

# *Fastighets AB Balder*

## *Interim report*

*January-June 2018*

- Profit from property management attributable to parent company shareholders amounted to SEK 1,485m (1,296), corresponding to an increase per share by 24 % to SEK 8.25 (6.65)
- Rental income amounted to SEK 3,217m (2,882)
- Profit after tax attributable to parent company shareholders amounted to SEK 3,869m (3,700) corresponding to SEK 21.49 per share (20.00)
- Long term net asset value amounted to SEK 246.51 per share (215.59) and shareholders' equity (including listed associated companies at market value) amounted to SEK 199.14 per share (174.21)

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 109.7 billion (89.0) as of 30 June 2018. The Balder share is listed on Nasdaq Stockholm, Large Cap.



Murmästaren 9, Stockholm  
Photo: Filip Persson

# The period in brief

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

## April-June 2018

- Rental income amounted to SEK 1,644m (1,433) of which effect of changes in exchange rates amounted to SEK 47m.
- Net operating income amounted to SEK 1,209m (1,000) of which effect of changes in exchange rates amounted to SEK 34m.
- Profit from property management attributable to parent company shareholders increased by 21 % to SEK 802m (665), which corresponds to an increase by 30 % per share to SEK 4.46 (3.42).
- Changes in value in respect of investment properties amounted to SEK 1,266m (827). The average yield requirement amounted to 5.0 % (5.0).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK –41m (85).
- Net profit after tax for the period amounted to SEK 2,169m (1,754).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 1,854m (1,694) which corresponds to SEK 10.30 per share (9.13).
- 17 properties (12) have been acquired at a property value of SEK 2,385m (509), of which 7 hotel properties in Germany.
- No properties (106) were divested during the period, only condominiums and land were divested at a value of SEK 86m (2,151).
- Balder became Upplands Väsby municipality's anchor partner in the continued work of Väsby Entré, which is Upplands Väsby's largest urban development project ever.

## January-June 2018

- Rental income amounted to SEK 3,217m (2,882), of which effect of changes in exchange rates amounted to SEK 94m.
- Net operating income increased by 16 % to SEK 2,302m (1,977), of which effect of changes in exchange rates amounted to SEK 65m.
- Profit from property management attributable to parent company shareholders increased by 15 % to SEK 1,485m (1,296), which corresponds to an increase per share by 24 % to SEK 8.25 (6.65).
- Changes in value in respect of investment properties amounted to SEK 3,003m (2,709). The average yield requirement amounted to 5.0 % (5.0).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK –57m (132).
- Net profit after tax for the period amounted to SEK 4,355m (3,966).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 3,869m (3,700) which corresponds to SEK 21.49 per share (20.00).
- 23 properties (21) have been acquired at a property value of SEK 2,839m (940).
- No properties (109) were divested during the period, only condominiums and land were divested at a value of SEK 114m (2,789).

	2018 Jan-June	2017 Jan-June	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec	2011 Jan-Dec
Rental income, SEKm	3,217	2,882	5,915	5,373	2,711	2,525	1,884	1,701	1,466
Profit from property management, SEKm <sup>1)</sup>	1,485	1,296	2,804	2,265	1,780	1,275	854	691	516
Changes in value of properties, SEKm	3,003	2,709	5,336	4,932	3,388	3,050	854	812	990
Changes in value of derivatives, SEKm	–57	132	144	–114	227	–624	433	–71	–520
Profit after tax, SEKm <sup>1)</sup>	3,869	3,700	7,118	5,474	4,916	3,128	1,738	1,162	812
Carrying amount of properties, SEKm	109,740	89,047	98,360	86,177	68,456	37,382	27,532	22,278	17,556

## Data per share, including listed associated companies at market value <sup>2)</sup>

Average number of shares, thousands	180,000	180,000	180,000	173,598	162,753	161,786	159,537	159,537	158,656
Profit after tax, SEK	21.49	20.00	38.71	30.38	28.98	18.10	10.11	6.69	4.87
Profit from property management, SEK	8.25	6.65	14.74	11.89	9.71	6.64	4.57	3.73	3.00
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000	172,397	162,397	159,537	159,537	159,537
Shareholders' equity, SEK	199.14	174.21	185.02	157.63	128.03	70.10	52.14	42.15	35.57
Long-term net asset value (EPRA NAV), SEK	246.51	215.59	229.25	198.49	159.14	86.33	60.50	50.37	41.83
Share price on the closing date, SEK	233.80	204.00	219.40	184.10	208.70	110.25	66.00	37.30	25.30

1) Attributable to parent company shareholders.

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

# Comments by the CEO

## Q 2, 2018

Profit from property management per share increased by 30 % during the second quarter to SEK 4.46 (3.42) and for the first half of 2018 the increase was 24 % to SEK 8.25 (6.65).

Current earning capacity amounted to SEK 17.97 (14.47), an increase of 24 %. The net asset value and share price is 14-15 % higher than on the same date last year, thus the share price in terms of valuation is unchanged relative to net asset value but lower relative to earnings.

## Investments

Investments during the first half of 2018 amounted to SEK 5.7 billion. These investments included our first deal in Germany where we acquired 7 hotels in cooperation with Ligula. It feels reassuring for us in a new market to complete transactions together with one of our best and most experienced customers. During Q2, we also agreed to build a hotel at Järntorget in Gothenburg (Draken hotel) in cooperation with Folkets Hus and Nordic Choice.

As part of Balder's long-term investment in urban and project development, we can now add another large and important undertaking through our agreement with Upplands Väsby Municipality. We are going to develop Väsby Entré together and I look forward to cooperation that will extend far into the future. I am impressed by the friendly and professional reception from Upplands Väsby.

## Associated companies

These companies continued to perform well with increased profit from property management and continued good business and development opportunities going forward. In Collector, a change of CEO was announced (again) from Liza Nyberg to Martin Nossman. My fundamental belief in Collector has not changed but sometimes the CEO and company are not perfectly aligned and then a change must occur. As I said before, I am still optimistic about the long-term development of the company.

## Balder 13

With this interim report, Balder has been established in its present form for 13 years. Net asset value and subscription/share price development have been as follows as of 30 June each year:

Year	Net asset value	Share price (2005 refers to subscription price)
2005	6.59	7.075
2006	11.08	13.33
2007	16.46	17.50
2008	23.44	11.15
2009	22.39	9.00
2010	26.57	16.47
2011	36.04	31.70
2012	44.85	31.30
2013	54.41	48.50
2014	70.82	90.50
2015	106.16	127.90
2016	169.39	212.90
2017	215.59	204.00
2018	246.51	233.80

Average increase per year :    net asset value 32 %  
share price 31 %

To date, we have made the assessment that the best total yield for Balder's shareholders is achieved by reinvestment of the profits generated. The goal is also the same going forward and I am optimistic about the possibility of being able to continue finding investments over time that will generate a reasonably good return.

Erik Selin  
Chief Executive Officer

## Current earning capacity

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

Balder's income statement is also impacted by the development in the value of the real estate portfolio as well as future property acquisitions and/or property divestments. Additional items affecting the operating result are changes

in value of derivatives. None of the above has been considered in the current earning capacity.

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

## Current earning capacity on a twelve-months basis

SEKm	2018 30 June	2018 31 March	2017 31 Dec	2017 30 Sep	2017 30 June	2017 31 March	2016 31 Dec	2016 30 Sep	2016 30 June	2016 31 March	2015 31 Dec
Rental income	6,665	6,430	6,240	5,920	5,860	5,700	5,800	5,470	5,325	5,135	5,045
Property costs	-1,815	-1,760	-1,720	-1,655	-1,690	-1,660	-1,695	-1,690	-1,685	-1,670	-1,635
<b>Net operating income</b>	<b>4,850</b>	<b>4,670</b>	<b>4,520</b>	<b>4,265</b>	<b>4,170</b>	<b>4,040</b>	<b>4,105</b>	<b>3,780</b>	<b>3,640</b>	<b>3,465</b>	<b>3,410</b>
Management and administrative costs	-590	-565	-550	-510	-490	-490	-490	-490	-480	-440	-425
Profit from property management from associated companies	650	650	640	600	530	530	505	470	420	355	340
<b>Operating profit</b>	<b>4,910</b>	<b>4,755</b>	<b>4,610</b>	<b>4,355</b>	<b>4,210</b>	<b>4,080</b>	<b>4,120</b>	<b>3,760</b>	<b>3,580</b>	<b>3,380</b>	<b>3,325</b>
Net financial items	-1,120	-1,120	-1,060	-1,050	-950	-950	-1,040	-1,025	-1,010	-930	-880
Of which non-controlling interests	-555	-550	-525	-475	-455	-450	-445	-445	-380	-400	-410
<b>Profit from property management <sup>1)</sup></b>	<b>3,235</b>	<b>3,085</b>	<b>3,025</b>	<b>2,830</b>	<b>2,805</b>	<b>2,680</b>	<b>2,635</b>	<b>2,290</b>	<b>2,190</b>	<b>2,050</b>	<b>2,035</b>
Tax	-700	-665	-650	-610	-605	-580	-570	-490	-470	-440	-439
<b>Profit after tax</b>	<b>2,535</b>	<b>2,420</b>	<b>2,375</b>	<b>2,220</b>	<b>2,200</b>	<b>2,100</b>	<b>2,065</b>	<b>1,800</b>	<b>1,720</b>	<b>1,610</b>	<b>1,596</b>
<b>Profit from property management per share, SEK</b>	<b>17.97</b>	<b>17.14</b>	<b>16.81</b>	<b>15.72</b>	<b>14.47</b>	<b>13.78</b>	<b>13.52</b>	<b>11.92</b>	<b>11.55</b>	<b>10.73</b>	<b>10.64</b>

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 30 June.

