

Fastighets AB Balder

Interim report

January-September 2018

- Profit from property management attributable to parent company shareholders amounted to SEK 2,428m (2,056), corresponding to an increase per share by 27 % to SEK 13.49 (10.59)
- Rental income amounted to SEK 4,926m (4,357)
- Profit after tax attributable to parent company shareholders amounted to SEK 7,269m (4,971) corresponding to SEK 40.38 per share (26.78)
- Long term net asset value amounted to SEK 269.66 per share (219.50) and shareholders' equity (including listed associated companies at market value) amounted to SEK 218.62 per share (177.55)

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 114.5 billion (92.9) as of 30 September 2018. The Balder share is listed on Nasdaq Stockholm, Large Cap.



Nobis Hotel Copenhagen, Denmark
Photo: Raul Raschetti

The period in brief

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

July-September 2018

- Rental income amounted to SEK 1,709m (1,475) of which effect of changes in exchange rates amounted to SEK 57m.
- Net operating income amounted to SEK 1,286m (1,109) of which effect of changes in exchange rates amounted to SEK 43m.
- Profit from property management attributable to parent company shareholders increased by 24 % to SEK 943m (760), which corresponds to an increase by 33 % per share to SEK 5.24 (3.94).
- Changes in value in respect of investment properties amounted to SEK 3,348m (872). The average yield requirement amounted to 4.8 % (5.0).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK 80m (28).
- Net profit after tax for the period amounted to SEK 3,600m (1,464).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 3,400m (1,271) which corresponds to SEK 18.89 per share (6.78).
- 4 properties (14) have been acquired at a property value of SEK 727m (2,831).
- No properties (2) were divested during the period, only condominiums and land were divested at a value of SEK 152m (84).

January-September 2018

- Rental income amounted to SEK 4,926m (4,357), of which effect of changes in exchange rates amounted to SEK 169m.
- Net operating income increased by 16 % to SEK 3,588m (3,086), of which effect of changes in exchange rates amounted to SEK 120m.
- Profit from property management attributable to parent company shareholders increased by 18 % to SEK 2,428m (2,056), which corresponds to an increase per share by 27 % to SEK 13.49 (10.59).
- Changes in value in respect of investment properties amounted to SEK 6,351m (3,582). The average yield requirement amounted to 4.8 % (5.0).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK 24m (160).
- Net profit after tax for the period amounted to SEK 7,955m (5,430).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 7,269m (4,971) which corresponds to SEK 40.38 per share (26.78).
- 27 properties (35) have been acquired at a property value of SEK 3,566m (3,771) of which 7 hotel properties in Germany.
- No properties (111) were divested during the period, only condominiums and land were divested at a value of SEK 266m (2,873).
- 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.

	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec	2011 Jan-Dec
Rental income, SEKm	4,926	4,357	5,915	5,373	2,711	2,525	1,884	1,701	1,466
Profit from property management, SEKm ¹⁾	2,428	2,056	2,804	2,265	1,780	1,275	854	691	516
Changes in value of properties, SEKm	6,351	3,582	5,336	4,932	3,388	3,050	854	812	990
Changes in value of derivatives, SEKm	24	160	144	-114	227	-624	433	-71	-520
Profit after tax, SEKm ¹⁾	7,269	4,971	7,118	5,474	4,916	3,128	1,738	1,162	812
Carrying amount of properties, SEKm	114,548	92,883	98,360	86,177	68,456	37,382	27,532	22,278	17,556

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

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	40.38	26.78	38.71	30.38	28.98	18.10	10.11	6.69	4.87
Profit from property management, SEK	13.49	10.59	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	218.62	177.55	185.02	157.63	128.03	70.10	52.14	42.15	35.57
Long-term net asset value (EPRA NAV), SEK	269.66	219.50	229.25	198.49	159.14	86.33	60.50	50.37	41.83
Share price on the closing date, SEK	246.60	211.80	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

Dear shareholder,

Nothing new under the sun*

Balder performed strongly during Q3 with profit from property management that increased by 33 % per share. We are working tirelessly and enthusiastically to improve the profit from property management per share over time. The property value also continued to rise through investments, improved net operating income in the existing portfolio and a slightly lower yield requirement.

The property market is strong overall in our markets but we see large variations between different segments and sub-markets. Despite the strong property market, I believe that we also have good potential to find reasonably good investment opportunities going forward. A positive factor to bear in mind is that Balder is expanding through a presence in more locations/markets and that we are becoming better and better as a company with time.

It is a real pleasure and privilege for me to serve as Balder's CEO. I am grateful for every day, and to all of you I meet, that you are part of my life and make all of this possible.

Now we are continuing with our work in the same way as before – strengthening the company, our balance sheet and trying to reinvest the profits generated in a smart way.

Erik Selin
Chief Executive Officer

*Ecclesiastes from 1917: "What has been will be again, what has been done will be done again; there is nothing new under the sun."

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 Sep	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
Rental income	6,800	6,665	6,430	6,240	5,920	5,860	5,700	5,800	5,470	5,325	5,135
Property costs	-1,845	-1,815	-1,760	-1,720	-1,655	-1,690	-1,660	-1,695	-1,690	-1,685	-1,670
Net operating income	4,955	4,850	4,670	4,520	4,265	4,170	4,040	4,105	3,780	3,640	3,465
Management and administrative costs	-590	-590	-565	-550	-510	-490	-490	-490	-490	-480	-440
Profit from property management from associated companies	660	650	650	640	600	530	530	505	470	420	355
Operating profit	5,025	4,910	4,755	4,610	4,355	4,210	4,080	4,120	3,760	3,580	3,380
Net financial items	-1,100	-1,120	-1,120	-1,060	-1,050	-950	-950	-1,040	-1,025	-1,010	-930
Of which non-controlling interests	-555	-555	-550	-525	-475	-455	-450	-445	-445	-380	-400
Profit from property management ¹⁾	3,370	3,235	3,085	3,025	2,830	2,805	2,680	2,635	2,290	2,190	2,050
Tax	-730	-700	-665	-650	-610	-605	-580	-570	-490	-470	-440
Profit after tax	2,640	2,535	2,420	2,375	2,220	2,200	2,100	2,065	1,800	1,720	1,610
Profit from property management per share, SEK	18.72	17.97	17.14	16.81	15.72	14.47	13.78	13.52	11.92	11.55	10.73

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 September.

