

Fastighets AB Balder

Year-end report

January-December 2017

- Profit from property management attributable to parent company shareholders amounted to SEK 2,804m (2,265), corresponding to an increase per ordinary share by 24 % to SEK 14.74 (11.89)
- Rental income amounted to SEK 5,915m (5,373)
- Profit after tax attributable to parent company shareholders amounted to SEK 7,118m (5,474) corresponding to SEK 38.71 per ordinary share (30.38)
- Net asset value amounted to SEK 229.25 per ordinary share (198.49) and shareholders' equity (including listed associated companies at market value) amounted to SEK 185.02 per ordinary share (157.63)

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 98.4 billion (86.2) as of 31 December 2017. The Balder share is listed on Nasdaq Stockholm, Large Cap



Göteborg Högsbo 23:4
Photo: Mats Åsman

The period in brief

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

October-December 2017

- Rental income amounted to SEK 1,558m (1,427).
- Net operating income amounted to SEK 1,134m (1,002).
- Profit from property management attributable to parent company shareholders increased by 15 % to SEK 748m (650), which corresponds to an increase by 23 % per ordinary share to SEK 4.16 (3.39).
- Changes in value in respect of investment properties amounted to SEK 1,754m (2,211). The average yield requirement was unchanged compared to Q3 and amounted to 5.0 % (5.3).
- Changes in value of wind power turbines amounted to SEK –36m (–).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK –16m (312).
- Net profit after tax for the period amounted to SEK 2,339m (2,704).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 2,148m (2,536) which corresponds to SEK 11.93 per ordinary share (14.05).
- 7 properties (51) have been acquired at a property value of SEK 1,165m (4,632).
- 3 properties (22) were divested at a property value of SEK 135m (681).
- During the period Balder has carried out redemption of all 10,000,000 preference shares.

January-December 2017

- Rental income amounted to SEK 5,915m (5,373).
- Net operating income increased by 15 % to SEK 4,220m (3,679).
- Profit from property management attributable to parent company shareholders increased by 24 % to SEK 2,804m (2,265), which corresponds to an increase per ordinary share by 24 % to SEK 14.74 (11.89).
- Changes in value in respect of investment properties amounted to SEK 5,336m (4,932). The average yield requirement amounted to 5.0 % (5.3).
- Changes in value of wind power turbines amounted to SEK –36m (–).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK 144m (–114).
- Net profit after tax for the year amounted to SEK 7,769m (6,093).
- Net profit after tax for the year attributable to parent company shareholders amounted to SEK 7,118m (5,474) which corresponds to SEK 38.71 per ordinary share (30.38).
- 42 properties (116) have been acquired at a property value of SEK 4,936m (11,342).
- 114 properties (71) were divested at a property value of SEK 3,008m (1,990).
- During the period Balder issued a total of EUR 1,850 million on the European capital market.

	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec	2011 Jan-Dec	2010 Jan-Dec
Rental income, SEKm	1,558	1,427	5,915	5,373	2,711	2,525	1,884	1,701	1,466	1,333
Profit from property management, SEKm ¹⁾	748	650	2,804	2,265	1,780	1,275	854	691	516	417
Changes in value of properties, SEKm	1,754	2,211	5,336	4,932	3,388	3,050	854	812	990	1,047
Changes in value of derivatives, SEKm	–16	312	144	–114	227	–624	433	–71	–520	148
Profit after tax, SEKm ¹⁾	2,148	2,536	7,118	5,474	4,916	3,128	1,738	1,162	812	1,338
Carrying amount of properties, SEKm	98,360	86,177	98,360	86,177	68,456	37,382	27,532	22,278	17,556	14,389

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

Average number of shares, thousands	180,000	176,965	180,000	173,598	162,753	161,786	159,537	159,537	158,656	149,487
Profit after tax, SEK	11.93	14.05	38.71	30.38	28.98	18.10	10.11	6.69	4.87	8.95
Profit from property management, SEK	4.16	3.39	14.74	11.89	9.71	6.64	4.57	3.73	3.00	2.79
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000	172,397	162,397	159,537	159,537	159,537	149,487
Shareholders' equity, SEK	185.02	157.63	185.02	157.63	128.03	70.10	52.14	42.15	35.57	31.13
Long-term net asset value (EPRA NAV), SEK	229.25	198.49	229.25	198.49	159.14	86.33	60.50	50.37	41.83	32.89
Share price on the closing date, SEK	219.40	184.10	219.40	184.10	208.70	110.25	66.00	37.30	25.30	29.40

1) Attributable to parent company shareholders.

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

Comments by the CEO

The past year

Profit from property management per share increased by 24 % during the year to SEK 14.74. The equivalent result for the fourth quarter was SEK 4.16, an increase of 23 % compared to the same period last year.

The net asset value rose by 15 % to SEK 229.25 per share. Current earnings improved by 24 % from SEK 13.52 to SEK 16.81 and the share price rose by 19 % to SEK 219.40.

This meant that the share became slightly cheaper relative to profit from property management and current earnings during the year, but became slightly more expensive relative to the net asset value. Seen over longer periods of time, earnings, net asset value and the share price are developing at about the same rate but for shorter periods of time as it is well known that the share price is decoupled from underlying values and earnings.

Associated companies

Apart from Balder's own property holdings, we also invest through a number of associated companies. During the year, some new associated companies were added and the development of these companies and our existing investments was very strong. Besides good profits, this strategy is broadening our contacts and giving us more business opportunities. Looking ahead, I see a continued positive development of results and relationships over the coming years.

Investments

Net investments during the year (i.e. acquisitions, sales, constructions) compared to the size of our property portfolio were smaller than for many years but this was due to intense competition for good acquisition targets but also to the fact that we prioritized a lower debt/equity ratio.

During the year, our work within property/urban development progressed very well and resulted in a number of completed and future zoning plans for housing. I expect to see a gradual increase in our residential construction provided that demand for tenant-owner's and rental apartments remains at the current level. Since Balder is basically a company with a strong cash flow, this also gives us freedom and flexibility when it comes to determining the right time, construction starts and form of tenure.

Financial goals and financing

Balder issued a number of bonds during the year in Euro and SEK with a total volume in excess of SEK 20 billion.

These issues have broadened the financing base and also extended our capital and fixed interest terms.

The basis for good financing is a strong income statement and balance sheet. The Board has decided to adjust our goal for the loan-to-value ratio so that it should not exceed 50 % over time (previously 55 %).

The future

The future looks bright and I continue to see good potential to develop our company and relationships.

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	2017 31 Dec	2017 30 Sep	2017 30 June	2017 31 Mar	2016 31 Dec	2016 30 Sep	2016 30 June	2016 31 Mar	2015 31 Dec	2015 30 Sep	2015 30 June
Rental income	6,240	5,920	5,860	5,700	5,800	5,470	5,325	5,135	5,045	2,725	2,650
Property costs	-1,720	-1,655	-1,690	-1,660	-1,695	-1,690	-1,685	-1,670	-1,635	-775	-760
Net operating income	4,520	4,265	4,170	4,040	4,105	3,780	3,640	3,465	3,410	1,950	1,890
Management and administrative costs	-550	-510	-490	-490	-490	-490	-480	-440	-425	-175	-175
Profit from property management from associated companies	640	600	530	530	505	470	420	355	340	560	500
Operating profit	4,610	4,355	4,210	4,080	4,120	3,760	3,580	3,380	3,325	2,335	2,215
Net financial items	-1,060	-1,050	-950	-950	-1,040	-1,025	-1,010	-930	-880	-530	-575
Of which non-controlling interests	-525	-475	-455	-450	-445	-445	-380	-400	-410	-	-
Profit from property management ¹⁾	3,025	2,830	2,805	2,680	2,635	2,290	2,190	2,050	2,035	1,805	1,640
Tax	-650	-610	-605	-580	-570	-490	-470	-440	-439	-397	-361
Profit after tax	2,375	2,220	2,200	2,100	2,065	1,800	1,720	1,610	1,596	1,408	1,279
Profit after tax attributable to											
Ordinary shareholders	2,375	2,220	2,000	1,900	1,865	1,600	1,520	1,410	1,396	1,208	1,079
Preference shareholders	-	-	200	200	200	200	200	200	200	200	200
Profit from property management per ordinary share, SEK	16.81	15.72	14.47	13.78	13.52	11.92	11.55	10.73	10.64	9.88	8.87

1) Attributable to parent company shareholders.