SEKm	2018 30 June	2017 30 June	2017 31 Dec
<b>Assets</b>			
Investment properties	109,740	89,047	98,360
Other fixed assets	113	137	107
Participations in associated companies <sup>1,2)</sup>	6,350	6,861	6,707
Other receivables	1,643	1,465	1,508
Cash and cash equivalents and financial investments	1,133	3,228	1,585
<b>Total assets</b>	<b>118,978</b>	<b>100,738</b>	<b>108,268</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity <sup>3)</sup>	43,015	40,146	39,725
Deferred tax liability	7,474	6,341	7,041
Interest-bearing liabilities	64,717	50,904	58,384
—of which Hybrid capital <sup>4)</sup>	3,647	—	3,447
Derivatives	1,052	1,106	922
Other liabilities	2,721	2,242	2,196
<b>Total equity and liabilities</b>	<b>118,978</b>	<b>100,738</b>	<b>108,268</b>
1) Including Balder's market value of Collector AB (publ) Collector's share price (SEK)	2,742 60.60	4,299 95.00	3,677 81.25
2) Including Balder's market value of Brinova Fastigheter AB (publ) Brinova's share price (SEK)	274 14.85	249 13.50	220 11.95
3) Of which non-controlling interests	7,170	5,911	6,422
4) 50 % of Hybrid capital is treated as equity by the rating agencies and thus decreases the interest-bearing liabilities when calculating the debt/equity ratio and the net debt to total assets ratio	1,824	—	1,724

## Consolidated statement of changes in equity

SEKm	2018 30 June	2017 30 June	2017 31 Dec
<b>Opening equity</b>	<b>39,725</b>	<b>36,791</b>	<b>36,791</b>
Transition effect IFRS 9	–92	—	—
Total comprehensive income for the period/year	4,431	4,080	7,791
Dividend preference shares	—	–200	–50
Retiring of preference capital	—	—	–3,500
Transactions with non-controlling interests	–17	–2	–8
Dividend to non-controlling interests	–135	—	—
Non-controlling interests, arising on the acquisitions of subsidiary	32	1	6
The change during the period/year of listed associated companies at market value	–930	–522	–1,304
<b>Closing equity</b>	<b>43,015</b>	<b>40,146</b>	<b>39,725</b>



# *Income, costs and results*

## **Profit from property management**

Profit from property management for the period amounted to SEK 1,763m (1,508), of which effect of changes in exchange rates amounted to SEK 35m. Profit from property management attributable to parent company shareholders increased by 15 % and amounted to SEK 1,485m (1,296), which corresponds to an increase per share by 24 % to SEK 8.25 (6.65). Profit from property management includes SEK 311m (265) in respect of associated companies.

## **Net profit after tax**

Net profit after tax for the period amounted to SEK 4,355m (3,966). Net profit after tax for the period attributable to parent company shareholders amounted to SEK 3,869m (3,700), corresponding to SEK 21.49 per share (20.00). Profit before tax was affected by changes in value in respect of properties of SEK 3,003m (2,709), changes in value of interest rate derivatives of SEK –57m (132) and profit from participations in associated companies of SEK 406m (561).

## **Rental income**

Rental income increased by 12 % to SEK 3,217m (2,882), of which the effect of changes in exchange rates was SEK 94m. The increase was primarily due to acquisitions, new leases and completed projects. The leasing portfolio was estimated to have a rental value on 30 June of SEK 6,929m (6,029). The average rental level for the entire real estate portfolio amounted to SEK 1,758/sq.m. (1,650) excluding project properties.

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

Rental income shows a considerable diversification of risks as regards tenants, sectors and locations. The economic occupancy rate amounted to 96 % (96) on 30 June. The total rental value of unlet areas at the end of the period amounted to SEK 264m (269) on an annual basis.

## **Property costs**

Property costs amounted to SEK 915m (906) during the period, of which the effect of changes in exchange rates was SEK 28m.

Net operating income increased by 16 % to SEK 2,302m (1,977), which implies a surplus ratio of 72 % (69).

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 30 June of the entire real estate portfolio, see page 9. Unrealised changes in value during the period amounted to SEK 2,967m (2,572). Realised changes in value amounted to SEK 35m (137). The average yield requirement as of 30 June amounted to 5.0 % (5.0), which is unchanged compared to year-end. The

change in value during the period was mainly attributable to improved net operating income.

## **Management and administrative costs**

Management and administrative costs amounted to SEK 293m (268) during the period, of which the effect of changes in exchange rates was SEK 10m.

## **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.

Profit from participations in associated companies amounted to SEK 406m (561) and Balder's participation in the associated companies profit from property management amounted to SEK 311m (265).

Profit before tax was impacted by unrealised changes in value in respect of properties and interest rate derivatives of SEK 161m (459). The tax expense for the period amounted to SEK –66m (–163).

## **Net financial items and changes in value of derivatives**

Net financial items amounted to SEK –554m (–468), of which the effect of changes in exchange rates was SEK –21m. Changes in value of interest rate derivatives amounted to SEK –57m (132). The negative change in value of derivatives during the period is due to the fact that the interest rates have fallen during the year. Unrealised changes in value do not affect the cash flow.

The average interest rate was 1.7 % (1.9) on the closing date and 1.9 % (2.0) for the period.

## **Taxes**

Balder's tax cost amounted to SEK –448m (–681) of which SEK –137m (–105) is current tax for the period, mainly attributable to Sato Oyj, and also a deferred tax expense of SEK –311m (–576). Current tax attributable to parent company shareholders amounted to SEK –87m (–56).

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 7,474m (6,341).

Following the decision on changed corporate taxation, the deferred tax liability has been recomputed to the new tax rate 20.6 %. The measurement of the loss carry-forwards that are expected to be utilised during the years 2018-2020 has been calculated using the current tax rates for each year. Overall, a positive non-recurring accounting effect arose of SEK 261m, when the deferred tax liability was measured at the new tax rates.

#### *Changed corporate taxation*

In June, the Government decided to approve the proposal on changed corporate taxation. In brief, the decision means that the interest deduction will be limited to 30 % of taxable EBITDA. In addition, the tax rate is being reduced in two stages from the current rate of 22 % to 21.4 % from 2019 and to 20.6 % from 2021. In the calculation of the interest deduction, any setting off against loss carry-forwards shall be taken into account. The new rules apply from 1 January 2019.

#### **Second quarter 2018**

Profit from property management for the second quarter of 2018 increased by 23 % and amounted to SEK 948m (773). Profit from property management attributable to parent company shareholders for the second quarter of 2018 increased by 21 % and amounted to SEK 802m (665) which corresponds to an increase per share of 30 % to SEK 4.46 (3.42). Profit from property management included SEK 161m (134) in respect of associated companies. Rental income amounted to SEK 1,644m (1,433) and property costs amounted to SEK 435m (433), which meant that net operating income increased by 21 % to SEK 1,209m (1,000), of which the effect of changes in exchange rates was SEK 34m. The surplus ratio amounted to 74 % (70).

Net profit after tax for the period amounted to SEK 2,169m (1,754). Profit after tax attributable to parent company shareholders amounted to SEK 1,854m (1,694) corresponding to SEK 10.30 per share (9.13). The result was affected by changes in value in respect of properties of SEK 1,266m (827), changes in value of interest rate derivatives of SEK –41m (85) and profit from participations in associated companies of SEK 236m (337).

#### **Cash flow**

Cash flow from operating activities before changes in working capital amounted to SEK 1,222m (1,050). Investing activities have burdened the cash flow by SEK –6,066m (–83).

During the period, acquisition of properties of SEK –2,839m (–1,074), investments in existing properties and projects of SEK –2,868m (–1,592), investments in property, plant and equipment, financial investments, associated companies and transactions with non-controlling interests SEK –503m (–182), dividends paid preference shares of SEK –m (–100), and realised changes derivatives SEK –m (–218) and dividend to non-controlling interests SEK –135m (–) adds up to SEK –6,345m (–3,167).

These have been financed through cash flow from operating activities of SEK 1,561m (1,001), by property divestments of SEK 114m (2,745), financial investments of SEK 6m (8), dividend from associated companies of SEK 24m (13) and net borrowings of SEK 3,967m (1,032), which adds up to SEK 5,672m (4,799).

Total cash flow for the period amounted to SEK –673m (1,632). In addition to unutilised credit facilities of SEK 7,211m (4,869), the group's cash and cash equivalents, financial investments and unutilised overdraft facilities amounted to SEK 1,483m (3,578) on 30 June.

#### **Employees and organisation**

The number of employees on 30 June amounted to 634 persons (592), of whom 286 were women (296). Balder is organised into six 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 141m (121) during the period.

Net profit after tax amounted to SEK 1,146m (1,212). Dividends from subsidiaries was included with SEK 1,608m (909), other net financial items amounted to SEK –528m (273) of which exchange rates differences amounted to SEK –969m (–153), changes in value of interest rate derivatives amounted to SEK –57m (122).

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

# Real estate holdings

On 30 June Balder owned 1,173 properties (1,132) with a lettable area of 3,919 thousand sq.m. (3,622) and a value of SEK 109,740m (89,047), including project properties. Balder's total rental value excluding project properties amounted to SEK 6,891m (5,975).

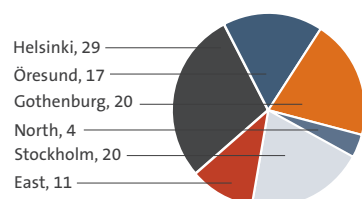
Balder's commercial properties are mainly located in the central parts of the major cities. Balder's residential properties are located in metropolitan areas and places that are growing and developing positively. Balder's ambition is to continue growing in selected markets.

