,033
South	10,196	8,151
East	14,072	12,436
North	4,792	4,271
Total excluding projects	136,071	112,742
Projects for own management	5,320	3,799
Total investment properties	141,392	116,542
Development properties	2,344	1,598
Total real estate portfolio	143,736	118,140

The carrying amounts of properties have during the year changed by investments, acquisitions, divestments, unrealised changes in value and currency changes, with SEK 7,251m in Helsinki region, SEK 2,808m in the Stockholm region, SEK 6,518m in the Gothenburg region, SEK 2,549m in Copenhagen region, SEK 2,045m in South region, SEK 521m in the North region and by SEK 1,636m in the East region. The group's projects for own management has increased by SEK 1,521m and the group's development properties has increased by SEK 746m. 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 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Share-related ¹⁾				
Average number of shares, thousands	180,000	180,000	180,000	180,000
Profit after tax, SEK	24.92	11.33	49.77	51.71
Profit after tax excluding unrealised changes in value, SEK	4.73	3.52	18.75	17.25
Profit from property management, SEK	5.85	4.86	22.35	18.35
Net operating income, SEK	6.87	5.96	25.74	22.00
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000
Shareholders' equity, SEK	276.34	225.60	276.34	225.60
Long-term net asset value (NAV), SEK	345.76	280.17	345.76	280.17
Share price on the closing date, SEK	433.20	252.00	433.20	252.00
Property-related				
Rental value full-year, SEK/sq.m.	1,921	1,802	1,921	1,802
Rental income full-year, SEK/sq.m.	1,850	1,737	1,850	1,737
Economic occupancy rate, %	96	96	96	96
Vacancy rate, %	4	4	4	4
Surplus ratio, %	73	73	74	73
Carrying amount, SEK/sq.m.	31,613	28,013	31,613	28,013
Number of properties	1,298	1,185	1,298	1,185
Lettable area, sq.m. thousands	4,304	4,025	4,304	4,025
Profit from property management, attributable to parent company shareholders, SEKm	1,053	876	4,023	3,304
Financial				
Return on equity, %	14.9	10.3	19.8	25.2
Return on total assets, %	8.3	5.4	10.7	11.1
Interest coverage ratio, times	5.5	4.4	5.2	4.6
Equity/assets ratio, %	38.6	38.7	38.6	38.7
Debt/equity ratio, times	1.3	1.4	1.3	1.4
Net debt to total assets, %	48.2	49.9	48.2	49.9
Net debt/EBITDA	12.8	12.2	13.0	12.9

Key ratios excluding listed associated companies at market value

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Share-related ¹⁾				
Shareholders' equity, SEK	272.28	223.03	272.28	223.03
Financial				
Return on equity, %	15.1	10.5	20.1	26.1
Return on total assets, %	8.3	5.4	10.7	11.2
Equity/assets ratio, %	38.3	38.4	38.3	38.4
Debt/equity ratio, times	1.4	1.4	1.4	1.4
Net debt to total assets, %	48.4	50.1	48.4	50.1

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

Condensed parent company income statement

SEKm	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Net sales	100	92	361	289
Administrative costs	-102	-96	-363	-292
Operating profit	-2	-4	-2	-4
Profit from financial items				
Dividends from subsidiaries	—	—	800	1,608
Other net financial items	556	80	194	110
— of which exchange rate differences	419	33	-251	-729
Changes in value of derivatives	293	-58	-180	-34
Profit before appropriations and taxes	847	17	812	1,680
Appropriations				
Group contributions	229	-87	229	-87
Profit before tax	1,076	-70	1,042	1,594
Income tax	-168	14	-16	-3
Net profit for the period/year ¹⁾	908	-56	1,025	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 31 Dec	2018 31 Dec
Assets		
Property, plant and equipment	23	18
Financial non-current assets	13,347	11,319
Receivables from group companies	52,646	38,337
Current receivables	206	197
Cash and cash equivalents and financial investments	1,995	1,000
Total assets	68,217	50,870
Shareholders' equity and liabilities		
Shareholders' equity	12,253	11,227
Interest-bearing liabilities	43,862	33,275
— of which Hybrid capital	3,652	3,596
Liabilities to group companies	10,966	5,282
Derivatives	626	446
Other liabilities	511	640
Total equity and liabilities	68,217	50,870

The share and owners

Balder's share is listed on Nasdaq Stockholm, Large Cap segment. The company's market capitalisation as of 31 December amounted to SEK 77,976m (45,360).

