

Balder

Annual report 2017



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Introduction

We invite you to take a look at Fastighets AB Balder's Annual Report for 2017. This document also contains the Group's sustainability report. The sustainability report covers the parent company Fastighets AB Balder (corp. id. no. 556525-6905) and all subsidiaries that are consolidated in Balder's annual accounts for the same period, which are specified in Note 26 to the annual accounts. The sustainability report was prepared in accordance with the provisions of Chapters 6 and 7 of the Swedish Annual Accounts Act. The company strives to ensure that sustainability should be a natural part of our operations and the sustainability work is described in this document together with the annual report. We wish you an interesting read!

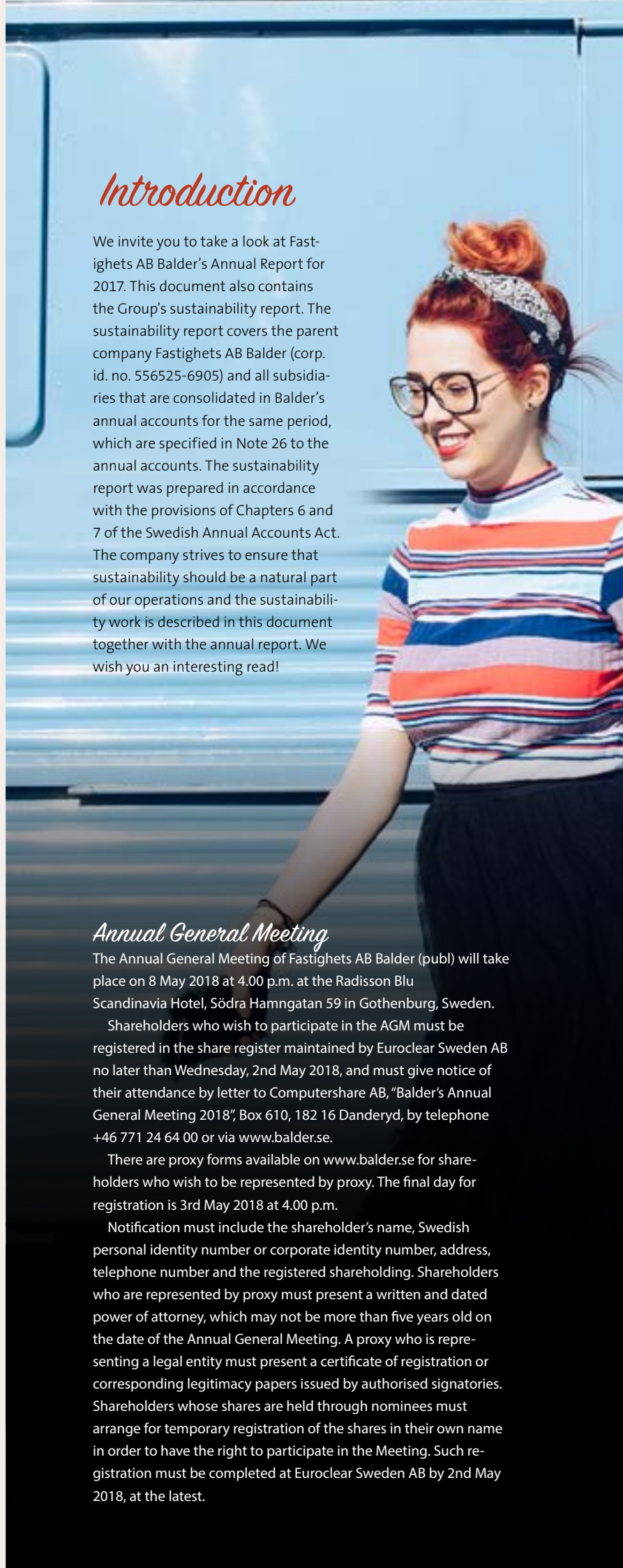
Annual General Meeting

The Annual General Meeting of Fastighets AB Balder (publ) will take place on 8 May 2018 at 4.00 p.m. at the Radisson Blu Scandinavia Hotel, Södra Hamngatan 59 in Gothenburg, Sweden.

Shareholders who wish to participate in the AGM must be registered in the share register maintained by Euroclear Sweden AB no later than Wednesday, 2nd May 2018, and must give notice of their attendance by letter to Computershare AB, "Balder's Annual General Meeting 2018", Box 610, 182 16 Danderyd, by telephone +46 771 24 64 00 or via www.balder.se.

There are proxy forms available on www.balder.se for shareholders who wish to be represented by proxy. The final day for registration is 3rd May 2018 at 4.00 p.m.