## Balder's real estate holdings on 2018-06-30 <sup>1)</sup>

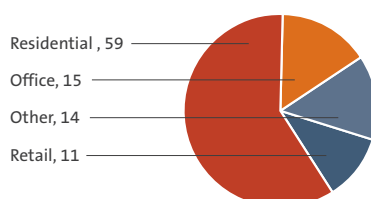
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
<b>Distributed by region</b>								
Helsinki	509	1,027,701	2,359	2,295	2,302	98	29,900	27
Stockholm	74	625,241	1,092	1,746	1,039	95	20,043	18
Gothenburg	144	886,911	1,238	1,396	1,187	96	20,184	18
Öresund	89	554,917	931	1,678	872	94	17,592	16
East	275	628,737	1,019	1,620	980	96	12,173	11
North	82	195,749	252	1,290	247	98	4,016	4
<b>Total</b>	<b>1,173</b>	<b>3,919,256</b>	<b>6,891</b>	<b>1,758</b>	<b>6,627</b>	<b>96</b>	<b>103,908</b>	<b>95</b>
Project			38		38		5,832	5
<b>Total</b>	<b>1,173</b>	<b>3,919,256</b>	<b>6,929</b>	<b>1,758</b>	<b>6,665</b>	<b>96</b>	<b>109,740</b>	<b>100</b>
<b>Distributed by property category</b>								
Residential	942	2,405,980	4,357	1,811	4,236	97	60,691	55
Office	69	466,222	957	2,053	870	91	16,977	15
Retail	102	585,604	777	1,327	743	96	11,977	11
Other	60	461,450	800	1,733	778	97	14,263	13
<b>Total</b>	<b>1,173</b>	<b>3,919,256</b>	<b>6,891</b>	<b>1,758</b>	<b>6,627</b>	<b>96</b>	<b>103,908</b>	<b>95</b>
Project			38		38		5,832	5
<b>Total</b>	<b>1,173</b>	<b>3,919,256</b>	<b>6,929</b>	<b>1,758</b>	<b>6,665</b>	<b>96</b>	<b>109,740</b>	<b>100</b>

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, Norway and Germany are mainly valued using the cash flow based method. In Finland, in addition to the cash flow based method, the sales comparison method and valuation at acquisition cost are used. Properties under construction and real estate projects are valued at market value reduced by estimated building expenditure and project risk, which usually results in valuation at cost. On 30 June, Balder's average yield requirement amounted to 5.0 % (5.0) excluding project and development properties, which is unchanged compared to year-end.

In order to quality-assure its internal valuations, Balder regularly allows parts of its portfolio to be externally valued during the period or at each year-end. Historically, deviations between external and internal valuations have been insignificant.

### Project real estate

On 30 June, Balder had ongoing projects with an expected total investment of SEK 11.0 billion, of which about SEK 5.8 billion was already invested. Most of the ongoing projects refers to residential projects. The projects mainly comprise of about 1,000 apartments in Sweden, about 1,000 apartments in Copenhagen and about 1,000 apartments in Helsinki. The investments in Copenhagen and Helsinki relate to owner apartments for rental use and the investments in Sweden mainly refer to apartments for sale.

### Unrealised changes in value

The overall carrying amount of Balder's properties amounted to SEK 109,740m (89,047) on 30 June.

The unrealised change in value during the period amounted to SEK 2,967m (2,572) and was mainly attributable to improved net operating income.

### Investments, acquisitions and divestments

During the period, a total of SEK 5,708m (2,532) was invested, of which SEK 2,839m (940) related to acquisitions and SEK 2,868m (1,592) related to investments in existing properties and projects. During the period only condominiums and land have been divested at a sales value of SEK 114m (2,789). Profit from property sales amounted to SEK 35m (137). The change in the real estate portfolio during the period is presented in the table below.

### Change in carrying amount of properties

	2018		2017	
	SEKm	Number <sup>1)</sup>	SEKm	Number <sup>1)</sup>
<b>Real estate portfolio, 1 January</b>	<b>98,360</b>	<b>1,148</b>	<b>86,177</b>	<b>1,220</b>
Investments in existing properties and projects	2,868		1,592	
Acquisitions	2,839	23	940	21
Sales/Reclassifications	-79	2	-2,652	-109
Change in value of investment properties, unrealised	2,967		2,572	
Currency changes	2,783		417	
<b>Real estate portfolio, 30 June</b>	<b>109,740</b>	<b>1,173</b>	<b>89,047</b>	<b>1,132</b>

1) Number of investment properties.

## Property transactions 2018

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
<b>Acquisitions</b>					
One	1	Årsta 68:1	Uppsala	Retail	7,558
One	1	Flygspanaren 8	Norrtälje	Retail	1,884
One	1	Inom Vallgraven 19:4	Göteborg	Office	1,035
One	1	Hemsta 14:2	Gävle	Retail	4,100
One	1	Hemsta 14:3	Gävle	Retail	1,448
One	1	Maden 4	Sundbyberg	Retail	11,137
Two	1	Kartan 1	Sundbyberg	Other	20,778
Two	1	Bollspelaren 1	Sundbyberg	Other	9,843
Two	1	Terränglöparen 11	Sundbyberg	Office	24,807
Two	1	Kasernen 1	Sundbyberg	Other	1,548
Two	1	Kasernen 2	Sundbyberg	Other	1,594
Two	1	Kasernen 3	Sundbyberg	Other	1,555
Two	1	Bivacken 2	Sundbyberg	Other	4,687
Two	1	Kvartermästaren 1	Sundbyberg	Retail	4,136
Two	1	Murmästaren 9	Stockholm	Residential	4,620
Two	1	Lakkegata 3	Oslo, Norway	Residential	8,551
Two	7	Several properties	Germany	Hotel	40,381
<b>Total</b>	<b>23</b>				<b>149,662</b>

# Associated companies

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

## Balder's participation in the 50 %-owned associated companies' real estate holdings on 2018-06-30 <sup>1)</sup>

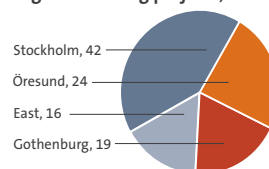
	Number of properties <sup>2)</sup>	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
<b>Distributed by region</b>								
Stockholm	56	144,017	204	1,416	199	98	3,726	42
Gothenburg	17	91,624	115	1,259	110	95	1,608	18
Öresund	25	67,507	98	1,451	97	99	1,575	18
East	25	104,453	124	1,188	117	94	1,405	16
<b>Total</b>	<b>123</b>	<b>407,602</b>	<b>541</b>	<b>1,328</b>	<b>522</b>	<b>96</b>	<b>8,314</b>	<b>93</b>
Project			1		1		598	7
<b>Total</b>	<b>123</b>	<b>407,602</b>	<b>542</b>	<b>1,328</b>	<b>523</b>	<b>96</b>	<b>8,912</b>	<b>100</b>
<b>Distributed by property category</b>								
Residential	36	61,353	107	1,743	106	99	2,269	25
Office	13	37,211	84	2,258	79	94	1,387	16
Retail	57	219,206	258	1,175	246	96	3,224	36
Other	17	89,832	93	1,034	91	98	1,434	16
<b>Total</b>	<b>123</b>	<b>407,602</b>	<b>541</b>	<b>1,328</b>	<b>522</b>	<b>96</b>	<b>8,314</b>	<b>93</b>
Project			1		1		598	7
<b>Total</b>	<b>123</b>	<b>407,602</b>	<b>542</b>	<b>1,328</b>	<b>523</b>	<b>96</b>	<b>8,912</b>	<b>100</b>

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

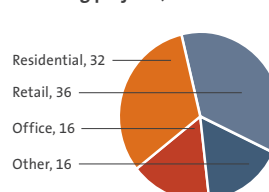
## Balder's participation in the balance sheets of 50 %-owned associated companies

SEKm	2018 30 June	2017 30 June	2017 31 Dec
<b>Assets</b>			
Properties	8,912	6,856	7,999
Other assets	85	56	41
Cash and cash equivalents	186	122	105
<b>Total assets</b>	<b>9,184</b>	<b>7,034</b>	<b>8,145</b>
<b>Shareholders' equity and liabilities</b>			
Equity/interest-bearing shareholder loan	4,181	2,979	3,474
Deferred tax liability	467	387	443
Interest-bearing liabilities	4,351	3,545	4,107
Other liabilities	185	122	121
<b>Total equity and liabilities</b>	<b>9,184</b>	<b>7,034</b>	<b>8,145</b>

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 7.7 years (7.0). Balder's 10 largest leases represent 5.0 % (5.6) of total rental income and the average lease term amounts to 10.8 years (11.5).

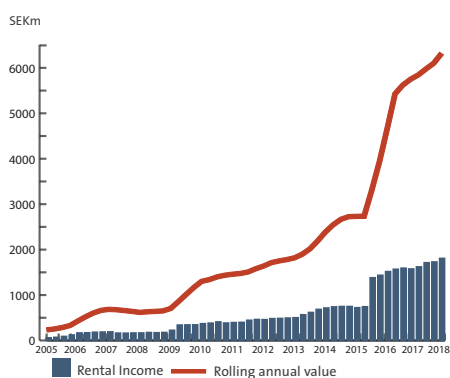
No individual lease accounts for more than 0.7 % (0.8) of Balder's total rental income and no individual customer accounts for more than 4.0 % (4.4) of total rental income.