SEKm	2018 30 Sep	2017 30 Sep	2017 31 Dec
Assets			
Investment properties	114,548	92,883	98,360
Other fixed assets	114	134	107
Participations in associated companies ^{1,2)}	6,556	7,017	6,707
Other receivables	1,660	1,587	1,508
Cash and cash equivalents and financial investments	1,177	5,328	1,585
Total assets	124,055	106,949	108,268
Shareholders' equity and liabilities			
Shareholders' equity ³⁾	46,553	38,003	39,725
Deferred tax liability	8,322	6,678	7,041
Interest-bearing liabilities	65,462	55,826	58,384
—of which Hybrid capital ⁴⁾	3,603	3,348	3,447
Derivatives	865	872	922
Other liabilities	2,853	5,570	2,196
Total equity and liabilities	124,055	106,949	108,268
1) Including Balder's market value of Collector AB (publ) Collector's share price (SEK)	2,796 61.80	4,242 93.75	3,677 81.25
2) Including Balder's market value of Brinova Fastigheter AB (publ) Brinova's share price (SEK)	326 17.70	248 13.45	220 11.95
3) Of which non-controlling interests	7,201	6,043	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	1,802	1,674	1,724

Consolidated statement of changes in equity

SEKm	2018 30 Sep	2017 30 Sep	2017 31 Dec
Opening equity	39,725	36,791	36,791
Transition effect IFRS 9	–92	–	–
Total comprehensive income for the period/year	8,034	5,415	7,791
Dividend preference shares	–	–50	–50
Retiring of preference capital	–	–3,500	–3,500
Transactions with non-controlling interests	–79	–8	–8
Dividend to non-controlling interests	–135	–	–
Non-controlling interests, arising on the acquisitions of subsidiary	–	6	6
The change during the period/year of listed associated companies at market value	–901	–650	–1,304
Closing equity	46,553	38,003	39,725

Income, costs and results

Profit from property management

Profit from property management for the period amounted to SEK 2,862m (2,401), of which effect of changes in exchange rates amounted to SEK 72m. Profit from property management attributable to parent company shareholders increased by 18 % and amounted to SEK 2,428m (2,056), which corresponds to an increase per share by 27 % to SEK 13.49 (10.59). Profit from property management includes SEK 485m (425) in respect of associated companies.

Net profit after tax

Net profit after tax for the period amounted to SEK 7,955m (5,430). Net profit after tax for the period attributable to parent company shareholders amounted to SEK 7,269m (4,971), corresponding to SEK 40.38 per share (26.78). Profit before tax was affected by changes in value in respect of properties of SEK 6,351m (3,582), changes in value of interest rate derivatives of SEK 24m (160) and profit from participations in associated companies of SEK 590m (741).

Rental income

Rental income increased by 13 % to SEK 4,926m (4,357), of which the effect of changes in exchange rates was SEK 169m. The increase was primarily due to acquisitions, new leases and completed projects. The leasing portfolio was estimated to have a rental value on 30 September of SEK 7,062m (6,191). The average rental level for the entire real estate portfolio amounted to SEK 1,762/sq.m. (1,663) 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 September. The total rental value of unlet areas at the end of the period amounted to SEK 262m (271) on an annual basis.

Property costs

Property costs amounted to SEK 1,338m (1,271) during the period, of which the effect of changes in exchange rates was SEK 48m.

Net operating income increased by 16 % to SEK 3,588m (3,086), which implies a surplus ratio of 73 % (71).

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

Changes in value of investment properties

Balder carried out an individual internal valuation on 30 September of the entire real estate portfolio, see page 9. Unrealised changes in value during the period amounted to SEK 6,301m (3,444). Realised changes in value amounted to SEK 50m (138). The average yield requirement as of 30 September amounted to 4.8 % (5.0), which is 0.2 percentage

points lower compared to year-end. The change in value during the period is attributable to the market's lower yield requirement and improved net operating income.

Management and administrative costs

Management and administrative costs amounted to SEK 436m (405) during the period, of which the effect of changes in exchange rates was SEK 19m.

Participations in the profits of associated companies

Balder owns property managing and project developing associated companies, see note 15 in Balder's Annual Report for 2017, 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 590m (741) and Balder's participation in the associated companies profit from property management amounted to SEK 485m (425).

Profit before tax was impacted by unrealised changes in value in respect of properties and interest rate derivatives of SEK 228m (500). The tax expense for the period amounted to SEK -123m (-184).

Net financial items and changes in value of derivatives

Net financial items amounted to SEK -774m (-711), of which the effect of changes in exchange rates was SEK -30m. Changes in value of interest rate derivatives amounted to SEK 24m (160). The positive change in value of derivatives during the period 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 1.7 % (1.9) on the closing date and 1.8 % (1.9) for the period.

Taxes

The group's tax cost amounted to SEK -1,385m (-1,029), of which effect of changes in exchange rates amounted to SEK -43m. Current tax for the period amounts to SEK -209m (-156), mainly attributable to Sato Oyj, and also a deferred tax expense of SEK -1,176m (-874). Current tax attributable to parent company shareholders amounted to SEK -130m (-84).

The group's deferred tax liability has been calculated as the value of the net of fiscal deficits and the temporary differences between the carrying amounts and values for tax purposes of properties and interest rate derivatives. Deferred tax liabilities amounted to SEK 8,322m (6,678).

Following the decision on changed corporate taxation, the deferred tax liability has been recomputed to the new tax rate 20.6 % regarding the Swedish operations. 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 net SEK 328m for the period to and including September 2018, 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. The new rules apply from 1 January 2019.

Third quarter 2018

Profit from property management for the third quarter of 2018 increased by 23 % and amounted to SEK 1,099m (892). Profit from property management attributable to parent company shareholders for the third quarter of 2018 increased by 24 % and amounted to SEK 943m (760) which corresponds to an increase per share of 33 % to SEK 5.24 (3.94). Profit from property management included SEK 174m (160) in respect of associated companies. Rental income amounted to SEK 1,709m (1,475) and property costs amounted to SEK 423m (366), which meant that net operating income increased by 16 % to SEK 1,286m (1,109), of which the effect of changes in exchange rates was SEK 43m. The surplus ratio amounted to 75 % (75).

Net profit after tax for the period amounted to SEK 3,600m (1,464). Profit after tax attributable to parent company shareholders amounted to SEK 3,400m (1,271) corresponding to SEK 18.89 per share (6.78). The result was affected by changes in value in respect of properties of SEK 3,348m (872), changes in value of interest rate derivatives of SEK 80m (28) and profit from participations in associated companies of SEK 185m (180).

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 2,000m (1,778). Investing activities have burdened the cash flow by SEK -8,412m (-3,632).