Notification must include the shareholder's name, Swedish personal identity number or corporate identity number, address, telephone number and the registered shareholding. Shareholders who are represented by proxy must present a written and dated power of attorney, which may not be more than five years old on the date of the Annual General Meeting. A proxy who is representing a legal entity must present a certificate of registration or corresponding legitimacy papers issued by authorised signatories. Shareholders whose shares are held through nominees must arrange for temporary registration of the shares in their own name in order to have the right to participate in the Meeting. Such re-registration must be completed at Euroclear Sweden AB by 2nd May 2018, at the latest.



Where are we going and how will we get there?

Business

Balder shall, acquire, develop and manage residential properties and commercial properties located in the central parts of big cities and residential properties in places that are growing and developing positively, based on local support.

Strategy and goals

Balder aims to generate good profit from property management through a high level of activity and efficient management. During acquisitions, divestments and new production, the company aims to develop the portfolio according to its business concept. Balder wants to be a long-term owner with stable cash flows and satisfied customers and employees.

Financial goals

Equity/assets ratio min. 35 %

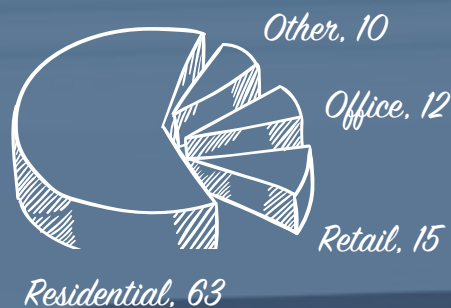
Loan-to-value ratio max. 50 %

Interest coverage ratio min. 2.0 times

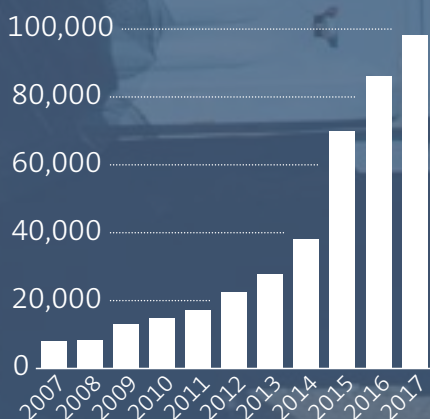
Balder accomplishes this by:

- Generating growth by investing and developing properties.
- Taking care of customer needs.
- Choosing cost-effective management solutions.
- Maintaining a high level of activity in all stages.
- Streamlining and improving the efficiency of property management.
- Being a long-term owner that bases its operations on stable cash flows and satisfied customers.

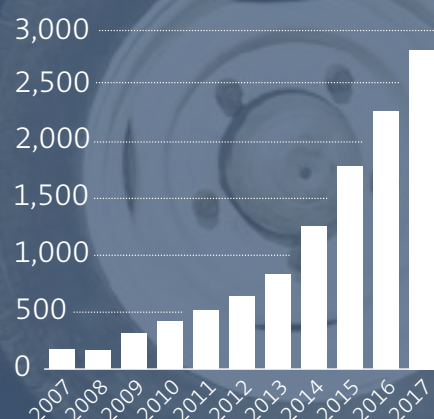
Lettable area, %



Property value, SEKm



Profit from property management, SEKm



Where are we?

Balder is continuing to grow and develop. The most important reasons for Balder's positive development include all the property acquisitions, investments and not least the entire Balder organisation, which manages the investments in the best way. Together with our shareholders, financiers, customers, suppliers and society at large, we look forward to good business opportunities for many years to come.

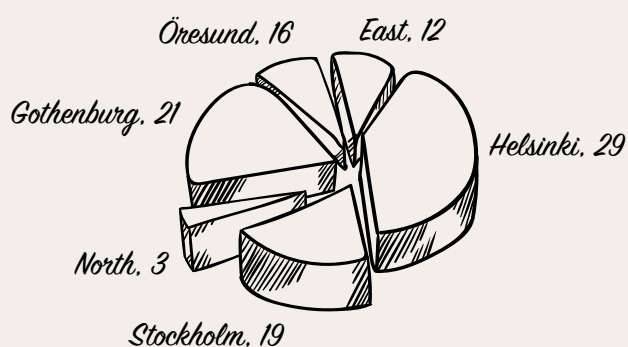


Balders real estate holdings on 31 Dec 2017¹⁾

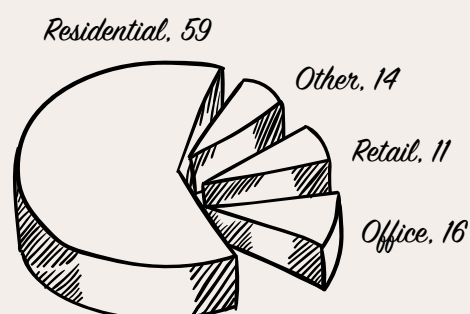
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	509	1,020,755	2,226	2,181	2,157	97	26,918	27
Stockholm	61	530,037	975	1,840	921	94	17,675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