## Lease maturity structure 2018-06-30

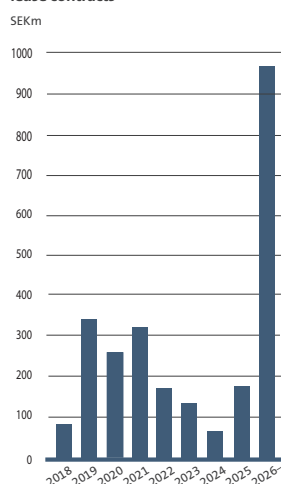
Maturity date	Number of leases	Proportion, %	Contracted rent, SEKm	Proportion, %
2018	629	21	74	1
2019	874	29	338	5
2020	529	18	257	4
2021	502	17	318	5
2022–	450	15	1,495	22
<b>Total</b>	<b>2,984</b>	<b>100</b>	<b>2,482</b>	<b>37</b>
Residential <sup>1)</sup>	36,832		4,120	62
Car park <sup>1)</sup>	4,901		18	0
Garage <sup>1)</sup>	3,797		46	1
<b>Total</b>	<b>48,514</b>		<b>6,665</b>	<b>100</b>

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

### Rental Income



### Maturity structure of commercial lease contracts



### Balder's 10 largest customers

as of 2018-06-30

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

# Financing

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

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

Balder's Board of directors adjusted the financial target regarding net debt to total assets in the year-end report 2017, the net debt to total assets shall over time not exceed 50 %. the outcome as of 30 June amounted to 51.9 %.

## Financial Key ratios

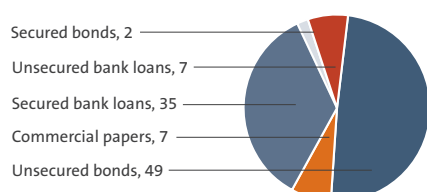
	2018 30 June	2017 30 June	2017 31 Dec
Interest-bearing liabilities excl. Hybrid capital, SEKm	61,069	50,904	54,936
Hybrid capital, SEKm	3,647	–	3,447
Available liquidity including confirmed loan commitments, SEKm	8,694	8,447	7,875
Average fixed credit term, years	5.0	4.9	5.5
Average interest rate refixing period, years	3.5	3.2	4.0
Net debt to total assets (financial covenant < 65), %	51.9	47.3	50.9
Interest coverage ratio (financial covenant > 1,8), times	4.2	4.2	4.3
Secured debt/Total assets (financial covenant < 45), %	20.6	28.3	21.9
Credit rating S&P	BBB Stable outlook	BBB Stable outlook	BBB Stable outlook
Credit rating Moody's	Baa3 Positive outlook	Baa3 Stable outlook	Baa3 Positive outlook
<b>Calculation of net debt</b>			
Interest-bearing liabilities excl. Hybrid capital, SEKm	61,069	50,904	54,936
Hybrid capital (50 % is treated as equity by rating agencies), SEKm	1,824	–	1,724
Cash and cash equivalents and financial investments, SEKm	–1,133	–3,228	–1,585
<b>Net debt</b>	<b>61,760</b>	<b>47,675</b>	<b>55,075</b>

## Financial targets

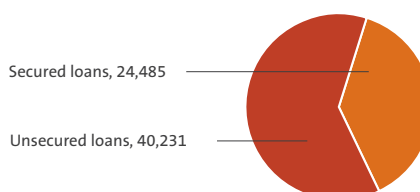
		Target	Outcome <sup>1)</sup>
Equity/assets ratio, %	min.	35.0	36.2
Net debt to total assets, %	max.	50.0	51.9
Interest coverage ratio, times	min.	2.0	4.2

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



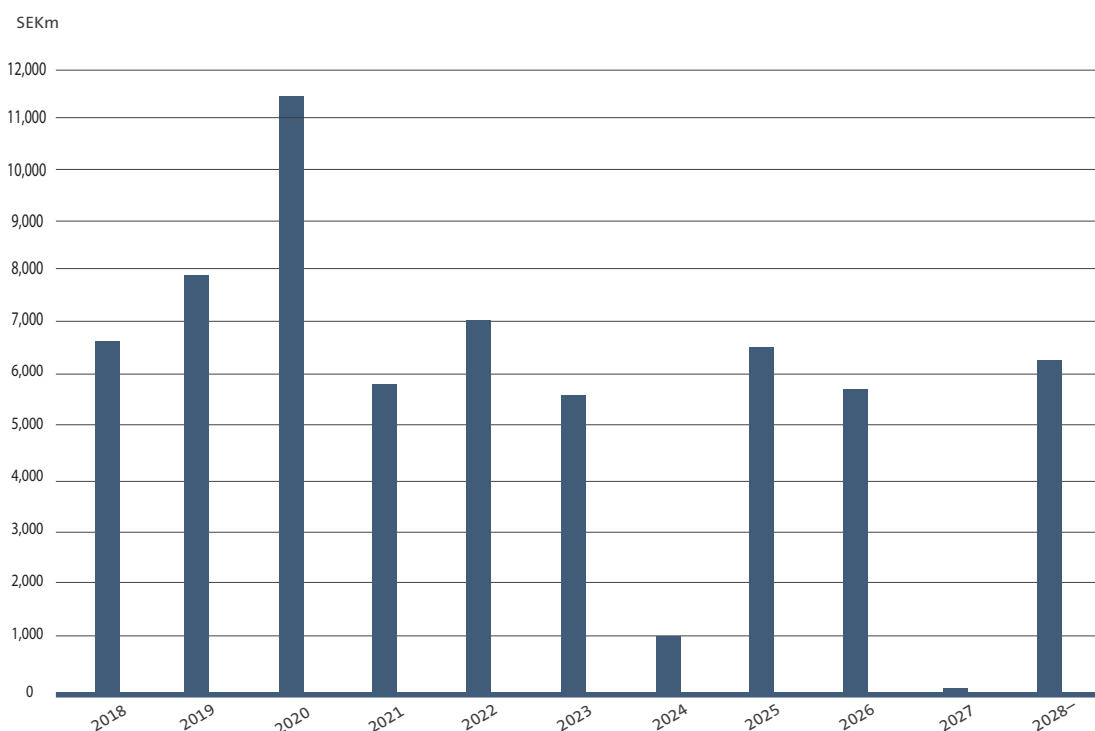
### Interest maturity structure on 2018-06-30

Year	Fixed interest term		
	SEKm	Interest, %	Proportion, %
Within one year	26,415	0.9	41
1–2 years	1,121	1.6	2
2–3 years	9,198	2.3	14
3–4 years	7,128	1.7	11
4–5 years	5,048	3.0	8
5–6 years	725	2.7	1
6–7 years	6,051	2.1	9
7–8 years	7,524	2.3	12
8–9 years	—	—	—
9–10 years	—	—	—
> 10 years	1,508	3.2	2
<b>Total</b>	<b>64,717</b>	<b>1.7</b>	<b>100</b>

### Fixed credit term on 2018-06-30

Year	Fixed credit term	
	SEKm	Proportion, %
Within one year	11,221	17
1–2 years	6,586	10
2–3 years	13,290	21
3–4 years	6,665	10
4–5 years	6,317	10
5–6 years	1,333	2
6–7 years	6,663	10
7–8 years	6,005	9
8–9 years	159	0
9–10 years	149	0
> 10 years	6,328	10
<b>Total</b>	<b>64,717</b>	<b>100</b>

### Debt maturities on 2018-06-30





# Other disclosures

## Events after the end of the period

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 25m (21) 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 2017, on pages 54-57. Otherwise, no significant changes has been noted.

## Accounting policies

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

## New accounting policies from and including 1 January 2018

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

### *IFRS 9 Financial Instruments*

The change with IFRS 9 compared to previously applied principles relates to the new model for measurement of credit losses. The model measures expected credit losses by taking account of future-oriented information. Compared with the previous model, which was based on actual losses, this will mean an earlier recognition of credit losses. In the Annual Report for 2017, the impact of the transition was presented in Note 1 with an increased provision for accounts receivable losses, which had a net effect on equity of SEK -16m. In connection with the preparation of the Q1 report, it has also been noted that the associated company Collector reported an impact of the transition with regard to recognition of expected credit losses, whereupon the total impact of the transition on the Balder Group's equity amounted to SEK -92m for the introduction of IFRS 9.

In accordance with the standard's transitional arrangements, comparative figures have not been restated for 2017.

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

## New accounting policies from and including 1 January 2019

### *IFRS 16 Leases*

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.

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

## Signature and verification

The Board of Directors and the CEO declare that the undersigned interim report provides a true and fair overview of the parent company's and the group's operations, financial position and performance as well as describing material risks and uncertainties facing the parent company and other companies in the group.