During the period, acquisition of properties of SEK -3,566m (-3,905), investments in existing properties and projects of SEK -4,404m (-2,262), investments in property, plant and equipment, financial investments, associated companies and transactions with non-controlling interests SEK -739m (-435), dividends paid preference shares of SEK -m (-150), and realised changes derivatives SEK -m (-417) and dividend to non-controlling interests SEK -135m (-) adds up to SEK -8,843m (-7,169).

These have been financed through cash flow from operating activities of SEK 2,452m (1,636), by property divestments of SEK 266m (2,830), financial investments of SEK 7m (8), associated companies SEK -m (120), dividend from associated companies of SEK 24m (13) and net borrowings of SEK 5,286m (6,300), which adds up to SEK 8,035m (10,905).

Total cash flow for the period amounted to SEK -808m (3,737). In addition to unutilised credit facilities of SEK 7,147m (5,827), the group's cash and cash equivalents, financial investments and unutilised overdraft facilities amounted to SEK 1,527m (5,535) on 30 September.

Employees and organisation

The number of employees on 30 September amounted to 643 persons (592), of whom 284 were women (275). 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 197m (186) during the period.

Net profit after tax amounted to SEK 1,646m (1,474). Dividends from subsidiaries was included with SEK 1,608m (909), other net financial items amounted to SEK 30m (585) of which exchange rates differences amounted to SEK -762m (-98), changes in value of interest rate derivatives amounted to SEK 24m (150).

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 September Balder owned 1,179 properties (1,145) with a lettable area of 3,993 thousand sq.m. (3,678) and a value of SEK 114,548m (92,883), including project properties. Balder's total rental value excluding project properties amounted to SEK 7,035m (6,118).

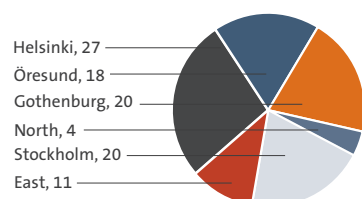
Balder's commercial properties are mainly located in the central parts of the major cities. Balder's residential properties are located in metropolitan areas and places that are growing and developing positively. Balder's ambition is to continue growing in selected markets.

Balder's real estate holdings on 2018-09-30 ¹⁾

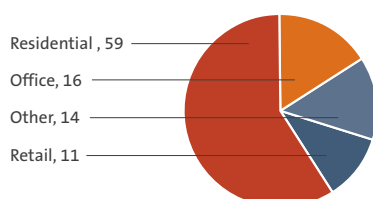
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	509	1,030,482	2,342	2,272	2,290	98	30,037	26
Stockholm	76	652,415	1,195	1,832	1,132	95	22,605	20
Gothenburg	147	913,426	1,279	1,400	1,225	96	21,812	19
Öresund	91	574,194	966	1,683	915	95	18,833	16
East	274	627,073	999	1,594	963	96	12,303	11
North	82	195,749	254	1,299	248	98	4,188	4
Total	1,179	3,993,339	7,035	1,762	6,774	96	109,778	96
Project			26		26		4,770	4
Total	1,179	3,993,339	7,062	1,762	6,800	96	114,548	100
Distributed by property category								
Residential	943	2,428,942	4,368	1,798	4,255	97	62,951	55
Office	70	474,925	982	2,069	894	91	18,002	16
Retail	103	594,937	789	1,326	759	96	12,556	11
Other	63	494,535	896	1,813	866	97	16,269	14
Total	1,179	3,993,339	7,035	1,762	6,774	96	109,778	96
Project			26		26		4,770	4
Total	1,179	3,993,339	7,062	1,762	6,800	96	114,548	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, 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 September, Balder's average yield requirement amounted to 4.8 % (5.0) excluding project and development properties, which is 0.2 percentage points lower 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 September, Balder had ongoing projects with an expected total investment of SEK 9.3 billion, of which about SEK 4.8 billion was already invested. Most of the ongoing projects refers to residential projects. The projects mainly comprise of about 700 apartments in Sweden, about 800 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 114,548m (92,883) on 30 September. The unrealised change in value during the period amounted to SEK 6,301m (3,444) and is attributable to the market's lower yield requirement and improved net operating income.

Investments, acquisitions and divestments

During the period, a total of SEK 7,970m (6,033) was invested, of which SEK 3,566m (3,771) related to acquisitions and SEK 4,404m (2,262) related to investments in existing properties and projects. During the period only condominiums and land have been divested at a sales value of SEK 266m (2,873). Profit from property sales amounted to SEK 50m (138). 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 ¹⁾	SEKm	Number ¹⁾
Real estate portfolio, 1 January	98,360	1,148	86,177	1,220
Investments in existing properties and projects	4,404		2,262	
Acquisitions	3,566	27	3,771	35
Sales/Reclassifications	-216	4	-2,735	-110
Change in value of investment properties, unrealised	6,301		3,444	
Currency changes	2,133		-36	
Real estate portfolio, 30 September	114,548	1,179	92,883	1,145

1) Number of investment properties.

Property transactions 2018

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Acquisitions					
One	1	Årsta 68:1	Uppsala	Retail	7,558
One	1	Flygspanaren 8	Norrtälje	Retail	1,884
One	1	Inom Vallgraven 19:4	Gothenburg	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
Three	1	Ritmallen 2	Sollentuna	Residential	11,011
Three	1	Grytan 4	Malmö	Other	2,790
Three	1	Grytan 9	Malmö	Other	13,998
Three	1	Backa 171:4	Gothenburg	Office	8,837
Total	27				186,298

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 % (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 % (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 Rosengard-fastigheter.se.

Balder's participation in the 50 %-owned associated companies' real estate holdings on 2018-09-30¹⁾

	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	58	145,605	209	1,434	204	98	3,818	42
Gothenburg	18	104,004	128	1,228	122	96	1,767	19
Öresund	24	66,903	98	1,459	97	99	1,578	17
East	24	93,362	102	1,096	96	94	1,240	13
Total	124	409,874	536	1,309	519	97	8,403	91
Project			2		2		784	9
Total	124	409,874	539	1,309	521	97	9,187	100
Distributed by property category								
Residential	37	62,411	108	1,738	107	99	2,303	25
Office	13	38,500	85	2,200	80	94	1,393	15
Retail	57	219,132	250	1,139	239	96	3,243	35
Other	17	89,832	94	1,042	92	98	1,464	16
Total	124	409,874	536	1,309	519	97	8,403	91
Project			2		2		784	9
Total	124	409,874	539	1,309	521	97	9,187	100

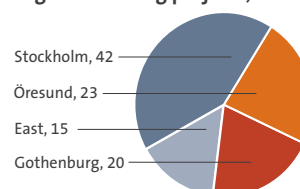
1) The above table refers to the properties owned by the associated companies at the end of the period. Sold properties have been excluded and acquired properties have been estimated using full-year values. Other properties include hotel, educational, nursing, industrial and mixed-use properties.