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

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

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

SEKm	2017 31 Dec	2016 31 Dec
Assets		
Investment properties	98,360	86,177
Other fixed assets	107	136
Participations in associated companies ^{1,2)}	6,707	6,673
Other receivables	1,508	1,357
Cash and cash equivalents and financial investments	1,585	1,592
Total assets	108,268	95,935
Shareholders' equity and liabilities		
Shareholders' equity ³⁾	39,725	36,791
Deferred tax liability	7,041	5,808
Interest-bearing liabilities	58,384	49,580
—of which Hybrid capital ⁴⁾	3,447	—
Derivatives	922	1,547
Other liabilities	2,196	2,209
Total equity and liabilities	108,268	95,935
1) Including Balder's market value of Collector AB (publ) Collector's share price (SEK)	3,677 81.25	4,661 103.00
2) Including Balder's market value of Brinova Fastigheter AB (publ) Brinova's share price (SEK)	220 11.95	282 15.30
3) Of which non-controlling interests	6,422	5,540
4) 50 % of Hybrid capital is treated as equity by the rating agencies and thus decreases the interest-bearing liabilities when calculating the debt/equity ratio and the net debt to total assets ratio	1,724	—

Consolidated statement of changes in equity

SEKm	2017 31 Dec	2016 31 Dec
Opening equity	36,791	29,325
Total comprehensive income for the year	7,791	6,507
Dividend preference shares, approved and entered as a liability	—50	—200
Approved retiring of preference capital	—3,500	—
Share issue, after issue costs	—	1,780
Transactions with non-controlling interests	—8	—107
Dividend to non-controlling interests	—	—107
Non-controlling interests, arising on the acquisitions of subsidiary	6	—
Non-controlling interests, arising on share issue in subsidiary	—	554
The change during the year of listed associated companies at market value	—1,304	—962
Closing equity	39,725	36,791

Results, income and costs

Profit from property management

Profit from property management for the year amounted to SEK 3,284m (2,653), of which effect of changes in exchange rates amounted to SEK 22m. Profit from property management attributable to parent company shareholders increased by 24 % and amounted to SEK 2,804m (2,265), which corresponds to an increase per ordinary share by 24 % to SEK 14,74 (11.89). Profit from property management includes SEK 583m (419) in respect of associated companies.

Net profit after tax

Net profit after tax for the year amounted to SEK 7,769m (6,093). Net profit after tax for the year attributable to parent company shareholders amounted to SEK 7,118m (5,474), corresponding to SEK 38,71 per ordinary share (30.38). Profit before tax was affected by changes in value in respect of properties of SEK 5,336m (4,932), changes in value in respect of wind power turbines SEK –36m (–), changes in value of interest rate derivatives of SEK 144m (–114) and profit from participations in associated companies of SEK 1,010m (590).

Rental income

Rental income increased by 10 % to SEK 5,915m (5,373), of which the effect of changes in exchange rates was SEK 52m. The increase was primarily due to a changed property portfolio. The leasing portfolio was estimated to have a rental value on 31 December of SEK 6,511m (6,089). The average rental level for the entire real estate portfolio amounted to SEK 1,724/sq.m. (1,583) excl. project properties.

Rental income shows a considerable diversification of risks as regards tenants, sectors and locations. The economic occupancy rate amounted to 96 % (95) on 31 December. The total rental value of unlet areas at the end of the year amounted to SEK 271m (289) on an annual basis.

Property costs

Property costs amounted to SEK 1,695m (1,693) during the year, of which the effect of changes in exchange rates was SEK 16m.

Net operating income increased by 15 % to SEK 4,220m (3,679), which implies a surplus ratio of 71 % (68).

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 valuation on 31 December of the entire real estate portfolio, see page 9. Unrealised changes in value during the year amounted to SEK 5,151m (4,847). Realised changes in value amounted to SEK 184m (85).

The average yield requirement as of 31 December amounted to 5.0 % (5.3), which is 0.3 percentage points lower than previous year. The change in value during the

year was attributable to improved net operating income and a reduced yield requirement.

Changes in value of wind power turbines

Wind power turbines were acquired at a time when the price picture on the electricity market was higher than the prevailing market. Net profit for the year was charged with a change in value of SEK –36m (–), in addition to depreciations according to plan.

Management and administrative costs

Management and administrative costs amounted to SEK 543m (488) during the year, of which the effect of changes in exchange rates was SEK 6m.

Participations in the profits of associated companies

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

During the fourth quarter Balder has invested in Rosengård Fastighets AB together with Heimstaden AB, MKB Fastighets AB and Victoria Park AB, the ownership amounts to 25 % each. The market value of the property portfolio amounted to SEK 1,100m on 31 December. The goal is to develop and revitalize the Rosengård area to a safe, sought after and central part of Malmö through the urban development project - Culture Casbah. During the year Balder also invested in SHH Bostad AB. SHH is a residential development company that builds sustainable rental apartments and tenant-owned apartments at reasonable prices in cities with housing shortages. Balder's share amounts to 20 % of the ordinary shares.

During the year, Balder also acquired 56 % of Serena Properties AB. The company owns 23 retail properties in Finland and one retail property in Sweden at a total market value of approximately EUR 210m.

Profit from participations in associated companies amounted to SEK 1,010m (590) during the year and Balder's participation in the associated companies profit from property management amounted to SEK 583m (419).

Profit before tax was impacted by unrealised changes in value in respect of properties and interest rate derivatives of SEK 675m (343). The tax expense for the year amounted to SEK –248m (–172).

Net financial items and changes in value of derivatives

Net financial items amounted to SEK –984m (–973), of which the effect of changes in exchange rates was SEK –9m. Changes in value of interest rate derivatives amounted to SEK 144m (–114). The positive change in value of derivatives

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

The average interest rate was 1.8 % (2.1) on the closing date and 1.9 % (2.2) for the year.

Taxes

Balder's tax cost amounted to SEK –1,386m (–1,550) of which SEK –221m (–226) is current tax for the year, mainly attributable to the consolidation of Sato Oyj, and also a deferred tax expense of SEK –1,164m (–1,325). The deferred tax expense for the year has been positively affected by property divestments through company. Previously deferred tax entered as a liability has been reversed. Current tax attributable to parent company shareholders amounted to SEK –113m (–135).

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 (which arose after the acquisition) and interest rate derivatives. Deferred tax liabilities amounted to SEK 7,041m (5,808).

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 2,508m (2,135). Investing activities have burdened the cash flow by SEK –6,215m (–8,401).

During the year, acquisition of properties of SEK –4,936m (–7,648), investments in existing properties and projects of SEK –3,718m (–1,843), investments in property, plant and equipment, financial investments, associated companies and transactions with non-controlling interests SEK –531m (–785), redemption of preference capital SEK –3,500m (–), dividends paid preference shares of SEK –150m (–200), dividend paid to non-controlling interests SEK 0m (–107) and realised changes derivatives SEK –417m (–) adds up to SEK –13,252m (–10,583).

These have been financed through cash flow from operating activities of SEK 2,490m (2,891), by property divestments of SEK 2,830m (1,651), financial investments of SEK 7m (225), associated companies SEK 120m (–), share issue SEK 0m (682), share issue in subsidiary Sato Oyj SEK 0m (420), dividend paid from associated companies SEK 13m (–) and net borrowings of SEK 7,786m (5,382), which adds up to SEK 13,246m (11,250).

Total cash flow for the year amounted to SEK –6m (667). In addition to unutilised credit facilities of SEK 5,940m (4,827), the group's cash and cash equivalents, financial investments and unutilised overdraft facilities amounted to SEK 1,935m (1,942) on 31 December.

Fourth quarter 2017

Profit from property management for the fourth quarter of 2017 increased by 19 % and amounted to SEK 883m (742). Profit from property management attributable to parent company shareholders for the fourth quarter of 2017 increased by 15 % and amounted to SEK 748m (650) which corresponds to an increase per ordinary share of 23 % to SEK 4.16 (3.39). Profit from property

management included SEK 158m (125) in respect of associated companies. Rental income amounted to SEK 1,558m (1,427) and property costs amounted to SEK 424m (425), which meant that net operating income increased by 13 % to SEK 1,134m (1,002), of which the effect of changes in exchange rates has affected the operating surplus with SEK 10m. The surplus ratio amounted to 73 % (70).