Gothenburg 18 July 2018

Christina Rogestam  
Chairman of the Board

Fredrik Svensson  
Board member

Sten Dunér  
Board member

Anders Wennergren  
Board member

Erik Selin  
Board member and  
CEO

# Consolidated statement of comprehensive income

SEKm	2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June	2017/2018 July-June	2017 Jan-Dec
Rental income	1,644	1,433	3,217	2,882	6,250	5,915
Property costs	-435	-433	-915	-906	-1,704	-1,695
<b>Net operating income</b>	<b>1,209</b>	<b>1,000</b>	<b>2,302</b>	<b>1,977</b>	<b>4,546</b>	<b>4,220</b>
Management and administrative costs	-152	-137	-293	-268	-569	-543
Participations in the profits of associated companies	236	337	406	561	855	1,010
– of which profit from property management	161	134	311	265	630	583
– of which changes in value	95	299	161	459	377	675
– of which tax	-20	-96	-66	-163	-152	-248
Other income/costs	-2	4	-4	2	2	8
Net financial items	-267	-229	-554	-468	-1,070	-984
<b>Profit including changes in value and tax in associated companies</b>	<b>1,023</b>	<b>977</b>	<b>1,857</b>	<b>1,805</b>	<b>3,764</b>	<b>3,711</b>
<b>– of which Profit from property management</b>	<b>948</b>	<b>773</b>	<b>1,763</b>	<b>1,508</b>	<b>3,538</b>	<b>3,284</b>
<i>Changes in value</i>						
Changes in value properties, realised	21	113	35	137	83	184
Changes in value properties, unrealised	1,245	714	2,967	2,572	5,510	5,115
Changes in value derivatives	-41	85	-57	132	-45	144
<b>Changes in value total</b>	<b>1,225</b>	<b>912</b>	<b>2,946</b>	<b>2,842</b>	<b>5,548</b>	<b>5,443</b>
<b>Profit before tax</b>	<b>2,248</b>	<b>1,888</b>	<b>4,803</b>	<b>4,647</b>	<b>9,311</b>	<b>9,154</b>
Income tax	-79	-135	-448	-681	-1,153	-1,386
<b>Net profit for the period/year</b>	<b>2,169</b>	<b>1,754</b>	<b>4,355</b>	<b>3,966</b>	<b>8,158</b>	<b>7,769</b>
<i>Net profit for the period/year attributable to:</i>						
Parent company shareholders	1,854	1,694	3,869	3,700	7,288	7,118
Non-controlling interests	315	60	486	266	870	650
	<b>2,169</b>	<b>1,754</b>	<b>4,355</b>	<b>3,966</b>	<b>8,158</b>	<b>7,769</b>
<b>Other comprehensive income – items that may be subsequently reclassified to profit or loss</b>						
Translation difference relating to foreign operations	21	49	52	24	-75	-103
Cash flow hedges after tax	-17	46	10	91	40	121
Participation in other comprehensive income of associated companies	3	-1	15	-1	20	4
<b>Total comprehensive income for the period/year</b>	<b>2,175</b>	<b>1,848</b>	<b>4,431</b>	<b>4,080</b>	<b>8,143</b>	<b>7,791</b>
<i>Total comprehensive income for the period/year attributable to:</i>						
Parent company shareholders	1,780	1,691	3,558	3,707	6,757	6,906
Non-controlling interests	396	157	874	372	1,386	885
	<b>2,175</b>	<b>1,848</b>	<b>4,431</b>	<b>4,080</b>	<b>8,143</b>	<b>7,791</b>
Profit from property management	948	773	1,763	1,508	3,538	3,284
Of which non-controlling interests part of Profit from property management	-146	-108	-278	-212	-545	-480
<b>Profit from property management attributable to parent company shareholders</b>	<b>802</b>	<b>665</b>	<b>1,485</b>	<b>1,296</b>	<b>2,993</b>	<b>2,804</b>
Profit from property management per share, SEK	4.46	3.42	8.25	6.65	13.35	14.74
Profit after tax per share, SEK	10.30	9.13	21.49	20.00	40.21	38.71

There is no dilutive effect as no potential shares arise.

## Consolidated statement of financial position

SEKm	2018 30 June	2017 30 June	2017 31 Dec
<b>Assets</b>			
Investment properties	109,740	89,047	98,360
Other fixed assets	113	137	107
Participations in associated companies	5,273	4,071	4,699
Other receivables	1,643	1,465	1,508
Cash and cash equivalents and financial investments	1,133	3,228	1,585
<b>Total assets</b>	<b>117,902</b>	<b>97,949</b>	<b>106,260</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity <sup>1)</sup>	41,938	37,357	37,718
Deferred tax liability	7,474	6,341	7,041
Interest-bearing liabilities	64,717	50,904	58,384
—of which Hybrid capital <sup>2)</sup>	3,647	—	3,447
Derivatives	1,052	1,106	922
Other liabilities	2,721	2,242	2,196
<b>Total equity and liabilities</b>	<b>117,902</b>	<b>97,949</b>	<b>106,260</b>
1) Of which non-controlling interests	7,170	5,911	6,422
2) 50 % of Hybrid capital is treated as equity by the rating agencies and thus decreases interest-bearing liabilities when calculating the debt/equity ratio and net debt to total assets ratio	1,824	—	1,724

## Consolidated statement of changes in equity

SEKm	2018 30 June	2017 30 June	2017 31 Dec
<b>Opening equity</b>	<b>37,718</b>	<b>33,479</b>	<b>33,479</b>
Transition effect IFRS 9	–92	—	—
Total comprehensive income for the period/year	4,431	4,080	7,791
Dividend preference shares	—	–200	–50
Retiring of preference capital	—	—	–3,500
Transactions with non-controlling interests	–17	–2	–8
Dividend to non-controlling interests	–135	—	—
Non-controlling interests arising on the acquisition of subsidiary	32	1	6
<b>Closing equity</b>	<b>41,938</b>	<b>37,357</b>	<b>37,718</b>

# Consolidated statement of cash flows

SEKm	2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June	2017 Jan-Dec
Net operating income	1,209	1,000	2,302	1,977	4,220
Other income/costs	-2	4	-4	2	8
Management and administrative costs	-152	-137	-293	-268	-543
Reversal of depreciation	5	6	9	12	19
Net financial items paid	-261	-236	-602	-521	-961
Taxes paid	-50	-129	-191	-153	-235
<b>Cash flow from operating activities before change in working capital</b>	<b>748</b>	<b>510</b>	<b>1,222</b>	<b>1,050</b>	<b>2,508</b>
Change in operating receivables	281	209	-91	36	-86
Change in operating liabilities	172	75	430	-84	69
<b>Cash flow from operating activities</b>	<b>1,202</b>	<b>793</b>	<b>1,561</b>	<b>1,001</b>	<b>2,490</b>
Acquisition of properties	-2,385	-773	-2,839	-1,074	-4,936
Acquisition/Divestment of property, plant and equipment	-9	-8	-15	-13	-27
Purchase of financial investments	-196	-1	-222	-4	-41
Acquisition of shares in associated companies/Capital contribution to associated companies	-235	-100	-250	-163	-456
Investment in existing properties and projects	-1,402	-920	-2,868	-1,592	-3,718
Transactions with non-controlling interests	-17	-	-17	-2	-8
Sale of properties	86	2,300	114	2,745	2,830
Sale of financial investments	4	4	6	8	7
Sale of shares in associated companies	-	-	-	-	120
Dividend paid from associated companies	24	13	24	13	13
<b>Cash flow from investing activities</b>	<b>-4,131</b>	<b>515</b>	<b>-6,066</b>	<b>-83</b>	<b>-6,215</b>
Dividend paid for preference shares	-	-50	-	-100	-150
Redemption of preference capital	-	-	-	-	-3,500
Dividend paid to non-controlling interests	-135	-	-135	-	-
Changes in value derivatives, realised	-	-	-	-218	-417
Loans raised	4,316	1,623	7,361	11,771	24,896
Amortisation/redemption of loans sold properties/changes in overdraft facilities	1,837	-2,133	-3,393	-10,739	-17,110
<b>Cash flow from financing activities</b>	<b>2,345</b>	<b>-560</b>	<b>3,833</b>	<b>714</b>	<b>3,719</b>
<b>Cash flow for the period/year</b>	<b>-584</b>	<b>748</b>	<b>-673</b>	<b>1,632</b>	<b>-6</b>
Cash and cash equivalents at the start of the period/year	1,193	2,171	1,281	1,287	1,287
<b>Cash and cash equivalents at the end of the period/year</b>	<b>608</b>	<b>2,919</b>	<b>608</b>	<b>2,919</b>	<b>1,281</b>
Cash and cash equivalents	608	2,919	608	2,919	1,281
Unutilised overdraft facilities	350	350	350	350	350
Unutilised credit facilities	7,211	4,869	7,211	4,869	5,940
Financial investments	525	309	525	309	305
<b>Available liquidity including confirmed credit commitments</b>	<b>8,694</b>	<b>8,447</b>	<b>8,694</b>	<b>8,447</b>	<b>7,875</b>

## Segment information

SEKm	2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June	2017/2018 July-June	2017 Jan-Dec
<b>Rental income</b>						
Helsinki	578	512	1,129	1,013	2,161	2,044
Stockholm	258	223	497	445	972	920
Gothenburg	307	272	612	571	1,193	1,153
Öresund	214	152	411	298	778	666
East	230	221	457	450	926	919
North	56	52	111	106	220	214
<b>Total</b>	<b>1,644</b>	<b>1,433</b>	<b>3,217</b>	<b>2,882</b>	<b>6,250</b>	<b>5,915</b>
<b>Net operating income</b>						
Helsinki	402	321	767	630	1,489	1,352
Stockholm	206	174	382	335	751	704
Gothenburg	234	200	453	409	904	861
Öresund	165	119	312	229	593	510
East	165	149	317	303	656	642
North	38	37	72	71	152	151
<b>Total</b>	<b>1,209</b>	<b>1,000</b>	<b>2,302</b>	<b>1,977</b>	<b>4,546</b>	<b>4,220</b>

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 2,302 m (1,977) and profit before tax of SEK 4,803 m (4,647) consists of changes in value of properties of SEK 3,003 m (2,709), other income/costs SEK -4m (2), management and administrative costs of SEK -293m (-268), participations in profits of associated companies of SEK 406m (561), net financial items of SEK -554m (-468) and changes in value of derivatives of SEK -57m (132).