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

Distributed by region including projects, %



Distributed by property category including projects, %



Multi-year summary

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Rental income, SEKm	5,915	5,373	2,711	2,525	1,884	1,701	1,466	1,333	854	633
Profit from property management before tax, SEKm ¹⁾	2,804	2,265	1,780	1,275	854	691	516	417	315	174
Changes in value of properties, SEKm	5,336	4,932	3,388	3,050	854	812	990	1,047	4	-201
Changes in value of interest rate derivatives, SEKm	144	-114	227	-624	433	-71	-520	148	-23	-333
Net profit for the year, SEKm ¹⁾	7,118	5,474	4,916	3,128	1,738	1,162	812	1,338	248	-388
Carrying amount of properties, SEKm	98,360	86,177	68,456	37,382	27,532	22,278	17,556	14,389	12,669	7,086
Data per ordinary share, including listed associated companies at market value ²⁾										
Average number of shares, thousands	180,000	173,598	162,753	161,786	159,537	159,537	158,656	149,487	112,902	95,910
Net profit for the years, SEK	38.71	30.38	28.98	18.10	10.11	6.69	4.87	8.95	2.20	-4.04
Profit from property management before tax, SEK	14.74	11.89	9.71	6.64	4.57	3.73	3.00	2.79	2.79	1.81
Outstanding number of shares, thousands	180,000	180,000	172,397	162,397	159,537	159,537	159,537	149,487	149,487	94,458
Shareholders equity, SEK	185.02	157.63	128.03	70.10	52.14	42.15	35.57	31.13	22.19	19.63
Net asset value (EPRA NAV), SEK	229.25	198.49	159.14	86.33	60.50	50.37	41.84	32.89	22.16	20.95
Share price on the closing date, SEK	219.40	184.10	208.70	110.25	66.00	37.30	25.30	29.40	12.50	7.00
Changes in share prices, %	19	-12	89	67	77	47	-14	135	79	-47
Dividend, SEK	-	-	-	-	-	-	-	-	-	0.17
Property related										
Rental value full-year, SEK/sq.m.	1,724	1,583	1,508	1,325	1,216	1,247	1,163	1,087	1,072	1,298
Rental income full-year, SEK/sq.m.	1,651	1,507	1,455	1,254	1,148	1,166	1,088	1,016	1,002	1,218
Economic occupancy rate, %	96	95	96	95	94	94	94	94	94	94
Surplus ratio, %	71	68	72	70	68	68	68	66	69	70
Carrying amount, SEK/sq.m.	24,952	21,473	18,622	17,172	13,985	14,439	12,467	10,887	10,053	12,805
Number of properties	1,148	1,220	1,177	486	498	432	433	432	419	122
Lettable area, sq.m. thousands	3,739	3,806	3,430	2,177	1,969	1,543	1,408	1,322	1,260	553
Financial, including listed associated companies at market value ²⁾										
Return on equity ordinary share, %	22.4	20.9	28.2	29.7	21.5	17.0	14.3	33.6	9.6	-18.7
Interest coverage ratio, times	4.3	3.7	5.1	3.4	2.9	2.4	2.1	2.1	2.1	1.6
Equity/assets ratio, %	36.7	38.3	37.8	35.5	37.3	34.8	35.2	30.9	24.1	23.3
Debt/equity ratio, times	1.4	1.3	1.4	1.6	1.5	1.7	1.6	2.1	2.9	3.0
Net debt to total assets, %	50.9	50.0	51.6	54.6	53.3	57.3	56.0	62.3	68.9	69.4
EPRA key ratios										
EPRA NAV (Long-term net asset value), SEKm	41,265	35,728	27,436	14,019						
EPRA NAV. SEK per share	229.25	198.49	159.14	86.33						
EPRA Vacancy rate	4	5	4	5						

1) Attributable to owners of the Parent company.

2) Listed associated companies at market value refer to Collector AB (publ) and Brinova Fastigheter AB (publ). From 2015, key ratios have been calculated based on listed associated companies market value.

Comments by the CEO

The past year

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

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

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

viduals as well as society. Striving to minimise energy use, waste and hazardous substances in our properties benefits the company, our customers and our shared environment.

In this report, it is clear that many of these issues are not new ones for Balder. My hope is that the company will continue to develop in a positive way where economic, social and ecological sustainability will create long-term value for our owners, staff and society as a whole.

"Issues such as security, comfort and services are natural questions in our customer relationships"

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

Associated companies

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

Investments

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

determining the right time, construction starts and form of tenure.

Financial goals and financing

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

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

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

Sustainability

Balder reports sustainability in this document, together with the annual report. Sustainability issues in many ways are natural for a long-term property company like Balder. Issues such as security, comfort and services are natural questions in our customer relationships, just like ethical and good relationships with partners, suppliers and other stakeholders.