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

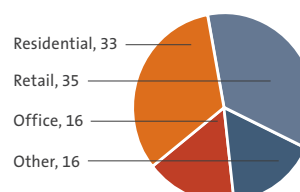
Balder's participation in the balance sheets of 50 %-owned associated companies

SEKm	2018 30 Sep	2017 30 Sep	2017 31 Dec
Assets			
Properties	9,187	7,598	7,999
Other assets	90	67	41
Cash and cash equivalents	163	147	105
Total assets	9,440	7,812	8,145
Shareholders' equity and liabilities			
Equity/interest-bearing shareholder loan	4,270	3,284	3,474
Deferred tax liability	489	419	443
Interest-bearing liabilities	4,420	3,995	4,107
Other liabilities	261	114	121
Total equity and liabilities	9,440	7,812	8,145

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 7.8 years (7.5). Balder's 10 largest leases represent 5.5 % (5.5) of total rental income and the average lease term amounts to 12.2 years (11.4).

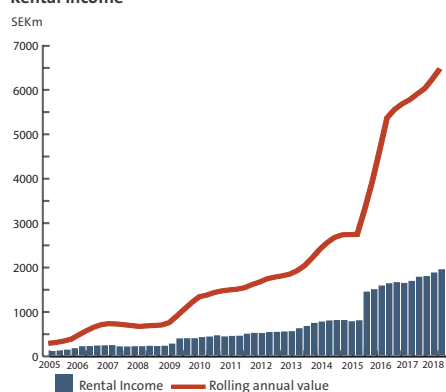
No individual lease accounts for more than 0.9 % (0.8) of Balder's total rental income and no individual customer accounts for more than 4.0 % (4.3) of total rental income.

Lease maturity structure 2018-09-30

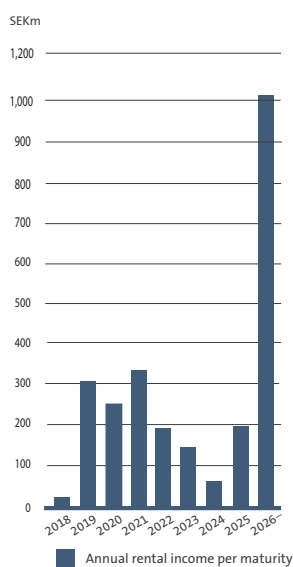
Maturity date	Number of leases	Proportion, %	Contracted rent, SEKm	Proportion, %
2018	139	5	29	0
2019	1,204	40	305	4
2020	577	19	253	4
2021	542	18	338	5
2022–	546	18	1,686	25
Total	3,008	100	2,611	38
Residential ¹⁾	37,090		4,124	61
Car park ¹⁾	4,838		18	0
Garage ¹⁾	3,800		46	1
Total	48,736		6,800	100

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

Rental Income



Maturity structure of commercial lease contracts



Balder's 10 largest customers

as of 2018-09-30

- I.A. Hedin Bil AB
- ICA Sverige AB
- Norwegian State
- Profilhotels
- Scandic Hotels AB
- The Stockholm School Properties Company
- 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 September amounted to 50.4 %.

Financial Key ratios

	2018 30 Sep	2017 30 Sep	2017 31 Dec
Interest-bearing liabilities excl. Hybrid capital, SEKm	61,859	52,478	54,936
Hybrid capital, SEKm	3,603	3,348	3,447
Available liquidity including confirmed loan commitments, SEKm	8,674	7,862 ¹⁾	7,875
Average fixed credit term, years	5.0	5.5	5.5
Average interest rate refixing period, years	3.3	3.7	4.0
Net debt to total assets (financial covenant ²⁾ < 65), %	50.4	48.9	50.9
Interest coverage ratio (financial covenant ²⁾ > 1,8), times	4.7	4.4	4.3
Secured debt/Total assets (financial covenant ²⁾ < 45), %	19.6	22.6	21.9
Credit rating S&P	BBB Stable outlook	BBB Stable outlook	BBB Stable outlook
Credit rating Moody's	Baa3 Positive outlook	Baa3 Positive outlook	Baa3 Positive outlook
Calculation of net debt			
Interest-bearing liabilities excl. Hybrid capital, SEKm	61,859	52,478	54,936
Hybrid capital (50 % is treated as equity by rating agencies), SEKm	1,802	1,674	1,724
Cash and cash equivalents and financial investments, SEKm	-1,177	-1,828 ¹⁾	-1,585
Net debt	62,483	52,324	55,075

1) Cash and cash equivalents is decreased by SEK 3,500m which referred to future payment to preference shareholders on 12 October 2017.

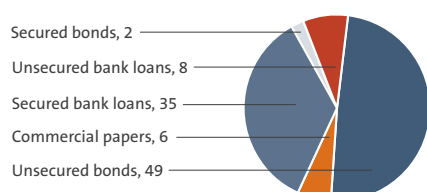
2) Financial covenants refers to obligations that Balder has to its financiers in the form of financial key ratios.

Financial targets

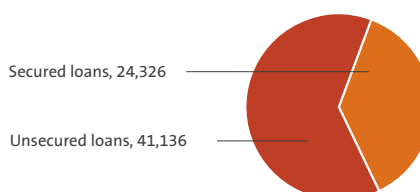
	Target	Outcome ³⁾
Equity/assets ratio, %	min.	35.0
Net debt to total assets, %	max.	50.0
Interest coverage ratio, times	min.	2.0