Net profit after tax for the period amounted to SEK 2,339m (2,704). Profit after tax attributable to parent company shareholders amounted to SEK 2,148m (2,536) corresponding to SEK 11.93 per ordinary share (14.05). The result was affected by changes in value in respect of properties of SEK 1,754m (2,211), changes in value of wind power turbines of SEK –36m (–), changes in value of interest rate derivatives of SEK –16m (312) and profit from participations in associated companies of SEK 269m (236).

Tax expense for the period amounted to SEK –356m (–672), of which SEK –65m (–110) is current tax and SEK –291m (–562) is deferred tax.

Employees and organisation

The number of employees on 31 December amounted to 610 persons (546), of whom 277 were women (255). Balder is organised into six regions. The head office with group-wide functions is located in Gothenburg.

Parent Company

The parent company's operations mainly consist of performing group-wide services but an important part relates to sales of services, principally to associated companies. Sales in the parent company amounted to SEK 252m (209) during the year.

Net profit after tax amounted to SEK 1,234m (1,311). Dividend from subsidiaries was included with SEK 909m (1,430) other net financial items amounted to SEK 350m (579) of which exchange rates differences amounted to SEK –565m (1), changes in value of interest rate derivatives amounted to SEK 133m (–151) and group contributions paid amounted to SEK –41m (–568).

Reported exchange differences mainly refer to the translation of this year's new borrowing of euro bonds, which from a group perspective are used for hedging of net investments in Euro and Danish kroner.

Proposed dividend

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

Annual Report and Annual General Meeting

The annual report for 2017 will be available on Balder's website, balder.se, from week 15, 2018.

Fastighets AB Balder's annual general meeting will take place on Tuesday, 8 May 2018 at 4.00 p.m. at Radisson BLU Scandinavia Hotel, Södra Hamngatan 59, in Gothenburg.

Real estate holdings

On 31 December Balder owned 1,148 properties (1,220) with a lettable area of 3,739 thousand sq.m. (3,806) and a value of SEK 98,360m (86,177), including project properties. Balder's total rental value excluding project properties amounted to SEK 6,445m (6,025). Balder's commercial pro-

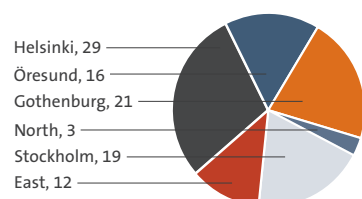
perties are mainly located in the central parts of the major cities. Balder's residential properties are located in metropolitan areas and places that are growing and developing positively. Balder's ambition is to continue growing in selected markets.

Balder's real estate holdings on 2017-12-31¹⁾

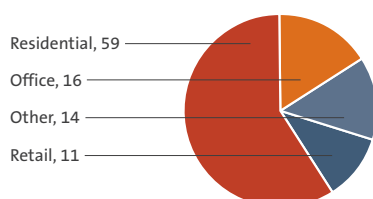
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	509	1,020,755	2,226	2,181	2,157	97	26,918	27
Stockholm	61	530,037	975	1,840	921	94	17,675	18
Gothenburg	143	885,773	1,228	1,387	1,183	96	19,376	20
Öresund	81	491,397	820	1,668	763	93	14,591	15
East	275	629,485	979	1,555	937	96	11,402	12
North	79	181,643	217	1,197	212	98	3,334	3
Total	1,148	3,739,090	6,445	1,724	6,175	96	93,297	95
Project			65		65		5,063	5
Total	1,148	3,739,090	6,511	1,724	6,240	96	98,360	100
Distributed by property category								
Residential	938	2,360,822	4,076	1,727	3,947	97	53,754	55
Office	67	440,343	921	2,092	839	91	16,022	16
Retail	96	555,280	734	1,323	705	96	11,219	11
Other	47	382,645	714	1,865	683	96	12,302	13
Total	1,148	3,739,090	6,445	1,724	6,175	96	93,297	95
Project			65		65		5,063	5
Total	1,148	3,739,090	6,511	1,724	6,240	96	98,360	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, nursing, industrial and mixed-use properties.

Carrying amount distributed by region including projects, %



Carrying amount distributed by property category including projects, %



Changes in real estate portfolio

The value of Balder's real estate portfolio is based on internal valuations. The properties in Sweden, Denmark and Norway have been valued using the cash flow based method. In Finland, in addition to the cash flow based method, the sales comparison method and valuation at acquisition cost are used. On 31 December, Balder's average yield requirement amounted to 5.0 % (5.3) excluding project and development properties, which is 0.3 percentage points lower than previous year.

In order to quality-assure its internal valuations, Balder regularly allows parts of its portfolio to be externally valued and obtain second opinions on internal valuations. During the year, external valuations or second opinions have been carried out regarding approximately 40 % (40) of the properties, including Sato's property portfolio. The difference between the external valuations and the internal valuations was less than 1 %. Historically, deviations between external and internal valuations have been insignificant.

Project real estate

On 31 December, Balder had ongoing residential projects with an expected total investment of SEK 8 billion, of which about SEK 4 billion was already invested. The most large scale investments are in Copenhagen and Helsinki and

mainly relate to condominiums for rent. In Copenhagen, there are currently about 1,000 apartments under construction as well as about 1,000 apartments in Helsinki.

Unrealised changes in value

The overall carrying amount of Balder's properties amounted to SEK 98,360m (86,177) on 31 December. The unrealised change in value during the year amounted to SEK 5,151m (4,847) and was attributable to improved net operating income and lower yield.

Investments, acquisitions and divestments

During the year, a total of SEK 8,654m (13,185) was invested, of which SEK 4,936m (11,342) related to acquisitions and SEK 3,718m (1,843) related to investments in existing properties and projects. Properties with a sales value of SEK 3,008m (1,990) were divested during the year. The majority of the sales during the year refers to the properties in Tranås, Falköping, Arboga and Köping. The realised change in value from property sales amounted to SEK 184m (85). The change in the real estate portfolio during the year is presented in the table below.

Change in carrying amount of properties

	2017		2016	
	SEKm	Number ¹⁾	SEKm	Number ¹⁾
Real estate portfolio, 1 January	86,177	1,220	68,456	1,177
Investments in existing properties and projects	3,718		1,843	
Acquisitions	4,936	42	11,342	116
Sales/Reclassifications	-2,824	-114	-1,905	-73
Change in value of investment properties, unrealised	5,151		4,847	
Currency changes	1,202		1,593	
Real estate portfolio, 31 December	98,360	1,148	86,177	1,220

1) Number of investment properties.