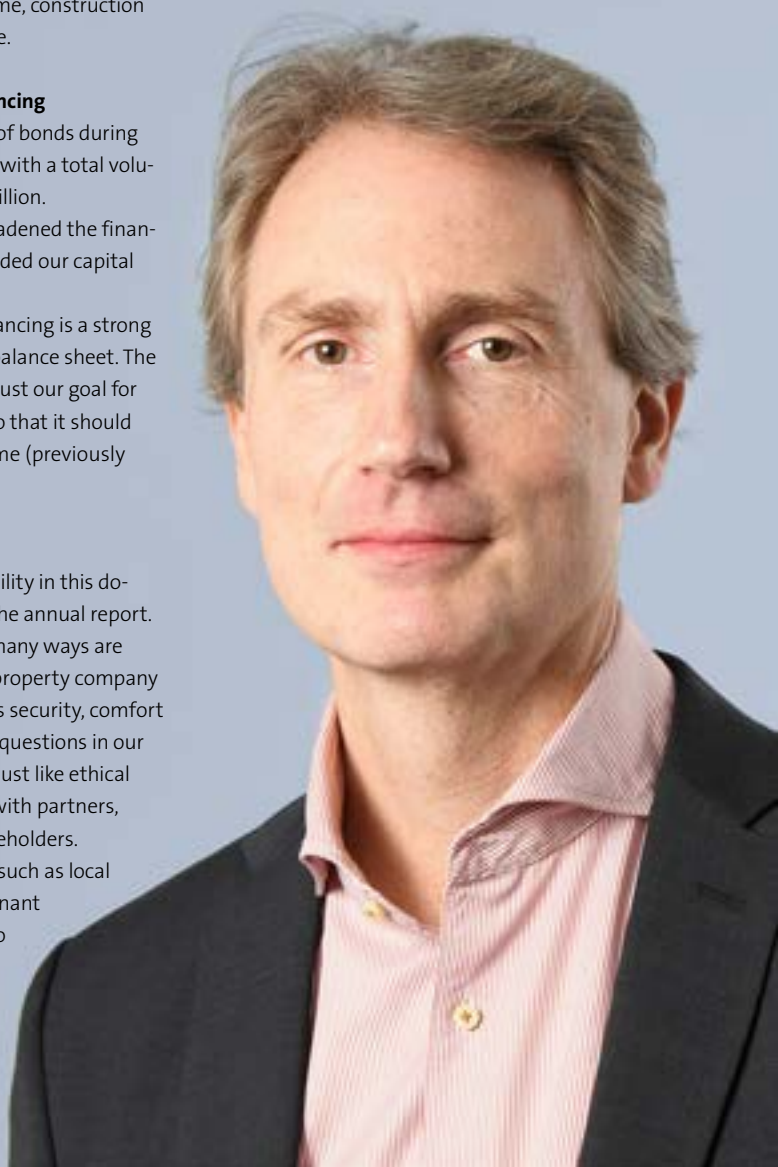
Over the years, issues such as local job opportunities and tenant influence have come into stronger focus in order to promote a positive development of indi-

The Future

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

Erik Selin

Chief Executive Officer



Comments by the Chairman of the Board

During the past year, the public debate in Sweden focused a lot on the need to quickly produce more housing at a cost that even young people, new arrivals, families with children and older people with low pensions can afford. Through constructive cooperation with the relevant municipalities and partners, Balder wants to take its responsibility in this issue.

For a number of years, Balder has worked on strengthening its efforts in the sustainability field. The company's growth is providing the opportunity to spread experience and good example throughout the entire organisation. The company is also continuing the work on making its property areas even safer and more comfortable. In certain properties and areas, renovations and long-term investments are required in order to improve safety and comfort and ensure development. As a property owner, Balder must be prepared to take the necessary measures. Vårby gård and Bergsjön are now joined by other good examples such as Skövde and Sundsvall.

An unchanged task

Analysts predict a tougher climate for real estate. Interest rate increases are on the way. There are many such headlines and the letters are large. We have just been through a turbulent year but the uncertainty approaching 2018 is of roughly similar proportions. The developments in the US, North Korea's tests, Russia's rearmament and the Middle East are some examples. And here at home, we are entering an intensive political year – an election year. Only at year-end will

we know if new conflicts flared up, if there was a property crash, a complicated formation of a government, uncertain rules or if it turned out to be a fairly normal year.

In the midst of this uncertainty, the task entrusted by the owners to Balder's Board of Directors is unchanged: to create value by acquiring, developing and managing commercial and residential properties. In recent years, the company has broadened its base by investing in a greater number of properties for hotel operations and also by entering our neighbouring Nordic countries. The company has grown strongly in both Finland and Denmark. This has been an important part of the strategy for ensuring a stable company even in turbulent times.

The Board's mission, subject to prevailing laws, rules and practice, is to promote the company's long-term development, follow up the Management's operating activities and ensure order in the company. Risk assessment is a recurring discussion point in the Board. This includes issues such as the economic situation and its impact on different parts of the market, the interest rate trend, supply of staff and the work on contributing to environmentally sustainable social progress.