3) 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



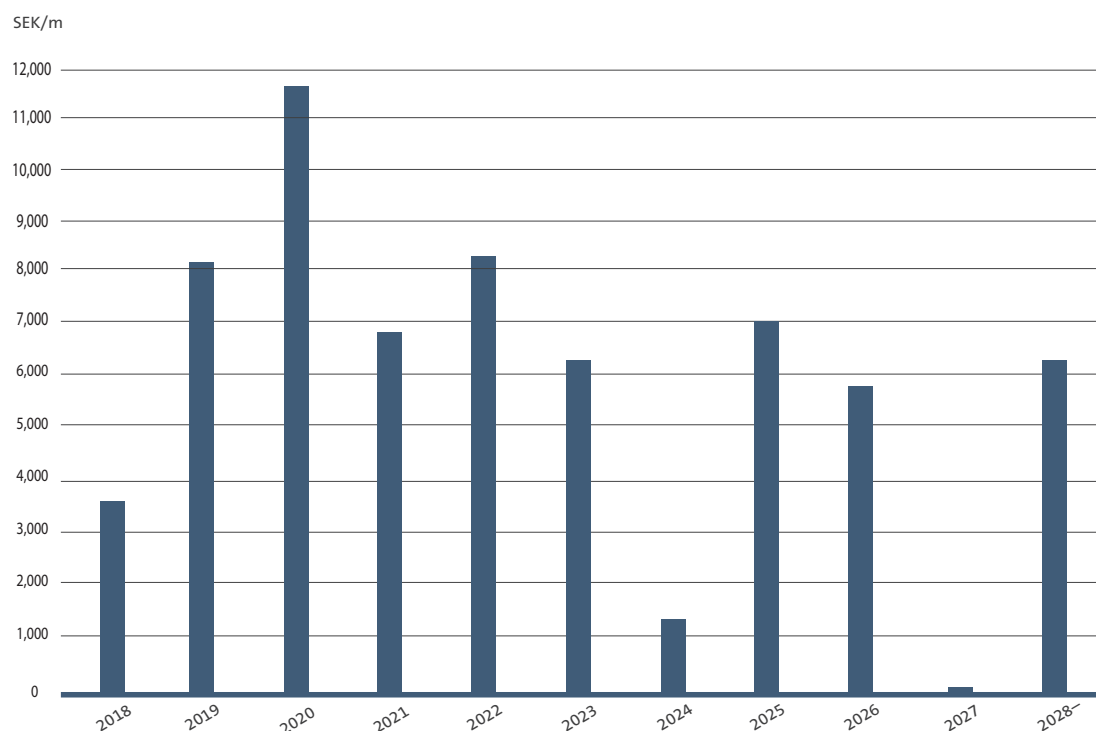
Interest maturity structure on 2018-09-30

Year	Fixed interest term		
	SEKm	Interest, %	Proportion, %
Within one year	27,761	0.8	42
1–2 years	4,348	2.1	7
2–3 years	5,731	2.4	9
3–4 years	7,155	1.8	11
4–5 years	4,650	3.0	7
5–6 years	853	2.8	1
6–7 years	6,998	2.1	11
7–8 years	6,457	2.3	10
8–9 years	—	—	—
9–10 years	—	—	—
> 10 years	1,508	3.2	2
Total	65,462	1.7	100

Fixed credit term on 2018-09-30

Year	Fixed credit term	
	SEKm	Proportion, %
Within one year	8,803	13
1–2 years	10,744	16
2–3 years	10,041	15
3–4 years	6,712	10
4–5 years	7,175	11
5–6 years	2,412	4
6–7 years	7,092	11
7–8 years	5,936	9
8–9 years	156	0
9–10 years	144	0
> 10 years	6,245	10
Total	65,462	100

Debt maturities on 2018-09-30



Other disclosures

Events after the end of the period

After the end of the reporting period, Balder has together with institutional capital entered into an agreement with Castellum to acquire a real estate portfolio including office, warehouse and logistic properties in Stockholm and Gothenburg. Balder's share is 49 %. The acquisition comprises 38 properties with a lettable area of 174 thousand sq.m. and is acquired for approximately SEK 1,800 million before deduction for deferred tax. Closing is scheduled to 31 December 2018.

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

Related party transactions

Balder receives fees from associated companies and Erik Selin Fastigheter AB for property and company management services. These fees amounted to SEK 38m (32) during the period and are reported in management and administrative costs. In addition, services are bought from Collector AB (publ). All transactions have been priced on market terms.

Risks and uncertainties

Balder's operations, financial position and results may be affected by a number of risks and uncertainty factors. These are described in the Annual Report for 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. The accounting principles follow those reported in the Annual Report 2017.

New accounting policies from and including 1 January 2018

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

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 the year and will be reported in the Year-end report and the Annual Report for 2018.

Nomination Committee

The Annual General Meeting on 8 May 2018 resolved that the nomination committee shall be composed of one representative for each of the two largest shareholders or ownership spheres in addition to Lars Rasin, who represents the other shareholders. The names of the other two members and the owners they represent shall be announced not later than six months before the Annual General Meeting and shall be based on known ownership immediately prior to publication.

In accordance with this resolution, Balder's nomination committee, based on ownership as of 30 September 2018 and known changes subsequently, Lars Rasin, Chairman, Jesper Mårtensson, representing Erik Selin Fastigheter AB and Rikard Svensson, representing Arvid Svensson Invest AB.

The Annual General Meeting will be held in Gothenburg on Wednesday 8 May 2019. Shareholders who wish to contact the nomination committee can do so via e-mail to info@balder.se.

Gothenburg 6 November 2018

Erik Selin
Chief Executive Officer

Auditor's report

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

Introduction

We have reviewed the condensed interim financial information (interim report) for Fastighets AB Balder (publ) as of 30 September 2018 and for the nine-month period that ended on this date. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

The focus and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing practices. The procedures performed in a review do not

enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as a conclusion based on an audit.