Property transactions 2017

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Acquisitions					
One	1	Kvillebäcken 62:7	Gothenburg	Project	–
One	8	Sato Oyj	Finland	Residential	15,797
Two	1	Ysby 2:25	Kungsbacka	Industrial/warehouse	1,721
Two	1	Vindtyget 6	Borås	Retail	3,350
Two	1	Nöjet 1	Linköping	Retail	1,380
Two	1	Vinkeln 7	Huddinge	Retail	5,391
Two	1	Badelundaåsen 3	Västerås	Retail	2,796
Two	1	Backa 169:2	Gothenburg	Retail	3,615
Two	1	Draglädret 1	Malmö	Retail	2,679
Two	1	Traversen 1	Kristianstad	Retail	2,088
Two	1	Phyllatterion 6	Trelleborg	Retail	5,083
Two	1	Yhdistyksentie, 545-412-4-209	Närpes, Finland	Retail	2,661
Two	2	Sato Oyj	Finland	Residential	8,944
Three	1	378 Vestervold Kvarter	Copenhagen	Hotel	5,181
Three	1	130 & 158 Vestervold Kvarter	Copenhagen	Hotel	6,708
Three	1	371 Vestervold Kvarter	Copenhagen	Hotel	6,308
Three	1	329 Vestervold Kvarter	Copenhagen	Hotel	5,310
Three	1	Sulhasenkuja 3, 91-20-787-3	Helsinki	Hotel	9,734
Three	1	Murmästaren 3	Stockholm	Project	16,086
Three	1	Lorensberg 46:3	Gothenburg	Retail	985
Three	7	Sato Oyj	Finland	Residential	16,641
Four	1	Kvillebäcken 16:10	Gothenburg	Industrial	3,488
Four	1	Kvillebäcken 16:11	Gothenburg	Office	8,311
Four	1	Högsbo 23:4	Gothenburg	Retail	33,159
Four	1	Verkmästaren 11	Gothenburg	Project	–
Four	3	Sato Oyj	Finland	Residential	7,328
Total	42				174,744
Divestments					
One	3	Sato Oyj	Finland	Residential	6,803
Two	1	Lejonet 2	Falköping	Residential	6,640
Two	1	Anden 16	Falköping	Residential	703
Two	1	Skalbaggen 1	Falköping	Residential	856
Two	1	Kemisten 1	Falköping	Retail	531
Two	1	Agaten 11	Falköping	Residential	931
Two	1	Agaten 6	Falköping	Residential	466
Two	1	Apotekaren 2	Falköping	Residential	1,225
Two	1	Avenboken 1	Falköping	Residential	1,241
Two	1	Avenboken 2	Falköping	Residential	1,234
Two	1	Bagaren 7	Falköping	Residential	3,403
Two	1	Byggmästaren 9	Falköping	Residential	2,340
Two	1	Ejdern 14	Falköping	Residential	2,305
Two	1	Guldsmeden 21	Falköping	Office	623
Two	1	Guldsmeden 7	Falköping	Retail	1,535
Two	1	Hovslagaren 16	Falköping	Residential	2,169
Two	1	Muraren 15	Falköping	Residential	1,551
Two	1	Muraren 3	Falköping	Residential	960
Two	1	Muraren 4	Falköping	Residential	745
Two	1	Muraren 5	Falköping	Residential	787

Cont. Property transactions 2017

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Two	1	Oxeln 1	Falköping	Residential	1,382
Two	1	Sankt Olof 18	Falköping	Residential	2,031
Two	1	Spettet 1	Falköping	Residential	1,362
Two	1	Svanen 24	Falköping	Residential	1,099
Two	1	Trädgårdsmästaren 18	Falköping	Residential	1,366
Two	1	Trädgårdsmästaren 19	Falköping	Residential	1,018
Two	1	Trädgårdsmästaren 22	Falköping	Residential	2,020
Two	1	Urd 3	Falköping	Residential	3,775
Two	1	Vargen 1	Falköping	Residential	1,451
Two	1	Vargen 2	Falköping	Residential	1,206
Two	1	Vargen 3	Falköping	Residential	1,074
Two	1	Vargen 4	Falköping	Residential	1,651
Two	1	Vargen 5	Falköping	Residential	1,462
Two	2	Vargen 6 & 8	Falköping	Residential	1,546
Two	1	Vargen 7	Falköping	Residential	1,032
Two	1	Vitsippan 2	Falköping	Residential	532
Two	1	Muraren 6	Falköping	Residential	787
Two	0	Hytten 1	Falköping	Ground	–
Two	0	Sankt Olof 17	Falköping	Ground	–
Two	1	Hammaren 7	Falköping	Residential	376
Two	1	Sankt Tomas 13	Falköping	Residential	393
Two	1	Sankt Jakob 14	Falköping	Residential	316
Two	1	Sankt Jakob 18	Falköping	Residential	293
Two	1	Sankt Johannes 18	Falköping	Residential	400
Two	1	Sankt Staffan 13	Falköping	Office	2,415
Two	1	Skogslinden 3	Falköping	Residential	740
Two	1	Skogslinden 4	Falköping	Residential	730
Two	1	Skalbaggen 5	Falköping	Residential	548
Two	1	Skalbaggen 12	Falköping	Residential	540
Two	1	Skalbaggen 11	Falköping	Residential	434
Two	1	Flugsnapparen 1	Falköping	Residential	600
Two	1	Flugsnapparen 2	Falköping	Residential	570
Two	1	Flugsnapparen 6	Falköping	Residential	570
Two	1	Ansgar 1	Falköping	Residential	2,278
Two	1	Mejseln 4	Falköping	Residential	330
Two	1	Göken 12	Falköping	Residential	423
Two	1	S:t Lars 1	Falköping	Residential	879
Two	1	Draken 8	Falköping	Residential	660
Two	1	Gesällen 15	Arboga	Residential	5,714
Two	1	Riskan 1	Arboga	Residential	4,200
Two	1	Vilsta 9	Arboga	Residential	8,520
Two	1	Vilsta 10	Arboga	Residential	8,371
Two	1	Vilsta 21	Arboga	Residential	6,599
Two	1	Hjulmakaren 25	Arboga	Residential	3,497
Two	1	Ringsborg 1	Arboga	Office	1,488
Two	1	Getingen 1	Arboga	Residential	9,535
Two	1	Disa 1	Köping	Residential	1,586
Two	1	Freja 3	Köping	Residential	1,740
Two	1	Freja 11	Köping	Residential	2,681

Cont. Property transactions 2017

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Two	1	Immanuel 2	Köping	Residential	11,524
Two	1	Inga 1	Köping	Residential	2,724
Two	4	Tunadal 6-8	Köping	Residential	9,546
Two	1	Fenja 10	Köping	Retail	5,253
Two	1	Gäddan 2	Tranås	Residential	3,402
Two	1	Laxen 2	Tranås	Residential	9,840
Two	1	Sutaren 2	Tranås	Residential	3,799
Two	1	Forellen 3	Tranås	Residential	5,783
Two	1	Forellen 5	Tranås	Residential	6,377
Two	1	Öringen 1	Tranås	Residential	3,040
Two	1	Forellen 4	Tranås	Other	400
Two	1	Laxen 3	Tranås	Retail	575
Two	1	Flundran 2	Tranås	Other	–
Two	1	Kometen 10	Tranås	Residential	708
Two	1	Norra Gyllenfors 9	Tranås	Residential	11,089
Two	1	Oden 12	Tranås	Residential	3,687
Two	1	Södra Framnäs 20	Tranås	Residential	402
Two	1	Tigern 14	Tranås	Residential	736
Two	1	Tjädern 23	Tranås	Residential	684
Two	1	Tornsvalan 3	Tranås	Residential	2,083
Two	1	Västermalm 23	Tranås	Residential	6,855
Two	1	Falkberget 24	Tranås	Residential	1,087
Two	1	Lejonet 5	Tranås	Residential	1,342
Two	1	Nordstjärnan 7	Tranås	Residential	2,964
Two	1	Lindkullen 11	Tranås	Residential	826
Two	1	Lindkullen 12	Tranås	Residential	1,073
Two	1	Lindkullen 13	Tranås	Residential	1,009
Two	1	Bågskytten 4	Tranås	Residential	478
Two	1	Bågskytten 5	Tranås	Residential	500
Two	1	Kullen 1	Tranås	Residential	704
Two	1	Jupiter 17	Tranås	Residential	476
Two	1	Västerhejde Vibble 1:457	Gotland	Residential	7,861
Two	4	Sato Oyj	Finland	Residential	6,351
Three	1	Verkmästaren 14	Trollhättan	Other	1,496
Three	1	Sato Oyj	Finland	Residential	3,575
Four	3	Sato Oyj	Finland	Residential	873
Total	114				248,390

Associated companies

Balder owns 50 % of a number of property companies where Balder handles the management and administration, for further information, see page 50-52 in Balder's Annual Report for 2016. Balder's 50 %-owned associated companies are shown in the table below together with Balder's share of 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), 31 % (31) of Tornet Bostadsproduktion AB, 25.5 % (25.5) of Brinova Fastigheter AB (publ), 49 % (49) in Sjaelsö Management ApS, 20 % (–) in SHH Bostad AB and 25 % (–) in Rosengård Fastighets AB. For more information about these associated companies, see each company's website: Collector.se, Tornet.se, Brinova.se, Sjaelsoemanagement.dk, Shhbostad.se and Rosengardfastigheter.se.