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 % (26) of outstanding shares.

The share

At the end of the year, approximately 17,000 shareholders (13,000) held shares. During the year, approximately 77.9 million shares were traded (72.1) which corresponds to an average of about 319,000 shares per trading day (292,000). The annual turnover rate amounted to 43 % (40). The price of the share was SEK 433.20 (252.00) on 31 December, corresponding to an increase of 72 % since year-end.

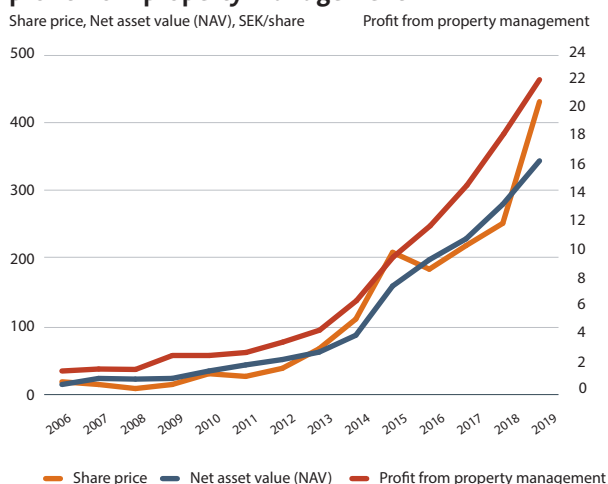
Share capital

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

Ownership list as of 31/12/2019

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	–	8,430,474	8,430,474	4.7	3.0
SEB Investment Management	–	7,986,061	7,986,061	4.4	2.8
Länsförsäkringar fondförvaltning AB	–	7,715,684	7,715,684	4.3	2.7
Handelsbanken Fonder AB	–	4,586,982	4,586,982	2.5	1.6
Vanguard	–	3,407,145	3,407,145	1.9	1.2
Second Swedish National Pension Fund	–	2,916,325	2,916,325	1.6	1.0
Livförsäkringsbolaget Skandia	–	2,253,951	2,253,951	1.3	0.8
CBNY - Norges Bank	–	2,148,948	2,148,948	1.2	0.8
Other	4,212	58,571,558	58,575,770	32.5	20.9
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 & Share price/ profit from property management



Definitions

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

Financial

Return on equity, %

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

Return on total assets, %

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

Net debt to total assets, %

Net debt in relation to total assets.

EBITDA

Profit from property management with addition of profit from sales of development properties with reversal of net financial items. In the interim financial statements, EBITDA were converted to a full-year basis, with the exception of profit from sale of development properties.

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 a alternative key ratio according to ESMA's guidelines.

The information in this report is such that Fastighets AB Balder (publ) is obliged to disclose according to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. This information has been published at 08.00 a.m. on February 27, 2020.

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

Contact

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Financial information

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

Calendar

Annual General Meeting	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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Fastighets AB Balder (publ)

Year-end report 2019



Fastighets AB Balder Q4 2019

- Taken possession of
 - Hotel property in CBD Gothenburg, Scandic largest tenant
 - Two office properties in Stockholm, both centrally located
 - 4 project properties in Gothenburg, intended for residentials
- Completed 400 apartments in Denmark and 300 apartments in Finland