Conclusion

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

Gothenburg 6 November 2018
Öhrlings PricewaterhouseCoopers AB

Bengt Kron
Authorised Public Accountant
Auditor in charge

Helén Olsson Svärdström
Authorised Public Accountant

Consolidated statement of comprehensive income

SEKm	2018 July-Sep	2017 July-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/2018 Oct-Sep	2017 Jan-Dec
Rental income	1,709	1,475	4,926	4,357	6,484	5,915
Property costs	-423	-366	-1,338	-1,271	-1,762	-1,695
Net operating income	1,286	1,109	3,588	3,086	4,723	4,220
Management and administrative costs	-143	-137	-436	-405	-574	-543
Participations in the profits of associated companies	185	180	590	741	860	1,010
– of which profit from property management	174	160	485	425	644	583
– of which changes in value	68	41	228	500	403	675
– of which tax	-57	-21	-123	-184	-187	-248
Other income/costs	2	4	-2	6	-0	8
Net financial items	-220	-243	-774	-711	-1,047	-984
Profit including changes in value and tax in associated companies	1,109	912	2,967	2,717	3,961	3,711
– of which Profit from property management	1,099	892	2,862	2,401	3,744	3,284
<i>Changes in value</i>						
Changes in value properties, realised	14	1	50	138	96	184
Changes in value properties, unrealised	3,334	871	6,301	3,444	7,972	5,115
Changes in value derivatives	80	28	24	160	8	144
Changes in value total	3,428	900	6,374	3,742	8,075	5,443
Profit before tax	4,537	1,812	9,341	6,459	12,036	9,154
Income tax	-937	-349	-1,385	-1,029	-1,742	-1,386
Net profit for the period/year	3,600	1,464	7,955	5,430	10,294	7,769
<i>Net profit for the period/year attributable to:</i>						
Parent company shareholders	3,400	1,271	7,269	4,971	9,416	7,118
Non-controlling interests	200	193	687	459	878	650
	3,600	1,464	7,955	5,430	10,294	7,769
Other comprehensive income – items that may be subsequently reclassified to profit or loss						
Translation difference relating to foreign operations	-38	-140	13	-116	26	-103
Cash flow hedges after tax	42	11	52	102	72	121
Participation in other comprehensive income of associated companies	-2	0	13	-1	18	4
Total comprehensive income for the period/year	3,603	1,335	8,034	5,415	10,410	7,791
<i>Total comprehensive income for the period/year attributable to:</i>						
Parent company shareholders	3,477	1,202	7,035	4,909	9,032	6,906
Non-controlling interests	126	133	1,000	505	1,379	885
	3,603	1,335	8,034	5,415	10,410	7,791
Profit from property management	1,099	892	2,862	2,401	3,744	3,284
Of which non-controlling interests part of Profit from property management	-156	-133	-434	-345	-568	-480
Profit from property management attributable to parent company shareholders	943	760	2,428	2,056	3,176	2,804
Profit from property management per share, SEK	5.24	3.94	13.49	10.59	17.64	14.74
Profit after tax per share, SEK	18.89	6.78	40.38	26.78	52.31	38.71

There is no dilutive effect as no potential shares arise.

Consolidated statement of financial position

SEKm	2018 30 Sep	2017 30 Sep	2017 31 Dec
Assets			
Investment properties	114,548	92,883	98,360
Other fixed assets	114	134	107
Participations in associated companies	5,449	4,356	4,699
Other receivables	1,660	1,587	1,508
Cash and cash equivalents and financial investments	1,177	5,328	1,585
Total assets	122,948	104,288	106,260
Shareholders' equity and liabilities			
Shareholders' equity ¹⁾	45,447	35,341	37,718
Deferred tax liability	8,322	6,678	7,041
Interest-bearing liabilities	65,462	55,826	58,384
—of which Hybrid capital ²⁾	3,603	3,348	3,447
Derivatives	865	872	922
Other liabilities	2,853	5,570	2,196
Total equity and liabilities	122,948	104,288	106,260
1) Of which non-controlling interests	7,201	6,043	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	1,802	1,674	1,724

Consolidated statement of changes in equity

SEKm	2018 30 Sep	2017 30 Sep	2017 31 Dec
Opening equity	37,718	33,479	33,479
Transition effect IFRS 9	–92	–	–
Total comprehensive income for the period/year	8,034	5,415	7,791
Dividend preference shares	–	–50	–50
Retiring of preference capital	–	–3,500	–3,500
Transactions with non-controlling interests	–79	–8	–8
Dividend to non-controlling interests	–135	–	–
Non-controlling interests arising on the acquisition of subsidiary	–	6	6
Closing equity	45,447	35,341	37,718

Consolidated statement of cash flows

SEKm	2018 July-Sep	2017 July-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Net operating income	1,286	1,109	3,588	3,086	4,220
Other income/costs	2	4	-2	6	8
Management and administrative costs	-143	-137	-436	-405	-543
Reversal of depreciation	5	6	14	18	19
Net financial items paid	-288	-236	-890	-757	-961
Taxes paid	-84	-17	-275	-170	-235
Cash flow from operating activities before change in working capital	777	729	2,000	1,778	2,508
Change in operating receivables	-12	-133	-103	-97	-86
Change in operating liabilities	126	39	555	-45	69
Cash flow from operating activities	891	634	2,452	1,636	2,490
Acquisition of properties	-727	-2,831	-3,566	-3,905	-4,936
Acquisition/Divestment of property, plant and equipment	-6	-2	-21	-16	-27
Purchase of financial investments	-136	-20	-358	-24	-41
Acquisition of shares in associated companies/Capital contribution to associated companies	-0	-224	-250	-387	-456
Investment in existing properties and projects	-1,536	-670	-4,404	-2,262	-3,718
Transactions with non-controlling interests	-94	-6	-111	-8	-8
Sale of properties	152	84	266	2,830	2,830
Sale of financial investments	1	-	7	8	7
Sale of shares in associated companies	-	120	-	120	120
Dividend paid from associated companies	-	-	24	13	13
Cash flow from investing activities	-2,345	-3,549	-8,412	-3,632	-6,215
Dividend paid for preference shares	-	-50	-	-150	-150
Redemption of preference capital	-	-	-	-	-3,500
Dividend paid to non-controlling interests	-	-	-135	-	-
Changes in value derivatives, realised	-	-199	-	-417	-417
Loans raised	1,999	9,682	9,359	21,453	24,896
Amortisation/redemption of loans sold properties/changes in overdraft facilities	-680	-4,415	-4,073	-15,154	-17,110
Cash flow from financing activities	1,319	5,019	5,152	5,733	3,719
Cash flow for the period/year	-136	2,105	-808	3,737	-6
Cash and cash equivalents at the start of the period/year	608	2,919	1,281	1,287	1,287
Cash and cash equivalents at the end of the period/year	472	5,023	472	5,023	1,281
Cash and cash equivalents	472	5,023	472	5,023	1,281
Unutilised overdraft facilities	350	207	350	207	350
Unutilised credit facilities	7,147	5,827	7,147	5,827	5,940
Financial investments	705	305	705	305	305
Available liquidity including confirmed credit commitments	8,674	11,362	8,674	11,362	7,875

Segment information

SEKm	2018 July-Sep	2017 July-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/2018 Oct-Sep	2017 Jan-Dec
Rental income						
Helsinki	588	498	1,717	1,510	2,251	2,044
Stockholm	274	229	771	674	1,017	920
Gothenburg	308	279	921	851	1,222	1,153
Öresund	242	176	652	474	844	666
East	240	240	697	689	926	919
North	57	53	169	159	224	214
Total	1,709	1,475	4,926	4,357	6,484	5,915
Net operating income						
Helsinki	432	359	1,198	989	1,562	1,352
Stockholm	214	179	596	514	786	704
Gothenburg	239	220	691	630	922	861
Öresund	195	133	507	362	655	510
East	164	179	481	482	641	642
North	42	39	115	110	155	151
Total	1,286	1,109	3,588	3,086	4,723	4,220

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 3,588m (3,086) and profit before tax of SEK 9,341m (6,459) consists of changes in value of properties of SEK 6,351m (3,582), other income/costs SEK –2m (6), management and administrative costs of SEK –436m (–405), participations in profits of associated companies of SEK 590m (741), net financial items of SEK –774m (–711) and changes in value of derivatives of SEK 24m (160).