Balder's participation in the 50 %-owned associated companies' real estate holdings on 2017-12-31¹⁾

	Number of properties ²⁾	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Stockholm	50	133,258	182	1,366	178	98	3,206	40
Gothenburg	17	91,624	114	1,240	107	94	1,562	20
Öresund	27	67,474	97	1,436	96	99	1,570	20
East	24	90,127	105	1,169	100	95	1,155	14
Total	118	382,483	498	1,302	480	96	7,493	94
Project			1		1		507	6
Total	118	382,483	498	1,302	481	96	7,999	100
Distributed by property category								
Residential	30	50,597	80	1,581	79	99	1,800	22
Office	13	37,208	83	2,222	78	94	1,366	17
Retail	59	208,377	242	1,163	232	96	2,998	37
Other	16	86,302	93	1,076	92	99	1,328	17
Total	118	382,483	498	1,302	480	96	7,493	94
Project			1		1		507	6
Total	118	382,483	498	1,302	481	96	7,999	100

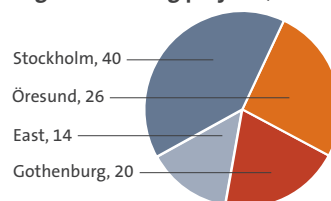
1) The above table refers to the properties owned by the associated companies at the end of the year. Sold properties have been excluded and acquired properties have been estimated using full-year values. Other properties include hotel, educational, nursing, industrial and mixed-use properties.

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

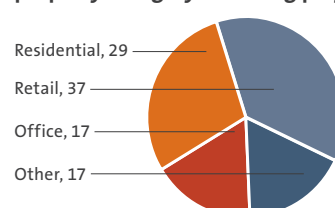
Balder's participation in the balance sheets of 50 %-owned associated companies

SEKm	2017 31 Dec	2016 31 Dec
Assets		
Properties	7,999	5,991
Other assets	41	54
Cash and cash equivalents	105	203
Total assets	8,145	6,248
Shareholders' equity and liabilities		
Equity/shareholder loan	3,474	2,549
Deferred tax liability	443	282
Interest-bearing liabilities	4,107	3,319
Other liabilities	121	97
Total equity and liabilities	8,145	6,248

Carrying amount distributed by region including projects, %



Carrying amount distributed by property category including projects, %



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 7.4 years (7.1). Balder's 10 largest leases represent 5.3 % (5.6) of total rental income and the average lease term amounts to 11.9 years (11.8).

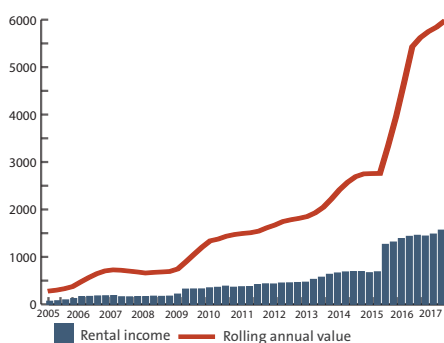
No individual lease accounts for more than 0.8 % (0.8) of Balder's total rental income and no individual customer accounts for more than 4.3 % (4.0) of total rental income.

Lease maturity structure 2017-12-31

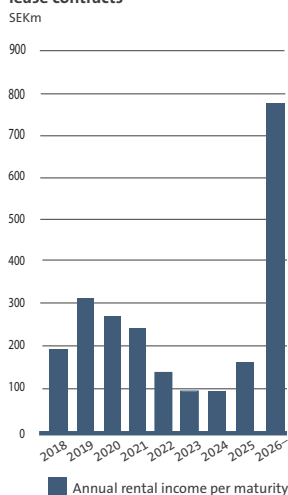
Maturity date	Number of leases	Proportion, %	Contracted rent, SEKm	Proportion, %
2018	1,064	38	184	3
2019	624	22	325	5
2020	446	16	257	4
2021	333	12	239	4
2022–	341	12	1,293	21
Total	2,808	100	2,298	37
Residential ¹⁾	36,679		3,879	62
Car park ¹⁾	4,865		18	0
Garage ¹⁾	3,736		46	1
Total	48,088		6,240	100

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

Rental income
SEKm



Maturity structure of commercial lease contracts
SEKm



Balder's 10 largest customers as of 2017-12-31

- I.A. Hedin Bil AB
- ICA Sverige AB
- Kopparbergs Bryggerier
- Norwegian State
- Profihotels
- Scandic Hotels AB
- City of Stockholm
- Stureplansgruppen
- Volvo Personvagnar AB
- Winn Hotel Group

Financing

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

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

Balder's Board of Directors has decided to adjust the financial target regarding net debt to total assets ratio from 2018. The net debt to total assets ratio shall over time not exceed 50 %.

Financial Key ratios

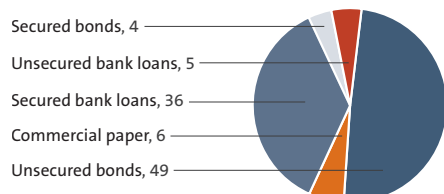
	2017 31 Dec	2016 31 Dec
Interest-bearing liabilities excl. Hybrid capital, SEKm	54,936	49,580
Hybrid capital, SEKm	3,447	–
Available liquidity including confirmed loan commitments, SEKm	7,875	6,769
Average fixed credit term, years	5.5	4.2
Average interest rate refixing period, years	4.0	2.4
Net debt to total assets (financial covenant < 65), %	50.9	50.0
Interest coverage ratio (financial covenant > 1,8), times	4.3	3.7
Secured debt/Total assets (financial covenant < 45), %	21.9	39.6
Credit rating S&P	BBB Stable outlook	–
Credit rating Moody's	Baa3 Positive outlook	Baa3 Stable outlook
Calculation of net debt		
Interest-bearing liabilities excl. Hybrid capital, SEKm	54,936	49,580
Hybrid capital (50 % is treated as equity by rating agencies), SEKm	1,724	–
Cash and cash equivalents and financial investments, SEKm	–1,585	–1,592
Net debt	55,075	47,988

Financial targets

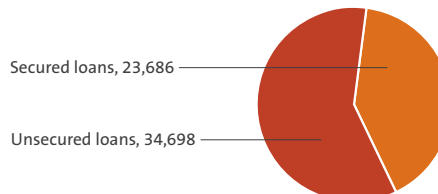
		Target	Outcome ¹⁾
Equity/assets ratio, %	min.	35.0	36.7
Net debt to total assets, %	max.	50.0	50.9
Interest coverage ratio, times	min.	2.0	4.3

1) 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



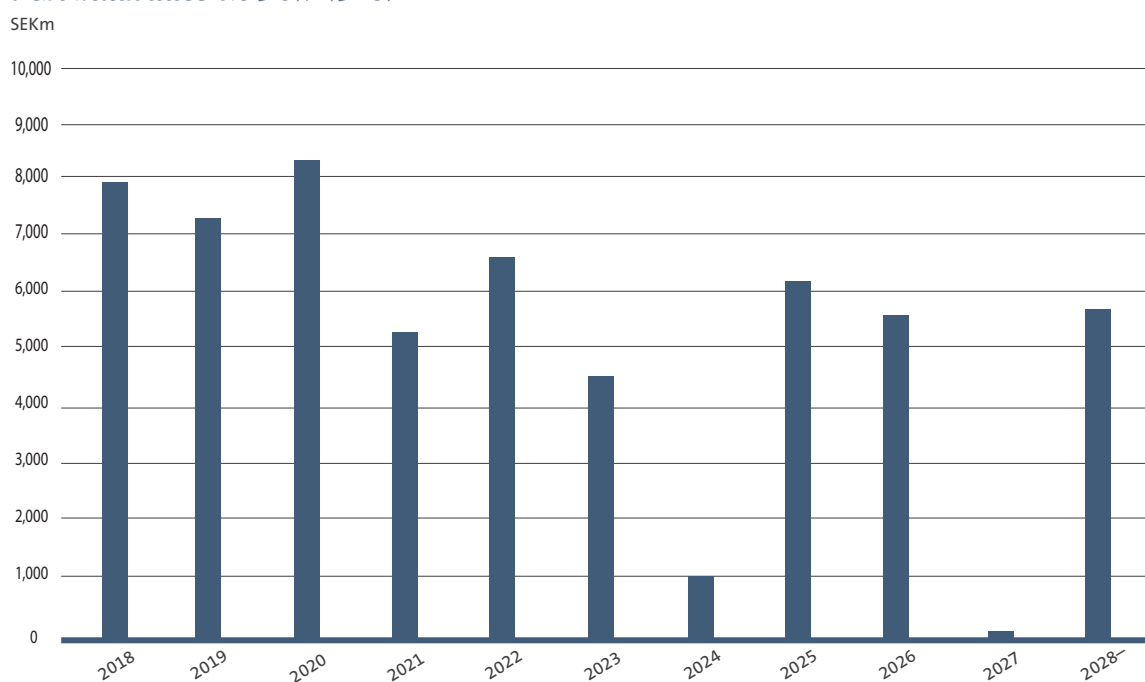
Interest maturity structure on 2017-12-31