Fastighets AB Balder Q4 2019

**Profit from property
management**

5.85 SEK/share

+20 %

NAV

346 SEK/share

+23 %

Net debt to total assets

48.2 %

Net debt/EBITDA

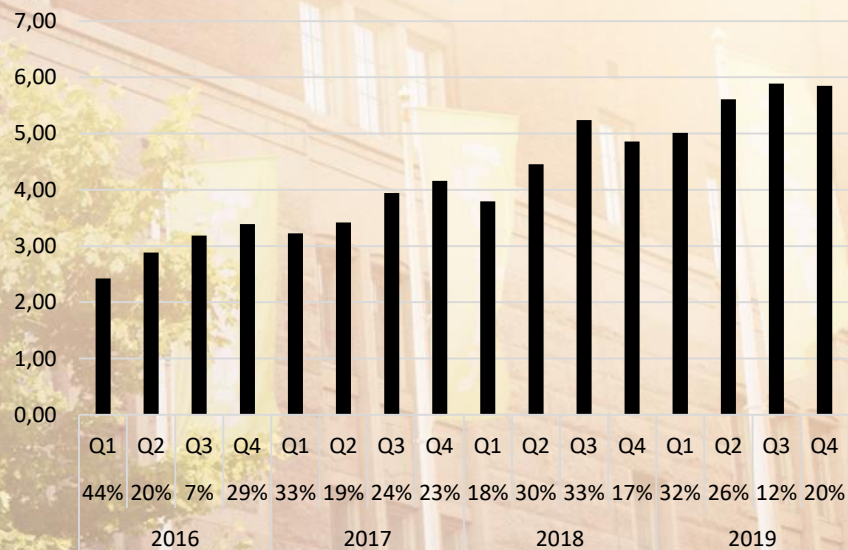
12.8

Like for like rental growth

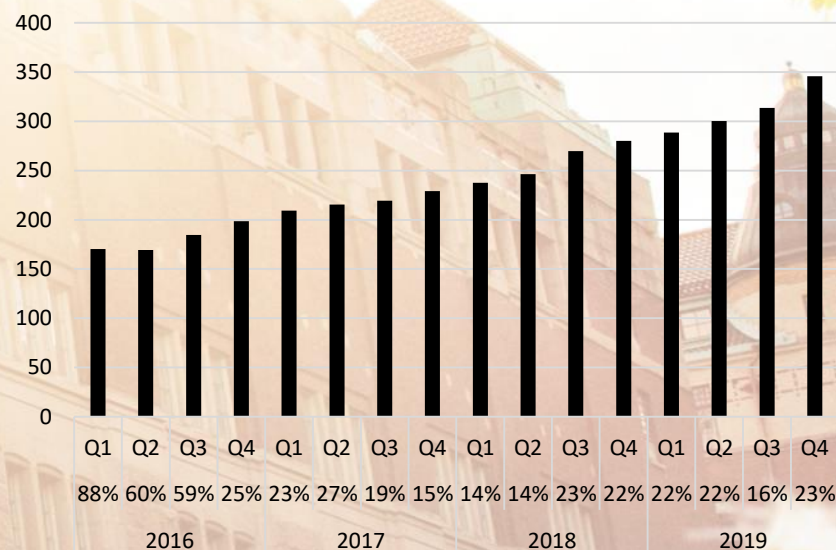
3.8 %

Fastighets AB Balder Q4 2019

Profit from property management, SEK/share



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



Current earnings capacity

SEKm	2019 31 Dec	2018 31 Dec	Deviation	
			SEKm	%
Rental income	8,000	7,000	1,000	14
Property costs	-2,080	-1,885	-195	10
Net operating income	5,920	5,115	805	16
Management and administrative costs	-670	-595	-75	13
Profit from property management from associated companies	785	735	50	7
Operating profit	6,035	5,255	780	15
Net financial items, incl. ground rent	-1,330	-1,125	-205	18
Non-controlling interests	-675	-565	-110	19
Profit from property management Parent Company	4,030	3,565	465	13
Tax	-875	-750	-125	
Profit after tax	3,155	2,815	340	
Profit from property management per share, SEK	22.39	19.81	2.58	13

Consolidated statement of comprehensive income

SEKm	2019 Oct-Dec	2018 Oct-Dec	Deviation	
			SEKm	%
Rental income	2,031	1,787	244	14
Property costs	-542	-486	-56	
Net operating income	1,490	1,301	189	15
Management and administrative costs	-179	-156	-23	
Participation in the profits of associated companies	150	290	-140	
Other income/costs	7	-1	8	
Net financial items	-286	-302	16	
- Of which leasing cost/ground rent	-16	-	-16	
Non controlling interest	-154	-140	-14	
Profit from property management, Parent Company	1,053	876	177	20
<i>Changes in value</i>				
Changes in value properties, realised	-6	36	-42	
Changes in value properties, unrealised	6,630	1,613	5,017	
Income sale development properties	-	-	-	
Costs sale development properties	-	-	-	
Changes in value derivatives	293	-58	351	
Changes in value total	6,917	1,591	5,326	
Profit before tax	8,098	2,725	5,373	
Income tax	-1,632	-511	-1,121	
Net profit for the period	6,466	2,213	4,253	
Profit from property management per share, SEK	5.85	4.86	0.99	
Profit after tax per share, SEK	24.92	11.33	13.59	