SEKm	2018 30 June	2017 30 June	2017 31 Dec
<b>Investment properties</b>			
Helsinki	29,900	25,399	26,918
Stockholm	20,043	16,735	17,675
Gothenburg	20,184	17,620	19,376
Öresund	17,592	11,550	14,591
East	12,173	10,381	11,402
North	4,016	3,211	3,334
<b>Total carrying amount excluding project</b>	<b>103,908</b>	<b>84,897</b>	<b>93,297</b>
Project	5,832	4,151	5,063
<b>Total carrying amount including project</b>	<b>109,740</b>	<b>89,047</b>	<b>98,360</b>

The carrying amounts of properties have during the period changed by investments, acquisitions, divestments, unrealised changes in value and currency changes, with SEK 2,982m in Helsinki region, SEK 2,368m in the Stockholm region, SEK 808m in the Gothenburg region, SEK 3,001m in the Öresund region, SEK 682m in the North region and by SEK 771m in the East region. The group's projects has increased by SEK 769m. Sato's property portfolio is divided between the regions Helsinki and East. The real estate holdings in Norway is classified in the North region and the properties in Germany in the Öresund region.

## Key ratios including listed associated companies at market value

	2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June	2017/2018 July-June	2017 Jan-Dec
<b>Share-related <sup>1)</sup></b>						
Average number of shares, thousands	180,000	180,000	180,000	180,000	180,000	180,000
Profit after tax, SEK	10.30	9.13	21.49	20.00	40.21	38.71
Profit after tax excluding unrealised changes in value, SEK	5.69	4.22	9.55	6.75	17.16	14.36
Profit from property management, SEK	4.46	3.42	8.25	6.65	16.35	14.74
Net operating income, SEK	5.38	4.43	10.24	8.80	20.23	18.79
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000	180,000	180,000
Shareholders' equity, SEK	199.14	174.21	199.14	174.21	199.14	185.02
Long-term net asset value (EPRA NAV), SEK	246.51	215.59	246.51	215.59	246.51	229.25
Share price on the closing date, SEK	233.80	204.00	233.80	204.00	233.80	219.40
<b>Property-related</b>						
Rental value full-year, SEK/sq.m.	1,758	1,650	1,758	1,650	1,758	1,724
Rental income full-year, SEK/sq.m.	1,691	1,575	1,691	1,575	1,691	1,651
Economic occupancy rate, %	96	96	96	96	96	96
Surplus ratio, %	74	70	72	69	73	71
Carrying amount, SEK/sq.m.	26,512	23,439	26,512	23,439	26,512	24,952
Number of properties	1,173	1,132	1,173	1,132	1,173	1,148
Lettable area, sq.m. thousands	3,919	3,622	3,919	3,622	3,919	3,739
Profit from property management, attributable to parent company shareholders, SEKm	802	665	1,485	1,296	2,993	2,804
<b>Financial</b>						
Return on equity, %	14.0	11.9	16.1	15.8	21.5	22.6
Return on total assets, %	5.2	4.8	6.7	7.0	9.4	9.9
Interest coverage ratio, times	4.5	4.4	4.2	4.2	4.3	4.3
Equity/assets ratio, %	36.2	39.9	36.2	39.9	36.2	36.7
Debt/equity ratio, times	1.5	1.3	1.5	1.3	1.5	1.4
Net debt to total assets, %	51.9	47.3	51.9	47.3	51.9	50.9

## Key ratios excluding listed associated companies at market value

	2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June	2017/2018 July-June	2017 Jan-Dec
<b>Share-related <sup>1)</sup></b>						
Shareholders' equity, SEK	193.16	158.72	193.16	158.72	193.16	173.86
<b>Financial</b>						
Return on equity, %	14.5	13.2	16.9	17.6	22.9	24.7
Return on total assets, %	5.3	5.0	6.8	7.3	9.6	10.2
Equity/assets ratio, %	35.6	38.1	35.6	38.1	35.6	35.5
Debt/equity ratio, times	1.5	1.4	1.5	1.4	1.5	1.5
Net debt to total assets, %	52.4	48.7	52.4	48.7	52.4	51.8

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



## Condensed parent company income statement

SEKm	2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June	2017/2018 July-June	2017 Jan-Dec
Net sales	75	60	141	121	272	252
Administrative costs	-67	-65	-133	-128	-283	-278
<b>Operating profit</b>	<b>8</b>	<b>-5</b>	<b>9</b>	<b>-6</b>	<b>-11</b>	<b>-26</b>
<b>Profit from financial items</b>						
Dividends from subsidiaries	1,608	909	1,608	909	1,608	909
Other net financial items	19	66	-528	273	-450	350
– of which exchange rate differences	-211	-142	-969	-153	-1,381	-565
Changes in value of derivatives	-41	85	-57	122	-45	133
<b>Profit before appropriations and taxes</b>	<b>1,595</b>	<b>1,055</b>	<b>1,033</b>	<b>1,297</b>	<b>1,103</b>	<b>1,367</b>
<b>Appropriations</b>						
Group contributions paid	–	–	–	–	-41	-41
<b>Profit before tax</b>	<b>1,595</b>	<b>1,055</b>	<b>1,033</b>	<b>1,297</b>	<b>1,061</b>	<b>1,326</b>
Deferred tax	-11	-32	113	-85	107	-92
<b>Net profit for the period/year <sup>1)</sup></b>	<b>1,584</b>	<b>1,023</b>	<b>1,146</b>	<b>1,212</b>	<b>1,168</b>	<b>1,234</b>

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

## Condensed parent company balance sheet

SEKm	2018 30 June	2017 30 June	2017 31 Dec
<b>Assets</b>			
Property, plant and equipment	10	25	9
Financial non-current assets	6,865	5,060	5,472
Receivables from group companies	40,491	30,605	36,790
Current receivables	162	167	199
Cash and cash equivalents and financial investments	879	2,168	1,152
<b>Total assets</b>	<b>48,407</b>	<b>38,025</b>	<b>43,621</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	10,783	12,965	9,637
Interest-bearing liabilities	31,474	19,532	28,774
– of which Hybrid capital	3,647	–	3,447
Liabilities to group companies	5,326	4,527	4,443
Derivatives	468	622	412
Other liabilities	356	379	355
<b>Total equity and liabilities</b>	<b>48,407</b>	<b>38,025</b>	<b>43,621</b>

# The share and owners

Balder's share is listed on Nasdaq Stockholm, Large Cap segment. The company's market capitalisation as of 30 June amounted to SEK 42,084m (40,207).

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 % (21) of outstanding shares.

## The share

At the end of the period, approximately 13,000 shareholders (14,000) held shares. During the period, approximately 36.6 million shares were traded (43.2) which corresponds to an average of about 305,000 shares per trading day (389,000). The annual turnover rate amounted to 41 % (48). The price of the share was SEK 233.80 (204.00) on 30 June, corresponding to an increase of 7 % since year-end.

## Share capital

On 30 June, the share capital in Balder amounted to SEK 180,000,000 distributed among 180,000,000 shares. Each share has a quota value of SEK 1, where of 11,229,432 shares are of Class A and 168,770,568 of Class B. The total number of outstanding shares as of 30 June amounts to 180,000,000. Each Class A share carries one vote and each Class B share carries one tenth of one vote.

## Annual General Meeting

The Annual General Meeting (AGM) of Fastighets AB Balder on 8 May 2018, resolved on the following matters, among others:

The AGM adopted the annual accounts for 2017 and resolved that no dividend shall be declared.

The AGM discharged the Board and the CEO from liability and reelected the Board members Christina Rogestam, Erik Selin, Fredrik Svensson, Sten Dunér and Anders Wennergren according to the nomination committee's proposal. Christina Rogestam was selected as Chairman.

The meeting resolved to authorise the Board, during the period until the next Annual General Meeting, on one or more occasion, to be able to decide on new issue of shares of Class B corresponding to not more than 10 % of the existing share capital at the time of the AGM 2018.

The AGM further resolved during the period until the next Annual General Meeting, to authorise the Board on one or more occasion to decide on acquisition of own shares of Class B but that the combined holdings of own shares in the company may not exceed 10 % of all shares in the company.

## EPRA key ratios

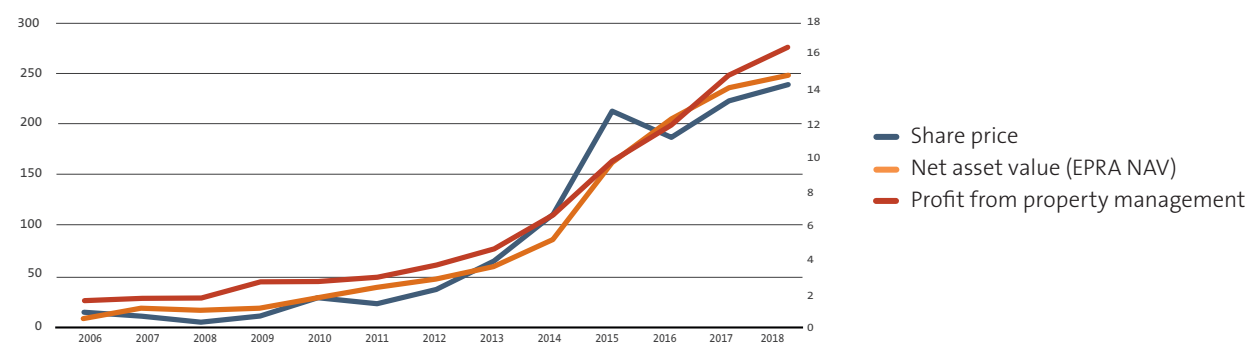
	2018 Jan-June	2017 Jan-June	2017 Jan-Dec
EPRA NAV (Long-term net asset value), SEKm	44,371	38,805	41,265
EPRA NAV, SEK per share	246.51	215.59	229.25
EPRA Vacancy rate, %	4	4	4