Ethics

Another item on the agenda relates to ethics. The Board and Management should always consider ethical aspects in the decision-making process. Ethical decisions are also smarter and are usually longer term, which is in line with the company's overall strategy.

Balder's rapid growth has also meant that the number of employees has grown strongly, something that is imposing stricter demands on the company as an employer. It is about being able to retain experience and competent employees and to be attractive as a future employer for well-educated young people, both women and men. This is a key future challenge for Balder's Management team.

Christina Rogestam
Chairman of the Board



Balder's share and owners

During the year, Balder retired all outstanding preference shares and now has only one listed class of shares. Balder's B share is listed on Nasdaq Stockholm, Large Cap.

The company's overall market capitalisation as of 31 December 2017 amounted to SEK 39,492m (36,371) and the company had about 14,000 shareholders (22,000) at year-end. The reduction is mainly due to redemption of all preference shares. The price of Balder's B share was SEK 219.40 (184.10) at year-end, equivalent to a decrease of 19 % (-12) during the year. The increase since 1 January 2006 amounts to about 1,500 %. During the year, 79.1 million shares were traded equivalent to an average of 317,000 shares per trading day (357,000) or SEK 65m (74) based on the average price during the year. The turnover corresponds to an annual turnover rate of 44 % (52) and if Erik Selin Fastigheter AB's shares are excluded, the annual turnover exceeded 69 % (83) of the outstanding shares. The proportion of foreign-owned shares amounted to 24 % (20).

Equity growth

Equity per share (considering associated companies at market value) amounted to SEK 185.02 (157.63) on 31 December, equivalent to an increase of 17 % (23) during the year. Net asset value per share (EPRA NAV) increased during the same period by 15 % (25) to SEK 229.25 (198.49). The difference between equity and net asset value is that derivatives are reversed in net asset value, net of deferred tax liabilities and deferred tax assets. In the past 10 years, the net asset value has increased by an average of 26 % annually (31). The share price/net asset value ratio was 96 % (93) at year-end.

The profit from property management

before tax attributable to the parent company's shareholders amounted to SEK 2,804m (2,265), which corresponds to an increase of 24 % (27) compared to the previous year. In the past 10 years, the profit from property management has increased by an average of 32 % annually (30). The profit from property management per share increased by 24 % (22) during the year and in the past ten years the average increase was 23 % (22).

Dividend policy

Balder's goal is to generate the best long-term total yield for its shareholders. We believe that we achieve this by reinvesting the profits in the operations in order to create further growth. For this reason, the dividend will remain low or will not be declared in the next few years. Balder will instead continue to grow by investing in existing properties, new construction and acquisition of new properties. The Board proposes to the Annual General Meeting that no dividend for the ordinary share should be paid for the 2017 financial year.

Share capital

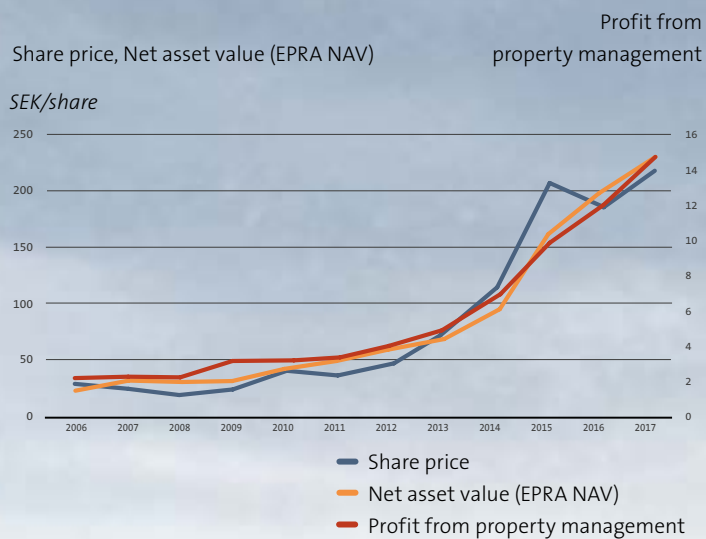
On 31 December, the share capital in Balder amounted to SEK 180,000,000 distributed among 180,000,000 shares. Each share has a quota value of SEK 1.00, whereof 11,229,432 shares are of Class A and 168,770,568 are of Class B. Balder has no repurchased shares, which means that the total number of outstanding shares amounts to 180,000,000. Each Class A share carries one vote, and each Class B share carries one tenth of one vote. During the fourth quarter, the

redemption of all 10,000,000 outstanding preference shares was completed. The redemption was carried out at an amount of SEK 350 per preference share and implied a reduction in the company's share capital of SEK 10,000,000.