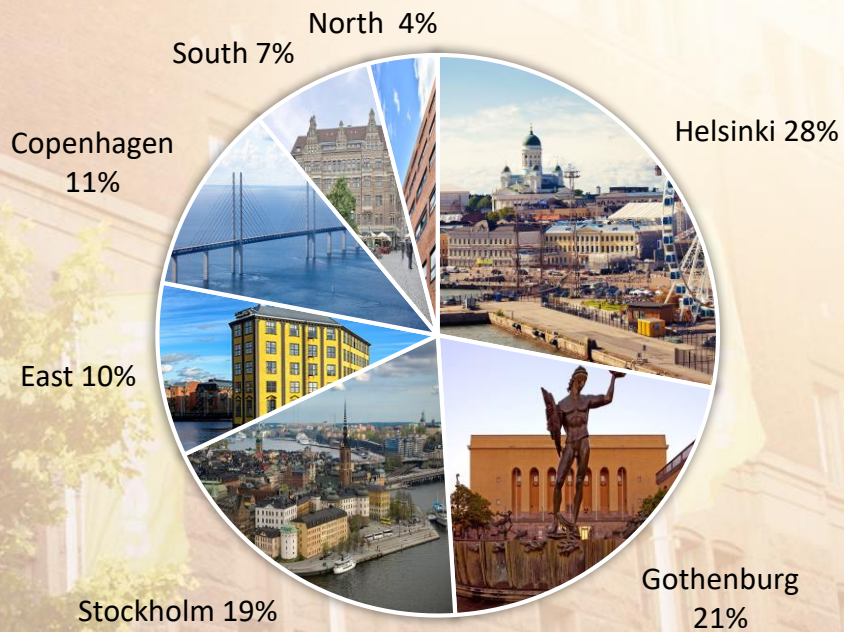
Consolidated statement of financial position

Including listed associated companies at market value

SEKm	2019 31 Dec	2018 31 Dec
Assets		
Investment properties	141,392	116,542
Development properties	2,344	1,598
Lease contract; Right-of-use assets	1,541	-
Other fixed assets	166	123
Participations in associated companies	7,749	6,682
Other receivables	2,566	2,198
Cash and cash equivalents and financial investments	2,902	1,328
Total assets	158,659	128,471
Shareholders' equity and liabilities		
Shareholders' equity	59,456	47,871
Deferred tax liability	11,285	8,857
Interest-bearing liabilities	81,242	67,205
<i>of which Hybrid capital</i>	3,652	3,596
Derivatives	1,210	965
Lease contract	1,543	-
Other liabilities	3,923	3,573
Total equity and liabilities	158,659	128,471

Property portfolio

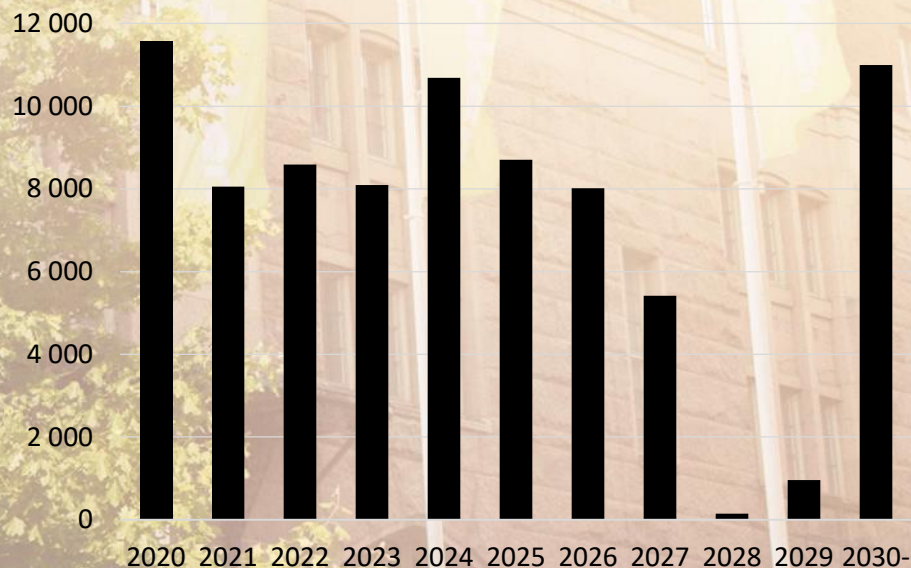
over 80 % of the property portfolio located in capitals and larger cities