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

Share price, Net asset value (EPRA NAV)

Profit from property management

SEK/share



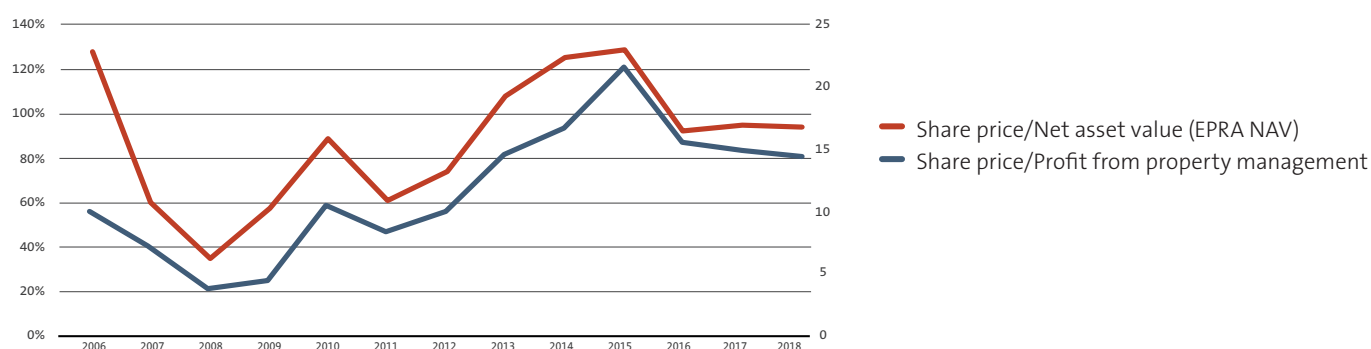
## Share price/Net asset value and Share price/profit from property management

Share price/Net asset value (EPRA NAV)

Share price/Profit from property management

%

times



## Ownership list as of 2018-06-30

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	—	9,666,322	9,666,322	5.4	3.4
SEB Investment Management	—	7,245,146	7,245,146	4.0	2.6
Länsförsäkringar fondförvaltning AB	—	6,752,607	6,752,607	3.8	2.4
Handelsbanken Fonder AB	—	5,293,403	5,293,403	2.9	1.9
Andra AP-fonden	—	3,451,035	3,451,035	1.9	1.2
Afa Försäkring	—	2,103,031	2,103,031	1.2	0.7
CBNY-Norges Bank	—	1,976,182	1,976,182	1.1	0.7
Didner & Gerge Fonder Aktiebolag	—	1,814,752	1,814,752	1.0	0.6
Other	4,212	59,714,650	59,718,862	33.2	21.3
<b>Total</b>	<b>11,229,432</b>	<b>168,770,568</b>	<b>180,000,000</b>	<b>100</b>	<b>100</b>

# 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 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 period.

### 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 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 for the period 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 (EPRA NAV), SEK

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

### Profit after tax per share, SEK

Profit attributable to the average number of shares.

## Property related

### Yield, %

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

### Net operating income, SEKm

Rental income less property costs.

### Economic occupancy rate, % <sup>1)</sup>

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 <sup>1)</sup>

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 July 18, 2018.

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

### *Contact*

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### *Financial information*

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

### *Calendar*

Interim report Jan-Sep 2018	6 November 2018
Year-end report 2018	27 February 2019

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# *Fastighets AB Balder (publ)*

**Interim report January-June 2018**





# *Fastighets AB Balder Q2 2018*

**Profit from property  
management**

**4.46 SEK/share**

**+30 %**

**EPRA NAV**

**247 SEK/share**

**+14 %**

**Net debt to total assets**

**51,9 %**

**Like for like rental growth**

**2.5 %**



# Current earning capacity

SEKm	2018 30 June	2017 30 June	Deviation	2017 31 Dec
Rental income	6,665	5,860	805	6,240
Property costs	-1,815	-1,690	- 125	-1,720
<b>Net operating income</b>	<b>4,850</b>	<b>4,170</b>	<b>680</b>	<b>4,520</b>
Management and administrative costs	-590	-490	- 100	-550
Profit from property management from associated companies	650	530	120	640
<b>Operating profit</b>	<b>4,910</b>	<b>4,210</b>	<b>700</b>	<b>4,610</b>
Net financial items	-1,120	-950	- 170	-1,060
of which non-controlling interests	-555	-455	- 100	-525
<b>Profit from property management<sup>1)</sup></b>	<b>3,235</b>	<b>2,805</b>	<b>430</b>	<b>3,025</b>
Tax	-700	-605	- 95	-650
<b>Profit after tax</b>	<b>2,535</b>	<b>2,200</b>	<b>335</b>	<b>2,375</b>
<b>Profit from property management per share, SEK</b>	<b>17.97</b>	<b>14.47</b>	<b>3.50</b>	<b>16.81</b>

<sup>1)</sup> *Attributable to parent company shareholders*



# Consolidated statement of comprehensive income

SEKm	2018 Jan-June	2017 Jan-June	Deviation
Rental income	3,217	2,882	335
Property costs	-915	-906	-9
<b>Net operating income</b>	<b>2,302</b>	<b>1,977</b>	<b>325</b>
Management and administrative costs	-293	-268	-25
Participation in the profits of associated companies	406	561	155
Other income/costs	-4	2	-6
Net financial items	-554	-468	-86
<b>Profit including changes in value and tax in associated companies</b>	<b>1,857</b>	<b>1,805</b>	<b>52</b>
<b>of which Profit from property management</b>	<b>1,763</b>	<b>1,508</b>	<b>255</b>
<i>Changes in value</i>			
Changes in value properties, realised	35	137	-102
Changes in value properties, unrealised	2,967	2,572	395
Changes in value derivatives	-57	132	- 189
<b>Changes in value total</b>	<b>2,946</b>	<b>2,842</b>	<b>104</b>
<b>Profit before tax</b>	<b>4,803</b>	<b>4,647</b>	<b>156</b>
Income tax	-448	-681	233
<b>Net profit for the period</b>	<b>4,355</b>	<b>3,966</b>	<b>389</b>
Profit from property management per share, SEK	8.25	6.65	1.6
Profit after tax per share, SEK	21.49	20.00	1.49



# Consolidated statement of financial position

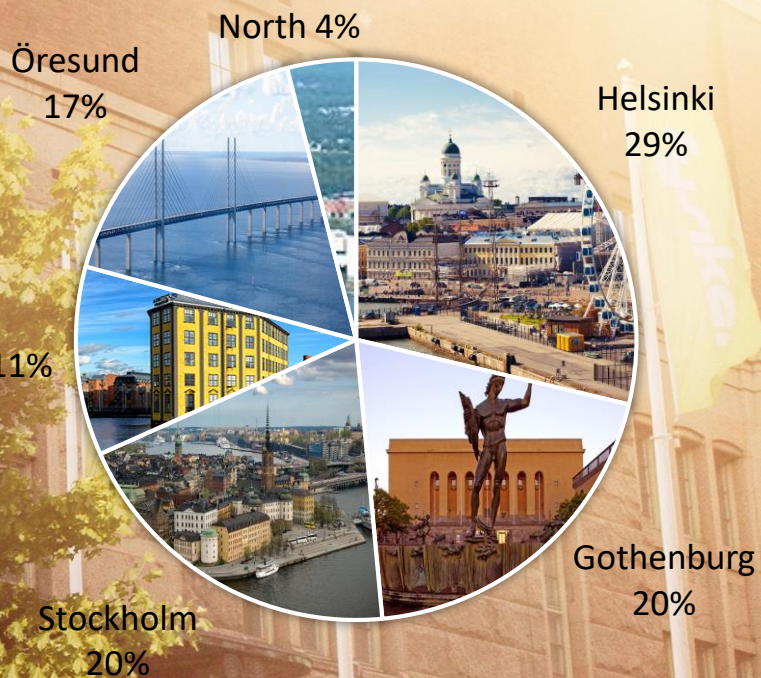
*Including listed associated companies at market value*

SEKm	2018 30 June	2017 30 June
<b>Assets</b>		
Investment properties	109,740	89,047
Other fixed assets	113	137
Participations in associated companies	6,350	6,861
Other receivables	1,643	1,465
Cash and cash equivalents and financial investments	1,133	3,228
<b>Total assets</b>	<b>118,978</b>	<b>100,738</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	43,015	40,146
Deferred tax liability	7,474	6,341
Interest-bearing liabilities	64,717	50,904
<i>of which Hybrid capital</i>	3,647	-
Derivatives	1,052	1,106
Other liabilities	2,721	2,242
<b>Total equity and liabilities</b>	<b>118,978</b>	<b>100,738</b>



# Property portfolio

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





# *Investments/ Acquisitions*

## ➤ **Sweden**

- Development project in the municipality of Sundbyberg
- Murmästaren 9, office and residential property, central Stockholm

## ➤ **Denmark**

- 180 apartments completed during the quarter in Copenhagen

## ➤ **Finland**

- 215 apartments completed during the quarter

## ➤ **Germany**

- A hotel portfolio of 7 assets, 20 year lease agreements

## ➤ **Norway**

- Centrally located in Oslo, long stay property, 10 year lease



# *Residential development*

## ➤ **Working on zoning plan**

- Exploit our land bank by building residential properties on existing ground
- Stockholm and Gothenburg, a total of 10,000 apartments