Shareholders

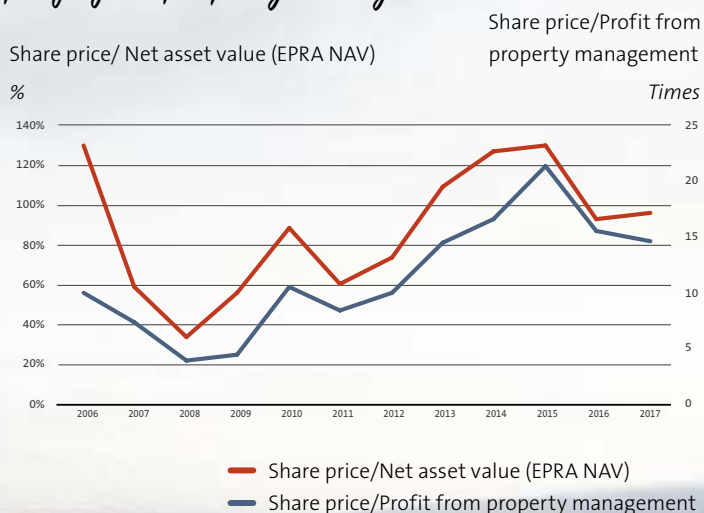
The principal owner in Fastighets AB Balder is Erik Selin Fastigheter AB, which holds 36.4 % of the capital and 49.9 % of the votes. Other large owners are Arvid Svensson Invest AB and Swedbank Robur Fonder. At the end of 2017, the total number of shareholders amounted to about 14,000 (22,000) and 47 % (47) of the ordinary share capital was held by members of the Board and Management.

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

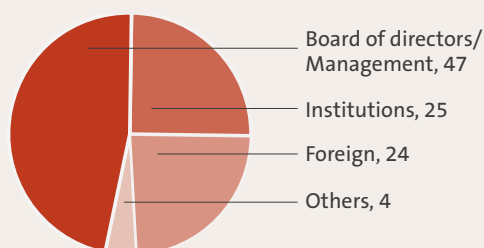


Balder's most important goal is to increase the profit from property management per share over time. The graphs show the development of the share price in relation to net asset value and profit from property management. In the top graph, an illustration is provided of the price per share, net asset value per share and profit from property management per share. In the past five years, net asset value increased by an average of 36 % annually and the profit from property management increased by an average of 32 % annually. In the bottom graph, an illustration is provided of the price per share in relation to net asset value per share and profit from property management per share. In the past five years, the share was traded at an average of 111 % of the net asset value and 17 times the profit from property management.

Share price/Net asset value and profit from property management



Ownership distribution, ordinary shares %



Analysts following Balder:

Albin Sandberg, Handelsbanken
 Erik Granström, Carnegie
 Fredrik Cyon, Carnegie
 Tobias Kaj, ABG Sundal Collier
 Jan Ihrfelt, Kepler Cheuvreux
 Johan Edberg, Pareto
 Henrik Dahlgren, Danske Bank
 Niclas Höglund, Nordea
 Svante Krokfors, SEB

Performance of Balder's share

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Data per ordinary share, including listed associated companies at market value ¹⁾										
Share price at year-end, SEK	219.40	184.10	208.70	110.25	66.00	37.30	25.30	29.40	12.50	7.00
Profit from property management, SEK	14.74	11.89	9.71	6.64	4.57	3.73	3.00	2.79	2.79	1.81
Profit after tax, SEK	38.71	30.38	28.98	18.10	10.11	6.69	4.87	8.95	2.20	-4.04
Shareholders' equity, SEK	185.02	157.63	128.03	70.10	52.14	42.15	35.57	31.13	22.19	19.63
Long-term net asset value (EPRA NAV), SEK	229.25	198.49	159.14	86.33	60.50	50.37	41.83	32.89	22.16	20.95
Total return, %	19	-12	89	67	77	47	-14	135	79	-46
Dividend, SEK	—	—	—	—	—	—	—	—	—	0.17
Number registered, thousands	180,000	180,000	172,397	162,397	162,397	162,397	162,397	152,347	152,347	97,318
Number outstanding, thousands	180,000	180,000	172,397	162,397	159,537	159,537	159,537	149,487	149,487	94,458
Market capitalisation										
Market capitalisation, SEKm	39,492	36,371	39,099	21,404	13,889	7,800	5,104	1,395	1,869	661

1) Listed associated companies at market value refer to Collector AB (publ) and Brinova Fastigheter AB (publ). From 2015, key ratios have been calculated based on listed associated companies at market value.

Ownership list as of 31 Dec 2017

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

Balder's performance

We have completed a very exciting journey since the start in 2005. Our hope is that the coming years will be at least as exciting, educational and eventful.

2009

Apart from investing in six wind power turbines, Balder acquired all of Din Bostad Sverige AB.

2012

Balder acquired residential properties in central Copenhagen, in the Østerbro housing district.

2005

In the same year that Balder was established, the company acquired 21 properties.