SEKm	2018 30 Sep	2017 30 Sep	2017 31 Dec
Investment properties			
Helsinki	30,037	25,680	26,918
Stockholm	22,605	17,272	17,675
Gothenburg	21,812	17,959	19,376
Öresund	18,833	13,062	14,591
East	12,303	10,939	11,402
North	4,188	3,241	3,334
Total carrying amount excluding project	109,778	88,154	93,297
Project	4,770	4,729	5,063
Total carrying amount including project	114,548	92,883	98,360

The carrying amounts of properties have during the period changed by investments, acquisitions, divestments, unrealised changes in value and currency changes, with SEK 3,119m in Helsinki region, SEK 4,930m in the Stockholm region, SEK 2,436m in the Gothenburg region, SEK 4,242m in the Öresund region, SEK 854m in the North region and by SEK 901m in the East region. The group's projects has decreased by SEK –293m. 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 July-Sep	2017 July-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/2018 Oct-Sep	2017 Jan-Dec
Share-related ¹⁾						
Average number of shares, thousands	180,000	180,000	180,000	180,000	180,000	180,000
Profit after tax, SEK	18.89	6.78	40.38	26.78	52.31	38.71
Profit after tax excluding unrealised changes in value, SEK	4.18	3.17	13.73	9.92	18.17	14.36
Profit from property management, SEK	5.24	3.94	13.49	10.59	17.64	14.74
Net operating income, SEK	5.80	4.91	16.04	13.72	21.11	18.79
Outstanding number of shares, thousands	180,000	180,000	180,000	180,000	180,000	180,000
Shareholders' equity, SEK	218.62	177.55	218.62	177.55	218.62	185.02
Long-term net asset value (EPRA NAV), SEK	269.66	219.50	269.66	219.50	269.66	229.25
Share price on the closing date, SEK	246.60	211.80	246.60	211.80	246.60	219.40
Property-related						
Rental value full-year, SEK/sq.m.	1,762	1,663	1,762	1,663	1,762	1,724
Rental income full-year, SEK/sq.m.	1,696	1,590	1,696	1,590	1,696	1,651
Economic occupancy rate, %	96	96	96	96	96	96
Surplus ratio, %	75	75	73	71	73	71
Carrying amount, SEK/sq.m.	27,490	23,969	27,490	23,969	27,490	24,952
Number of properties	1,179	1,145	1,179	1,145	1,179	1,148
Lettable area, sq.m. thousands	3,993	3,678	3,993	3,678	3,993	3,739
Profit from property management, attributable to parent company shareholders, SEKm	943	760	2,428	2,056	3,176	2,804
Financial						
Return on equity, %	15.0	9.3	22.3	17.8	26.4	22.6
Return on total assets, %	7.0	5.2	9.7	8.0	11.3	9.9
Interest coverage ratio, times	6.0	4.7	4.7	4.4	4.6	4.3
Equity/assets ratio, %	37.5	35.5	37.5	35.5	37.5	36.7
Debt/equity ratio, times	1.4	1.4	1.4	1.4	1.4	1.4
Net debt to total assets, %	50.4	48.9 ²⁾	50.4	48.9 ²⁾	50.4	50.9

Key ratios excluding listed associated companies at market value

	2018 July-Sep	2017 July-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/2018 Oct-Sep	2017 Jan-Dec
Share-related ¹⁾						
Shareholders' equity, SEK	212.47	162.77	212.47	162.77	212.47	173.86
Financial						
Return on equity, %	15.5	10.1	23.3	19.8	27.9	24.7
Return on total assets, %	7.1	5.3	9.8	8.3	11.5	10.2
Equity/assets ratio, %	37.0	33.9	37.0	33.9	37.0	35.5
Debt/equity ratio, times	1.4	1.5	1.4	1.5	1.4	1.5
Net debt to total assets, %	50.8	50.2 ²⁾	50.8	50.2 ²⁾	50.8	51.8

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

2) Cash and cash equivalents is decreased by SEK 3,500m which referred to future payment to preference shareholders on 12 October 2017.

Condensed parent company income statement

SEKm	2018 July-Sep	2017 July-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/2018 Oct-Sep	2017 Jan-Dec
Net sales	56	65	197	186	263	252
Administrative costs	-64	-69	-196	-196	-278	-278
Operating profit	-8	-4	1	-11	-14	-26
Profit from financial items						
Dividends from subsidiaries	—	—	1,608	909	1,608	909
Other net financial items	558	313	30	585	-205	350
— of which exchange rate differences	207	55	-762	-98	-1,229	-565
Changes in value of derivatives	80	28	24	150	8	133
Profit before appropriations and taxes	630	336	1,663	1,633	1,397	1,367
Appropriations						
Group contributions paid	—	—	—	—	-41	-41
Profit before tax	630	336	1,663	1,633	1,355	1,326
Deferred tax	-130	-74	-17	-159	51	-92
Net profit for the period/year ¹⁾	500	262	1,646	1,474	1,406	1,234

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 Sep	2017 30 Sep	2017 31 Dec
Assets			
Property, plant and equipment	11	25	9
Financial non-current assets	6,762	5,352	5,472
Receivables from group companies	41,959	34,999	36,790
Current receivables	215	256	199
Cash and cash equivalents and financial investments	877	5,087	1,152
Total assets	49,825	45,718	43,621
Shareholders' equity and liabilities			
Shareholders' equity	11,283	9,877	9,637
Interest-bearing liabilities	32,385	26,764	28,774
— of which Hybrid capital	3,603	3,348	3,447
Liabilities to group companies	5,356	4,886	4,443
Derivatives	388	396	412
Other liabilities	413	3,796	355
Total equity and liabilities	49,825	45,718	43,621

The share and owners

Balder's share is listed on Nasdaq Stockholm, Large Cap segment. The company's market capitalisation as of 30 September amounted to SEK 44,388m (41,615).

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 25 % (22) of outstanding shares.

The share

At the end of the period, approximately 13,000 shareholders (14,000) held shares. During the period, approximately 51 million shares were traded (63) which corresponds to an average of about 278,000 shares per trading day (336,000). The annual turnover rate amounted to 38 % (47). The price of the share was SEK 246.60 (211.80) on 30 September, corresponding to an increase of 12.4 % since year-end.