Financing

- Equity/assets ratio 38.6 % (Target 40 %)
- Net debt to total assets 48.2 % (Target 50 %)
- ICR 5.2 (Target 2.0)
- The fixed credit term 5.8 years
- Average fixed-rate period 3.1 years

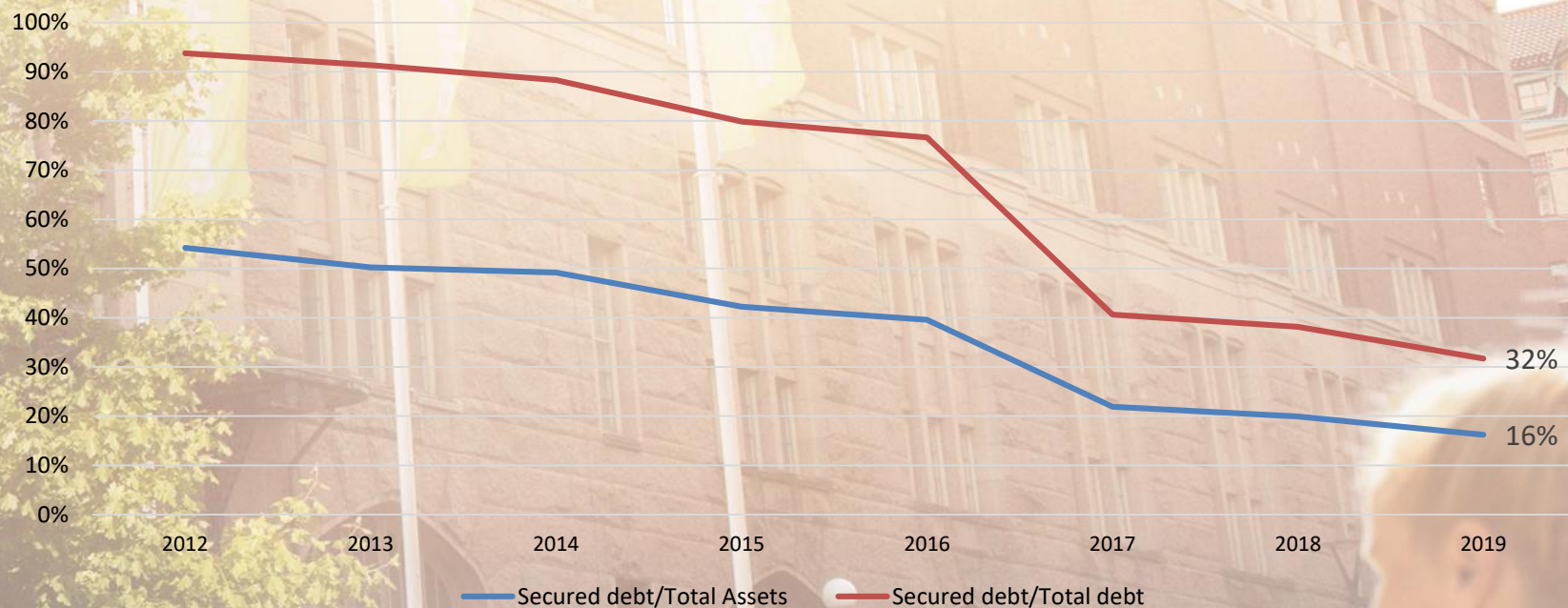
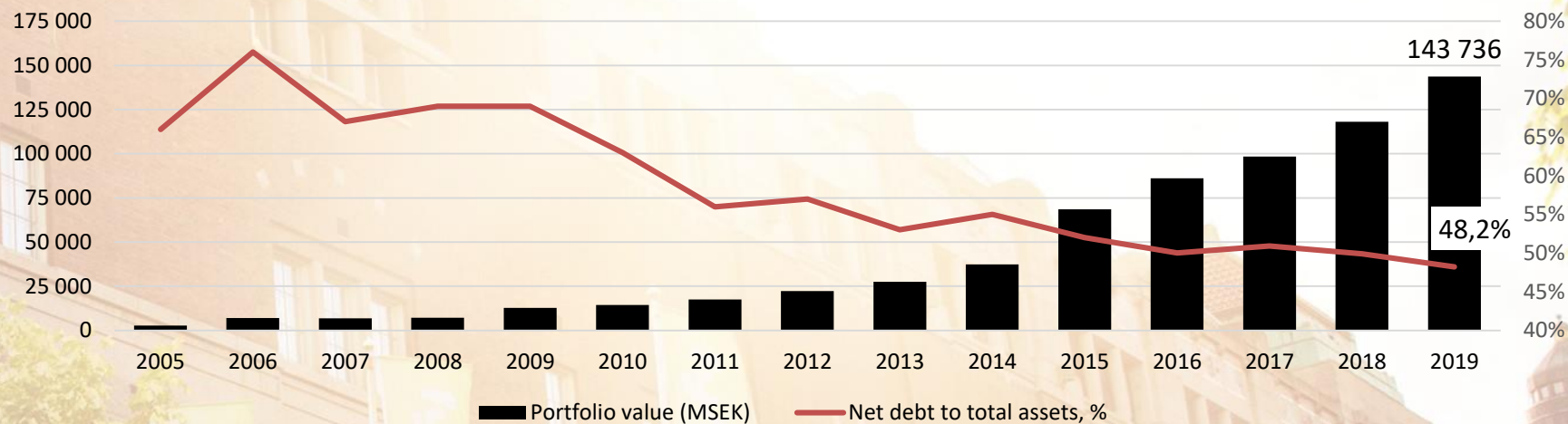
Debt maturities, SEKm