Year	Fixed interest term		
	SEKm	Interest, %	Proportion, %
Within one year	20,909	0.9	36
1–2 years	1,998	2.9	3
2–3 years	4,734	2.2	8
3–4 years	5,871	2.6	10
4–5 years	5,553	1.5	10
5–6 years	4,491	3.0	8
6–7 years	477	2.6	1
7–8 years	6,623	2.2	11
8–9 years	6,220	2.3	11
9–10 years	—	—	—
> 10 years	1,507	3.2	3
Total	58,384	1.8	100

Fixed credit term on 2017-12-31

Year	Fixed credit term	
	SEKm	Proportion, %
Within one year	7,876	13
1–2 years	7,343	13
2–3 years	8,361	14
3–4 years	5,299	9
4–5 years	6,523	11
5–6 years	4,448	8
6–7 years	997	2
7–8 years	6,207	11
8–9 years	5,523	9
9–10 years	136	0
> 10 years	5,669	10
Total	58,384	100

Debt maturities on 2017-12-31



Other disclosures

Events after the end of the year

After the end of the reporting period no 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 46m (34) during the period and are reported in management and administrative costs. In addition, services are bought from Collector AB (publ).

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 2016, on pages 53-55. Otherwise, no significant changes has been noted.

Other

With start from 2017, Balder has chosen to make a few reclassifications of profit/loss items in the consolidated statement of comprehensive income. Profit from property management from associated companies, changes in value and tax are now presented in italics directly below the result line Participation in profits of associated companies.

Changes in value in respect of properties and derivatives are reported in relation to each other, directly before profit before tax. Comparative figures have been adjusted. The changes are assessed, together with other supplementary information in the interim report, to facilitate the reader and provide a more accurate picture.

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.

From 2017, hedge accounting for net investments in foreign currency is applied. Besides this the accounting policies and calculation methods applied are unchanged compared with the Annual Report for 2016.

New accounting policies from and including 1 January 2018

IFRS 9 Financial Instruments

IFRS 9 will start to be applied by the Balder Group for annual periods beginning on 1 January 2018. The standard introduces new principles for classification of financial

instruments, for hedge accounting and for credit reserves. The Group will not restate comparative figures for the financial year 2017, in accordance with the standard's transitional arrangements.

During the autumn of 2017, the effects of introducing the new standard were analysed. Based on the conclusions from the performed analysis, the new rules are not expected to have any material impact on the classification of the Group's financial instruments based on the conditions prevailing on the transition date.

IFRS 9 introduces a new expected loss impairment model, and considers forward-looking information during measurement of lease receivables and recognition of future bad debt losses. Compared to previously applied accounting policies, the new model implies an earlier recognition of bad debt losses. Historical information and experience from previous credit losses is used to forecast future losses. The effect of the new model is an increased provision for trade receivables of SEK 20m with the largest negative impact on lease receivables in the subsidiary Sato Oyj with a related reduction in equity of SEK 16m (net after tax) as of 1 January 2018.

Balder applies hedge accounting for net investment in a foreign operation. However, as the hedging relationship is deemed to be effective even under the new standard, there will not be any effect from the transition.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 will be applied by the Balder Group for annual periods beginning on 1 January 2018.

In connection with the transition to IFRS 15, a review of the Group's total revenue was carried out to analyse the effects between the currently applied accounting policies and IFRS 15.

The Balder Group's revenue essentially consists of rental income from the letting of residential properties and commercial properties. Rental income is recognised in the period in which the tenant uses the apartment/premises in accordance with IAS 17 – Leases. A minor portion of the rental income item relates to fees from property management services that are covered by the new standard. However, the transition to IFRS 15 is not expected to have any impact on the accounting as these items are recognised in the period in which the services are performed. The financial statements will only be impacted through increased disclosure requirements and changed classification of revenue in the income statement. Capital gains/losses from property sales are currently recognised by Balder, given customary terms of agreement, on the date of taking possession and are not expected to be impacted by the transition to IFRS 15.

To sum up, the application of IFRS 15 is not expected to give rise to any effect on equity as of the beginning of the comparative year 2017 or in the income statement for 2017.

New accounting policies from and including 1 January 2019*IFRS 16 Leases*

IFRS 16 will impact the Balder Group's accounting of the leases where the company is a lessee. It is expected that the introduction of the standard will have a limited impact on the financial statements, as the Group essentially operates as a lessor, and leases where the Group is a lessee only arise to a limited extent relative to the rest of the Group's operations. The effects will be quantified during 2018.

The Board's proposal to the Annual General Meeting 2018

Ahead of the annual general meeting on 8 May 2018, 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, corresponding to not more than 10 % of the existing share capital. It shall be possible to subscribe for the shares in cash, in kind or through right of set-off.

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

Gothenburg 22 February 2018

Erik Selin
Chief Executive Officer

Consolidated statement of comprehensive income

SEK m	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Rental income	1,558	1,427	5,915	5,373
Property costs	–424	–425	–1,695	–1,693
Net operating income	1,134	1,002	4,220	3,679
Management and administrative costs	–138	–130	–543	–488
Participations in the profits of associated companies	269	236	1,010	590
– of which profit from property management	158	125	583	419
– of which changes in value	175	182	675	343
– of which tax	–64	–71	–248	–172
Other income/costs	2	10	8	17
Net financial items	–273	–264	–984	–973
Profit including changes in value and tax in associated companies	994	854	3,711	2,825
– of which Profit from property management	883	742	3,284	2,653
<i>Changes in value</i>				
Changes in value properties, realised	46	23	184	85
Changes in value properties, unrealised	1,671	2,188	5,115	4,847
Changes in value derivatives	–16	312	144	–114
Profit before tax	2,695	3,376	9,154	7,643
Tax	–356	–672	–1,386	–1,550
Net profit for the period/year	2,339	2,704	7,769	6,093
<i>Net profit for the period/year attributable to:</i>				
Parent company shareholders	2,148	2,536	7,118	5,474
Non-controlling interests	191	168	650	619
	2,339	2,704	7,769	6,093
Other comprehensive income – items that may be subsequently reclassified to profit or loss				
Translation difference relating to foreign operations	12	–75	–103	438
Cash flow hedges after tax	20	87	121	–26
Participation in other comprehensive income of associated companies	5	0	4	2
Total comprehensive income for the period/year	2,376	2,716	7,791	6,507
<i>Total comprehensive income for the period/year attributable to:</i>				
Parent company shareholders	1,997	2,549	6,906	5,685
Non-controlling interests	379	167	885	823
	2,376	2,716	7,791	6,507
Profit from property management	883	742	3,284	2,653
Of which non-controlling interests part of Profit from property management	–135	–92	–480	–388
Profit from property management attributable to parent company shareholders	748	650	2,804	2,265
Profit from property management per ordinary share, SEK ¹⁾	4.16	3.39	14.74	11.89
Profit after tax per ordinary share, SEK ¹⁾	11.93	14.05	38.71	30.38

1) Reduced by dividend for the preference share for the period.
There is no dilutive effect as no potential shares arise.