2011

We acquired 25 retail properties from Catena AB for Fastighets AB Centur. 50 % of the shares were sold to PEAB and Fastighets AB Centur became one of our associated companies.

2006

Concurrently with Balder's listing on the Stockholm Stock Exchange, organisations were built up in Stockholm, Gothenburg and Malmö.

2017

During the year Balder issued a total of EUR 1,850 million on the European capital market and carried out redemption of all 10,000,000 preference shares. All properties in Arboga, Falköping, Köping and Tranås were divested at a property value of 2 billion.

2015

Balder acquired 53 % of Sato, which means we are an owner of 23,000 apartments in Finland with a value of about SEK 26 billion.

2013

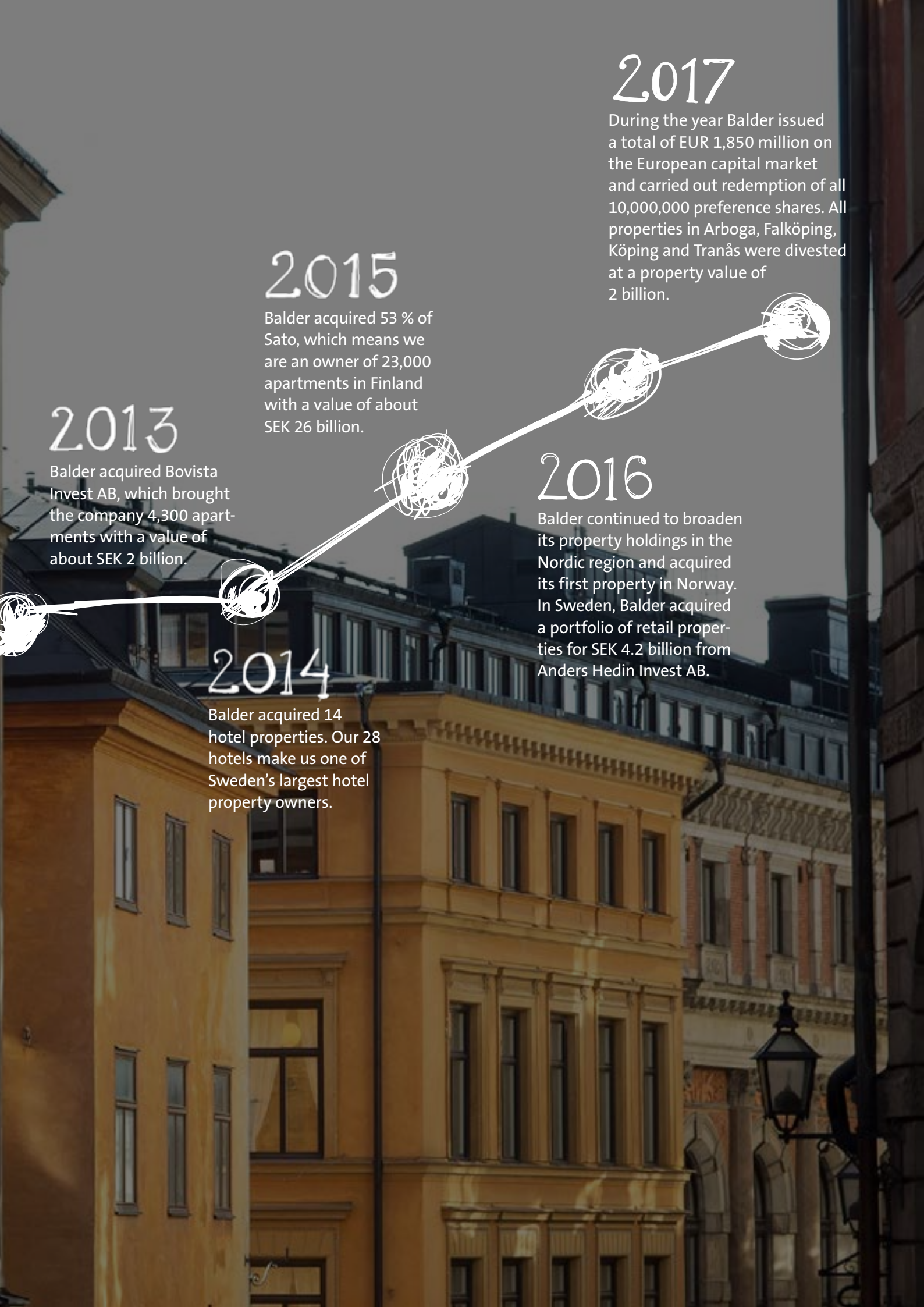
Balder acquired Bovista Invest AB, which brought the company 4,300 apartments with a value of about SEK 2 billion.

2016

Balder continued to broaden its property holdings in the Nordic region and acquired its first property in Norway. In Sweden, Balder acquired a portfolio of retail properties for SEK 4.2 billion from Anders Hedin Invest AB.