Interest maturity structure

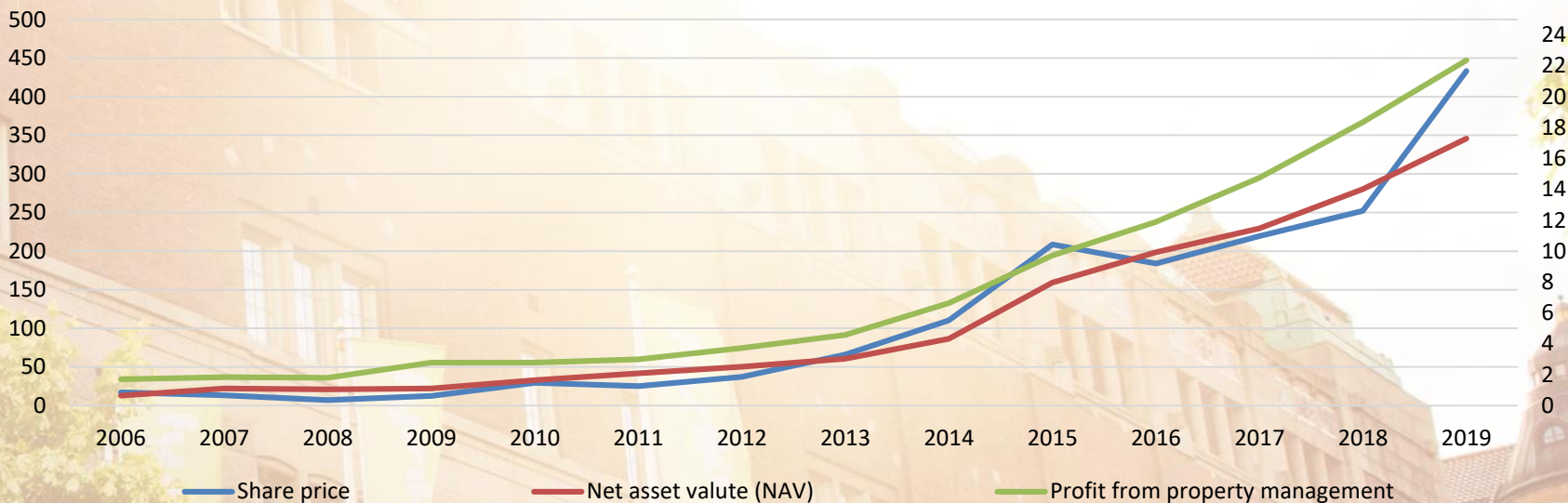
Year	SEKm	Interest Proportion	
		%	%
Within one year	35,789	0.9	44
1-2 years	4,493	2.4	6
2-3 years	6,279	1.4	8
3-4 years	4,712	3.0	6
4-5 years	4,285	1.6	5
5-6 years	7,492	2.1	9
6-7 years	7,561	2.2	9
7-8 years	6,217	1.1	8
8-9 years	-	-	-
9-10 years	2,907	1.6	4
> 10 years	1,507	3.2	2
Total	81,242	1.5	100

Financing



The share

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



Share price/net asset value (NAV), %