Consolidated statement of financial position

SEKm	2017 31 Dec	2016 31 Dec
Assets		
Investment properties	98,360	86,177
Other fixed assets	107	136
Participations in associated companies	4,699	3,362
Other receivables	1,508	1,357
Cash and cash equivalents and financial investments	1,585	1,592
Total assets	106,260	92,623
Shareholders' equity and liabilities		
Shareholders' equity ¹⁾	37,718	33,479
Deferred tax liability	7,041	5,808
Interest-bearing liabilities	58,384	49,580
—of which Hybrid capital ²⁾	3,447	—
Derivatives	922	1,547
Other liabilities	2,196	2,209
Total equity and liabilities	106,260	92,623
1) Of which non-controlling interests	6,422	5,540
2) 50 % of Hybrid capital is treated as equity by the rating agencies and thus decreases interest-bearing liabilities when calculating the debt/equity ratio and net debt to total assets ratio	1,724	—

Consolidated statement of changes in equity

SEKm	2017 31 Dec	2016 31 Dec
Opening equity	33,479	25,052
Total comprehensive income for the year	7,791	6,507
Dividend preference shares, approved and entered as a liability	—50	—200
Approved retiring of preference capital	—3,500	—
Share issue, after issue costs	—	1,780
Transactions with non-controlling interests	—8	—107
Dividend to non-controlling interests	—	—107
Non-controlling interests arising on the acquisition of subsidiary	6	—
Non-controlling interests arising on share issue in subsidiary	—	554
Closing equity	37,718	33,479

Consolidated statement of cash flows

SEKm	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Net operating income	1,134	1,002	4,220	3,679
Other income/costs	2	10	8	17
Management and administrative costs	-138	-130	-543	-488
Reversal of depreciation	1	15	19	26
Net financial items paid	-204	-258	-961	-939
Taxes paid	-65	-21	-235	-160
Cash flow from operating activities before change in working capital	730	618	2,508	2,135
Change in operating receivables	11	161	-86	176
Change in operating liabilities	114	141	69	580
Cash flow from operating activities	855	920	2,490	2,891
Acquisition of properties	-1,165	-3,233	-4,936	-7,648
Acquisition/Divestment of property, plant and equipment	-11	-22	-27	-41
Purchase of financial investments	-17	-102	-41	-145
Acquisition of shares in associated companies	-69	-51	-456	-493
Investment in existing properties and projects	-1,456	-311	-3,718	-1,843
Transactions with non-controlling interests	-	-	-8	-107
Sale of properties	135	650	2,830	1,651
Sale of financial investments	-1	-	7	225
Sale of shares in associated companies	-	-	120	-
Dividend paid from associated companies	-	-	13	-
Cash flow from investing activities	-2,583	-3,069	-6,215	-8,401
Share issue, after issue costs	-	-	-	682
Share issue in subsidiary, non-controlling interest's part of the share issue in Sato Oyj	-	-	-	420
Dividend paid for preference shares	-	-50	-150	-200
Redemption of preference capital	-3,500	-	-3,500	-
Dividend paid to non-controlling interests	-	-	-	-107
Changes in value derivatives, realised	-	-	-417	-
Loans raised	3,443	3,262	24,896	10,783
Amortisation/redemption of loans sold properties/changes in overdraft facilities	-1,956	-1,403	-17,110	-5,401
Cash flow from financing activities	-2,014	1,808	3,719	6,177
Cash flow for the period/year	-3,742	-341	-6	667
Cash and cash equivalents at the start of the period/year	5,023	1,628	1,287	620
Cash and cash equivalents at the end of the period/year	1,281	1,287	1,281	1,287
Unutilised overdraft facilities	350	350	350	350
Unutilized credit facilities	5,940	4,827	5,940	4,827
Financial investments	305	305	305	305

Segment information

SEKm	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Rental income				
Helsinki	534	506	2,044	1,901
Stockholm	245	221	920	819
Gothenburg	302	280	1,153	1,030
Öresund	191	131	666	496
East	229	236	919	933
North	56	52	214	193
Total	1,558	1,427	5,915	5,373
Net operating income				
Helsinki	363	302	1,352	1,224
Stockholm	190	167	704	610
Gothenburg	231	223	861	743
Öresund	148	105	510	405
East	160	167	642	566
North	41	37	151	130
Total	1,134	1,002	4,220	3,679

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 4,220m (3,679) and profit before tax of SEK 9,154m (7,643) consists of changes in value of properties and wind power turbines of SEK 5,299m (4,932), other income/costs SEK 8m (17), management and administrative costs of SEK –543m (–488), participations in profits of associated companies of SEK 1,010m (590), net financial items of SEK –984m (–973) and changes in value of derivatives of SEK 144m (–114).

SEKm	2017 31 Dec	2016 31 Dec
Investment properties		
Helsinki	26,918	24,393
Stockholm	17,675	15,797
Gothenburg	19,376	17,053
Öresund	14,591	10,368
East	11,402	11,021
North	3,334	3,086
Total carrying amount excluding project	93,297	81,718
Project	5,063	4,459
Total carrying amount including project	98,360	86,177

The carrying amounts of properties have during the year changed by investments, acquisitions, divestments and unrealised changes in value, with SEK 2,525m in Helsinki region, SEK 1,878m in the Stockholm region, SEK 2,323m in the Gothenburg region, SEK 4,223m in the Öresund region, SEK 248m in the North region and by SEK 381m in the East region. The group's projects has increased by SEK 604m. Sato's property portfolio is divided between the regions Helsinki and East. The real estate holdings in Norway is classified in the North region.

Key ratios including listed associated companies at market value

	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Share-related, ordinary shares ¹⁾				
Average number of shares, thousands	180,000	176,965	180,000	173,598
Profit after tax, SEK	11.93	14.05	38.71	30.38
Profit after tax excluding unrealised changes in value, SEK	4.44	2.68	14.36	9.37
Profit from property management, SEK	4.16	3.39	14.74	11.89
Net operating income, SEK	5.08	4.62	18.79	17.02
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000
Shareholders' equity, SEK	185.02	157.63	185.02	157.63
Long-term net asset value (EPRA NAV), SEK	229.25	198.49	229.25	198.49
Share price on the closing date, SEK	219.40	184.10	219.40	184.10
Property-related				
Rental value full-year, SEK/sq.m.	1,724	1,583	1,724	1,583
Rental income full-year, SEK/sq.m.	1,651	1,507	1,651	1,507
Economic occupancy rate, %	96	95	96	95
Surplus ratio, %	73	70	71	68
Carrying amount, SEK/sq.m.	24,952	21,473	24,952	21,473
Number of properties	1,148	1,220	1,148	1,220
Lettable area, sq.m. thousands	3,739	3,806	3,739	3,806
Profit from property management, attributable to parent company shareholders, SEKm	748	650	2,804	2,265
Financial				
Return on equity, ordinary share, %	13.7	14.4	22.6	20.9
Return on total assets, %	5.8	6.9	9.9	9.9
Interest coverage ratio, times	4.2	3.8	4.3	3.7
Equity/assets ratio, %	36.7	38.3	36.7	38.3
Debt/equity ratio, times	1.4	1.3	1.4	1.3
Net debt to total assets, %	50.9	50.0	50.9	50.0

Key ratios excluding listed associated companies at market value

	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Share-related, ordinary shares ¹⁾				
Shareholders' equity, SEK	173.86	139.23	173.86	139.23
Financial				
Return on equity, ordinary share, %	14.7	16.8	24.7	24.6
Return on total assets, %	5.9	7.2	10.2	10.4
Equity/assets ratio, %	35.5	36.1	35.5	36.1
Debt/equity ratio, times	1.5	1.5	1.5	1.5
Net debt to total assets, %	51.8	51.8	51.8	51.8

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

Condensed parent company income statement

SEKm	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Net sales	66	66	252	209
Administrative costs	-81	-63	-278	-224
Operating profit	-15	3	-26	-14
Profit from financial items				
Dividends from subsidiaries	-	-	909	1,430
Other net financial items	-235	135	350	579
– of which exchange rate differences	-467	-1	-565	1
Changes in value of derivatives	-16	299	133	-151
Profit before appropriations and taxes	-266	437	1,367	1,843
Appropriations				
Group contributions paid	-41	-568	-41	-568
Profit before tax	-308	-131	1,326	1,275
Deferred tax	68	31	-92	36
Net profit for the period/year ¹⁾	-240	-101	1,234	1,311

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	2017 31 Dec	2016 31 Dec
Assets		
Property, plant and equipment	9	25
Financial non-current assets	5,472	5,087
Receivables from group companies	36,790	24,629
Current receivables	199	15
Cash and cash equivalents and financial investments	1,152	1,144
Total assets	43,621	30,900
Shareholders' equity and liabilities		
Shareholders' equity	9,637	11,953
Interest-bearing liabilities	28,774	13,170
– of which Hybrid capital	3,447	-
Liabilities to group companies	4,443	4,440
Derivatives	412	888
Other liabilities	355	449
Total equity and liabilities	43,621	30,900

The share and owners

Balder's shares are listed on Nasdaq Stockholm, Large Cap segment. The company's market capitalisation as of 31 December amounted to SEK 39,492m (36,371).