## ➤ **Under construction**

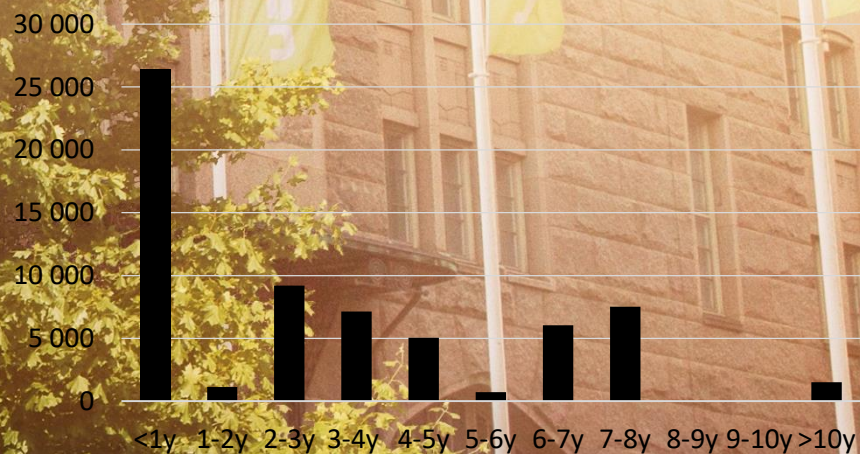
- Total investment approximately SEK 11 billion, whereof SEK 5.8 billion is already invested.
- Copenhagen
- Helsinki
- Sweden



# Financing

- Equity/assets ratio 36.2 % (Target 35%)
- Net debt to total assets 51.9 % (Target 50%)
- ICR 4.2 (Target 2.0)
- The fixed credit term 5.0 years
- Average fixed-rate period 3.5 years

*Interest maturity structure, MSEK*

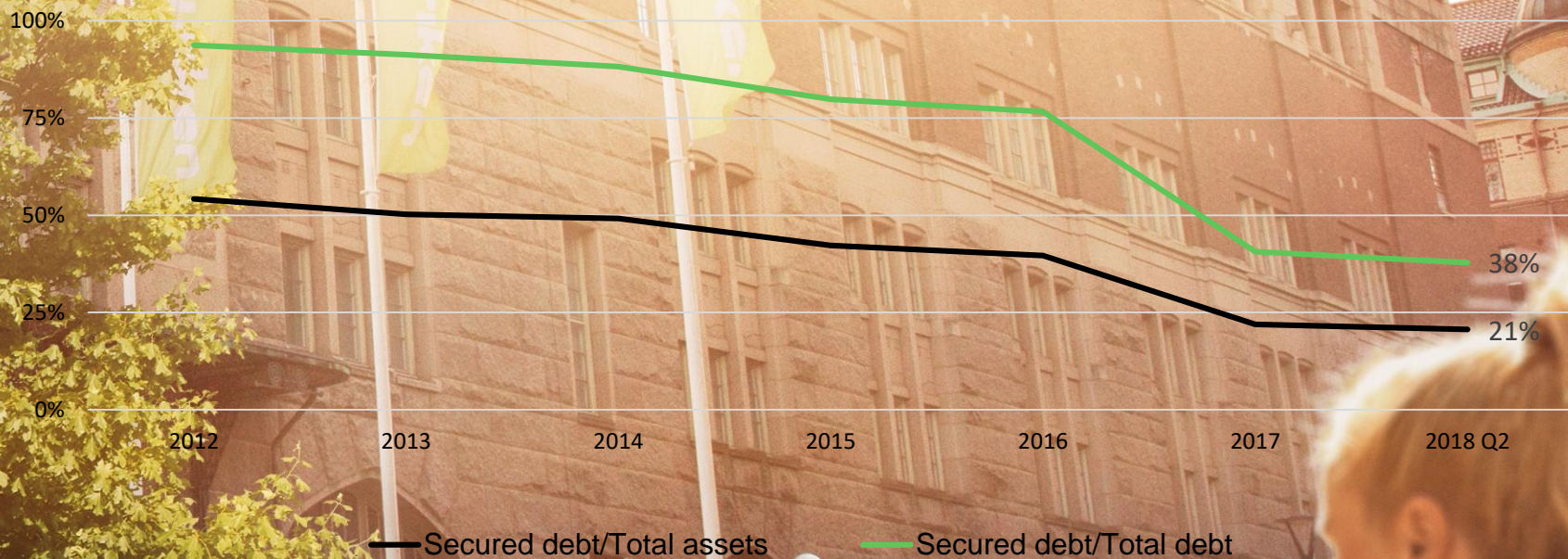
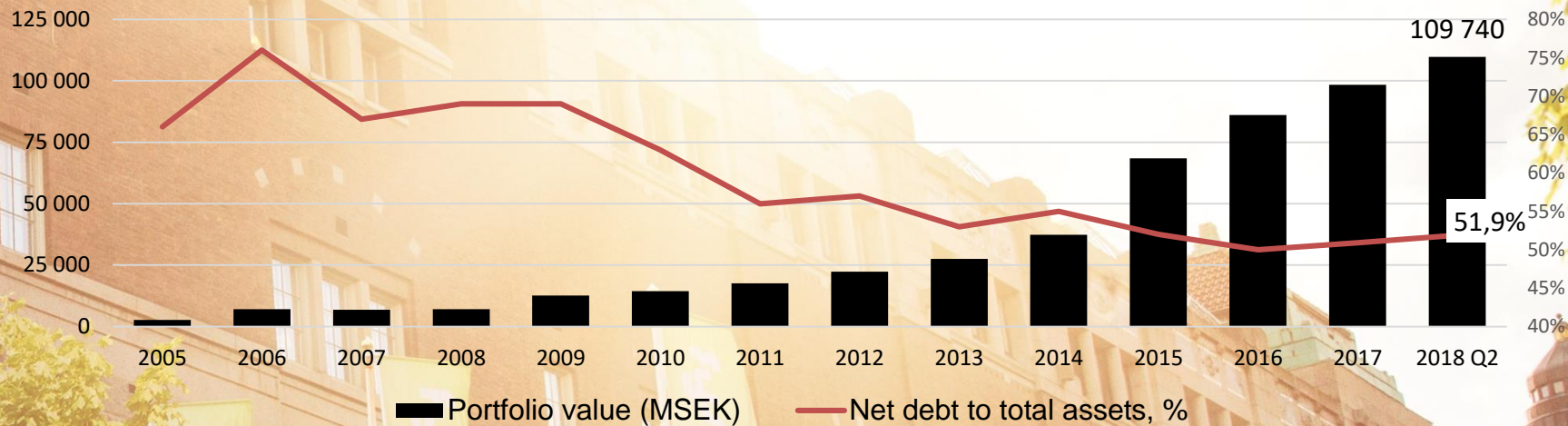


*Debt maturities, MSEK*





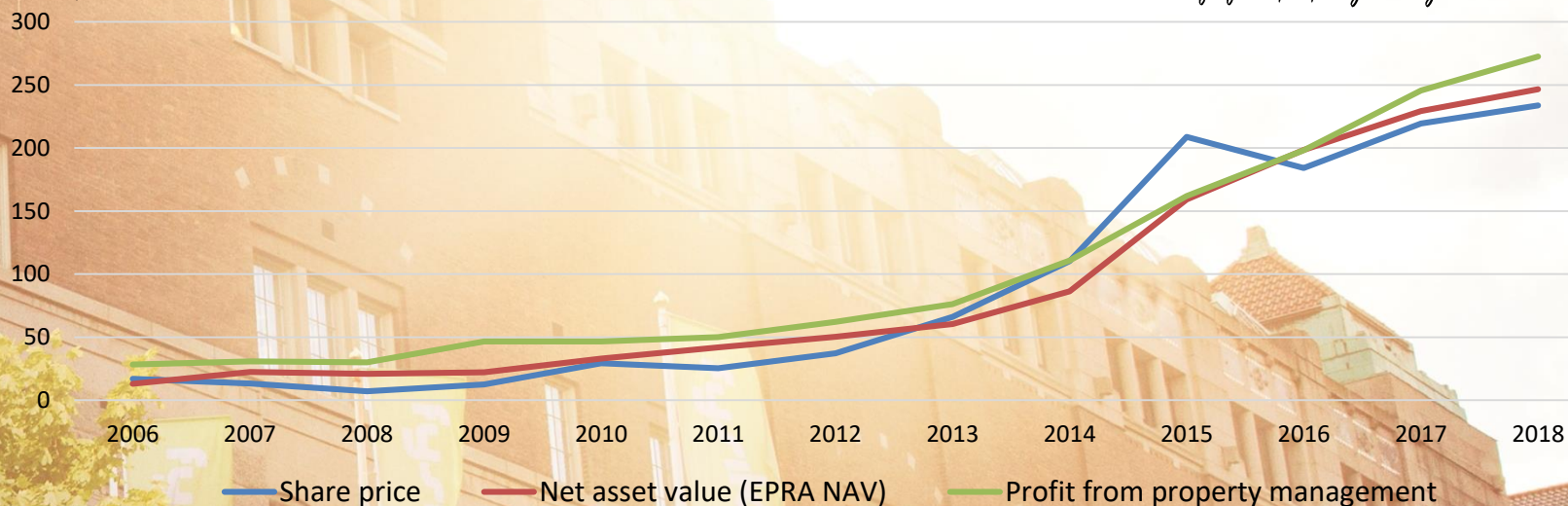
# Financing





# The share

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



Profit from property management, SEK/share

Share price/net asset value (EPRA NAV), %



Share price/Profit from property management, times