Share capital

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

EPRA key ratios

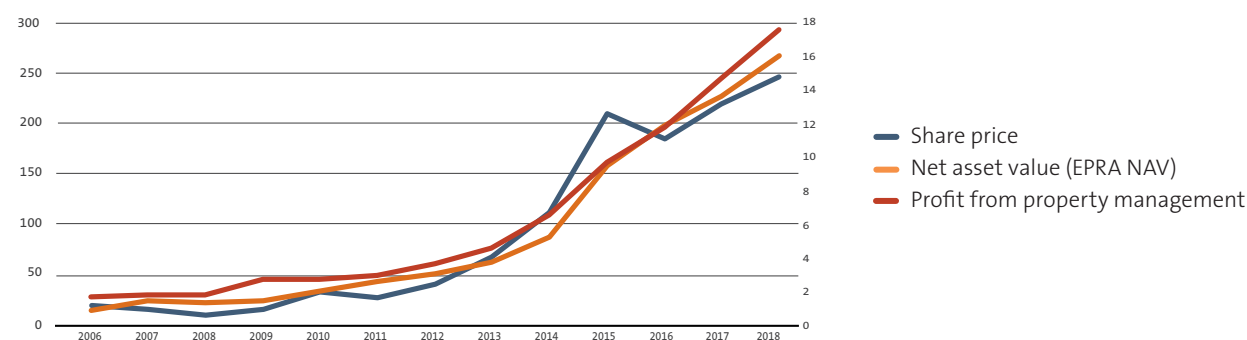
	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
EPRA NAV (Long-term net asset value), SEKm	48,539	39,509	41,265
EPRA NAV, SEK per share	269.66	219.50	229.25
EPRA Vacancy rate, %	4	4	4

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

Share price, Net asset value (EPRA NAV)

Profit from property management

SEK/share



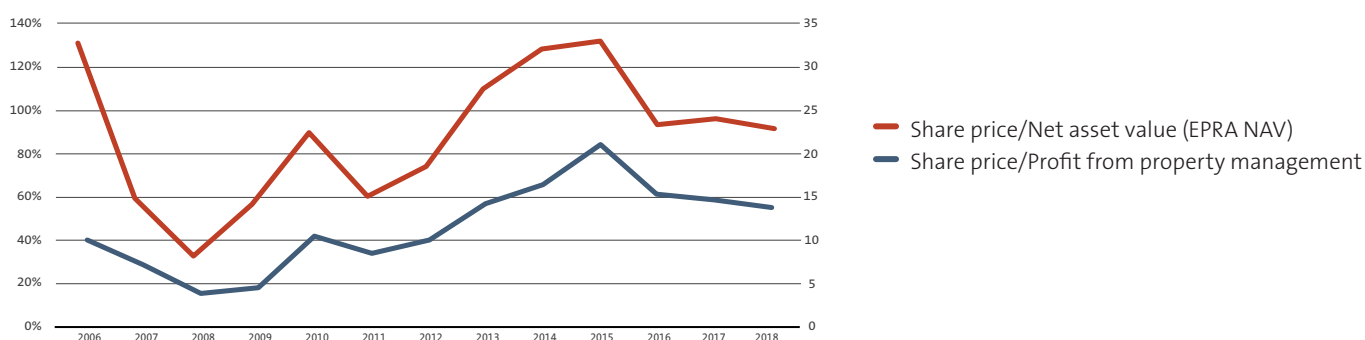
Share price/Net asset value and Share price/profit from property management

Share price/Net asset value (EPRA NAV)

Share price/Profit from property management

%

times



Ownership list as of 2018-09-30

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	—	9,442,843	9,442,843	5.2	3.4
SEB Investment Management	—	7,832,431	7,832,431	4.4	2.8
Länsförsäkringar fondförvaltning AB	—	6,552,373	6,552,373	3.6	2.3
Handelsbanken Fonder AB	—	5,227,375	5,227,375	2.9	1.9
Second Swedish National Pension Fund	—	4,155,593	4,155,593	2.3	1.5
Vanguard	—	3,200,504	3,200,504	1.8	1.1
CBNY-Norges Bank	—	2,197,413	2,197,413	1.2	0.8
Afa Försäkring	—	1,635,806	1,635,806	0.9	0.6
Other	4,212	57,772,790	57,777,002	32.1	20.6
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, %

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, % 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 08.00 a.m. on November 6, 2018.

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

Contact

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

Financial information

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

Calendar

Year-end report 2018	27 February 2019
Annual General Meeting	8 May 2019
Interim report Jan-Mar 2019	8 May 2019
Interim report Jan-June 2019	17 July 2019
Interim report Jan-Sep 2019	25 October 2019
Year-end report 2019	27 February 2020

Fastighets AB Balder (publ) balder.se · info@balder.se · Org.nr: 556525-6905

Head office Parkgatan 49 · Box 53 121 · 411 38 Gothenburg · Tel: +46 31-10 95 70 · Fax: +46 31-10 95 99

Letting Tel: +46 20-151 151

Customer service Tel: +46 774-49 49 49

Region

Gothenburg Parkgatan 49 · Box 53 121 · 411 38 Gothenburg · Tel: +46 31-10 95 70
Timmervägen 9 A · 541 64 Skövde · Tel: +46 500-47 88 50

Helsinki Panuntie 4 · PO Box 401 · 00610 Helsinki · Tel: +358-201 34 4000

North Forskarvägen 27 · 804 23 Gävle · Tel: +46 26-54 55 80
Sandbäcksgatan 5 · 653 40 Karlstad · Tel: +46 54-14 81 80
Affärsgratan 4 D · 862 31 Kvissleby · Tel: +46 60-52 45 50

Stockholm Drottninggatan 108 · 113 60 Stockholm · Tel: +46 8-735 37 70
Vårby Allé 18 · 143 40 Vårby · Tel: +46 8-735 37 70

Öresund Kalendegatan 26 · 211 35 Malmö · Tel: +46 40-600 96 50
Esplanaden 15 · 265 34 Åstorp · Tel: +46 42-569 40
Bryggaregatan 7 · 252 27 Helsingborg · Tel: +46 42-17 21 30
Vesterbrogade 1 E, 5. sal · 1620 København V · Tel: +45-88 13 61 51

East Hospitalsgatan 11 · 602 27 Norrköping · Tel: +46 11-15 88 90
Rönnebergagatan 10 · 723 46 Västerås · Tel: +46 21-10 98 90