The principal owner in Fastighets AB Balder is Erik Selin Fastigheter AB, which owns 36,4 % (34,5) of the capital and 49,9 % (48,2) of the votes. Foreign ownership amounts to approximately 24 % (20) of outstanding ordinary shares.

Ordinary shares

At the end of the year, approximately 14,000 shareholders (14,000) held ordinary shares. During the year, approximately 79.1 million shares were traded (90.2) which corresponds to an average of about 317,000 shares per trading day (357,000). The annual turnover rate amounted to 44 % (52). The price of the ordinary share was SEK 219.40 (184.10) on 31 December, corresponding to an increase of 19 % since previous year-end.

Preference shares

According to decision on the Extraordinary General Meeting on 25 September retiring of all 10,000,000 outstanding preference shares was carried out on 12 October. Retiring was carried out at the amount of SEK 350 per preference share and means a reduction of the company's share capital by SEK 10,000,000.

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.

EPRA key ratios

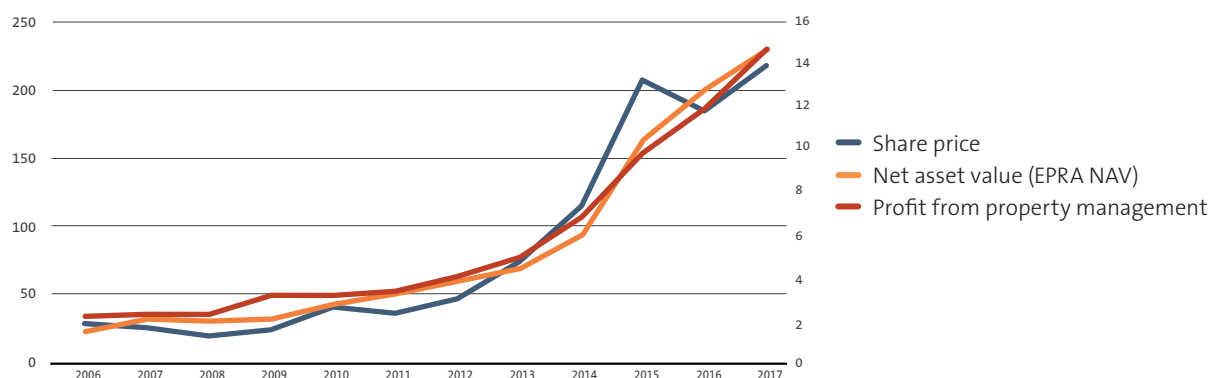
	2017 Jan-Dec	2016 Jan-Dec
EPRA NAV (Long-term net asset value), SEKm	41,265	35,728
EPRA NAV, SEK per share	229.25	198.49
EPRA Vacancy rate	4	5

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

Share price, Net asset value (EPRA NAV)

Profit from property management

SEK/share



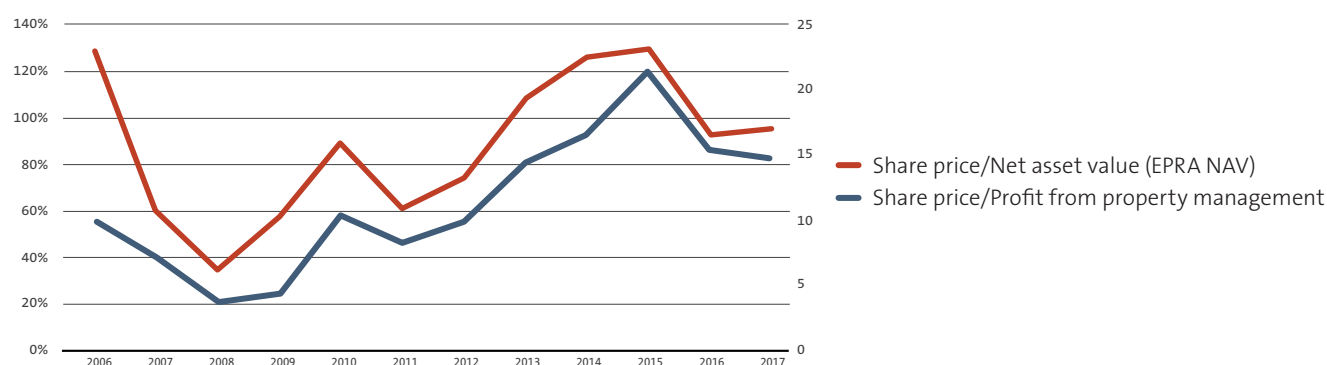
Share price/Net asset value and Share price/profit from property management

Share price/Net asset value (EPRA NAV)

Share price/Profit from property management

%

times



Ownership list as of 2017-12-31

Owner	A shares	B shares	Total number of shares	Capital, %	Votes, %
Erik Selin via company	8,309,328	57,210,900	65,520,228	36.4	49.9
Arvid Svensson Invest AB	2,915,892	13,542,540	16,458,432	9.1	15.2
Swedbank Robur fonder	—	9,307,595	9,307,595	5.2	3.3
JPM Chase	—	8,144,568	8,144,568	4.5	2.9
Handelsbanken Fonder AB	—	6,948,925	6,948,925	3.9	2.5
Länsförsäkringar fondförvaltning AB	—	6,946,491	6,946,491	3.9	2.5
SEB Investment Management	—	5,571,793	5,571,793	3.1	2.0
Second Swedish National Pension Fund	—	3,451,035	3,451,035	1.9	1.2
Didner & Gerge Fonder Aktiebolag	—	2,745,000	2,745,000	1.5	1.0
CBNY-Norges Bank	—	2,192,222	2,192,222	1.2	0.8
Other	4,212	52,709,499	52,713,711	29.3	18.8
Total	11,229,432	168,770,568	180,000,000	100	100

Definitions

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

Financial

Return on equity, ordinary share, %

Profit after tax reduced by preference share dividend for the period in relation to average equity after deduction of the preference capital. 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 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 with the exception of changes in value.

Profit from property management, SEKm

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

Net debt to total assets, %

Net debt in relation to total assets.

Interest coverage ratio, times

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

Debt/equity ratio, times

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

Equity/assets ratio, %

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

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 Moody's and S&P.

Share related

Equity per ordinary share, SEK

Shareholders' equity in relation to the number of outstanding ordinary shares at the end of the year after deduction of the preference capital.

Equity per preference share, SEK

Shareholders equity' per preference share is equivalent to the average subscription price of the preference share of SEK 287.70 per share.

Profit from property management per ordinary share, SEK

Profit from property management reduced by preference share dividend for the period divided by the average number of outstanding ordinary 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 year.

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

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

Profit after tax per ordinary share, SEK

Profit attributable to the average number of ordinary shares after consideration of the preference share dividend for the period.

Property related

Yield, %

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

Net operating income, SEKm

Rental income less property costs.

Economic occupancy rate, % ¹⁾

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

Property category

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

Property costs, SEKm

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

Rental value, SEKm ¹⁾

Contracted rent and estimated market rent for vacant premises.

Surplus ratio, %

Net operating income in relation to rental income.

1) The key ratio is operational and is not considered to be 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 2.00 p.m. on February 22, 2018.

This report is a translation of the Swedish Interim Report January-December 2017. In the event of any disparities between this report and the Swedish version, the latter will have priority.

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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 report	Week 15, 2018
Annual General meeting	8 May 2018
Interim report Jan-Mar 2018	8 May 2018
Interim report Jan-June 2018	18 July 2018
Interim report Jan-Sep 2018	6 November 2018
Year-end report 2018	27 February 2019

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