2014

Balder acquired 14 hotel properties. Our 28 hotels make us one of Sweden's largest hotel property owners.



Transactions

During 2017, Balder increased its property holdings in the Nordic capitals through acquisition of hotel properties in Copenhagen and Helsinki. Today 65 % of the commercial real estate portfolio consists of centrally located properties in Stockholm, Gothenburg, Malmö, Copenhagen and Helsinki.

Acquisitions

Balder's strategy is to own centrally-located commercial properties in large Nordic cities, which are developing positively. Today 65 % of the commercial holdings consist of centrally located properties in Stockholm, Gothenburg, Malmö, Copenhagen and Helsinki. Balder still does not own any office properties outside of Sweden but the company owns a number of hotel and residential properties, however. During the year, four hotel properties were acquired in central Copenhagen and one hotel property in Helsinki. The hotels in Copenhagen are all located in proximity to the central station and are operated under the names Copenhagen Star, Mercur Hotel, Richmond Hotel and Copenhagen Plaza. The customer in all properties is Ligula Hospitality Group. The hotel in Helsinki is centrally located and is operated under the name Holiday Inn Helsinki – West Ruoholahti. At year-end, 48 % of Balder's property portfolio was located outside of Sweden.

In Sweden, the retail property 421 was acquired during the fourth quarter, located in Gothenburg's largest trade area, Högsbo-Sisjön. The area lies about 6 km south of central Gothenburg, with good communications and proximity to Mölndal and the southern parts of Gothenburg. A number of new residential construction projects are planned in the area. The property's lettable area amounts to 33,000 sq.m and the largest customer is ICA Maxi, which accounts for about 40 % of the total income.

In Finland, about 170 apartments were acquired by Balder's Finnish subsidiary

Sato. The acquisitions were mainly carried out in a large transaction where Sato acquired 150 apartments in Espoo, Vantaa and Turku from Veritas Pension Insurance. The apartments were constructed during the 1990s and have an average area of about 60 sq.m. The acquisition was carried out in line with Sato's focus on investing in the Helsinki regions, Tampere and Turku. In connection with transactions, Sato performs an evaluation of sustainability aspects, which focus on meeting financial criteria and environmental impacts, among other things.

Divestments

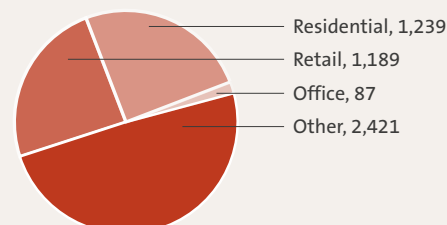
In 2017, Balder continued to divest properties in smaller cities, where it is not considered possible to achieve a sufficiently large management unit. This is in line with Balder's strategy to own commercial properties in the Nordic capital cities as well as residential properties in metropolitan areas and in places that are growing and developing positively. During the year, all properties were sold in Arboga, Köping, Tranås and Falköping at a sales value of just over SEK 2 billion.

In Finland, 294 apartments were sold by Sato at a sales value of about EUR 46 million in total. The divested properties are located in Espoo, Nurmijärvi, Rauma, Vaasa and Jyväskylä and some of the apartments had rent controls. Sato is focusing on selling apartments that do not fit with the company's long-term strategy and the divestments during the year were carried out in line with this.

During 2017, Balder sold properties for a total sales value of about SEK 3 billion. The divestments carried out generated a profit of SEK 184m, equivalent to a selling price of about 6 % above the carrying amount.

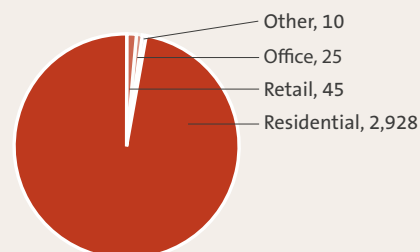
Acquisitions

per property category, SEKm



Divestments

per property category, SEKm





Star Hotel, Copenhagen

Property development

By improving the existing property portfolio, land allocations and acquisitions, Balder wants to be a long-term player in urban development and property development. We consider that it is important to be able to control the entire value chain, from acquisition of land to completion of the buildings and environments. The development process and value growth occur in different phases and take several years. For this reason it is important that the work is conducted on a long-term basis and in close cooperation with municipalities and other stakeholders.

Balder is continuing its efforts to build up a business area for urban and property development and during the year we continued to recruit new employees in order to meet the increased need from our growing project portfolio. Our ambition is to carry out property development in areas where we already operate, with a main emphasis on the metropolitan areas Stockholm, Gothenburg and Öresund, including Copenhagen. In 2017, we started construction of 600 apartments and we have about 1,150 apartments with construction in progress in Gothenburg and Copenhagen.

Read more about Balder's property development on www.balder.se



New production

Balder's ambition is to create an extensive portfolio of building rights over time in respect of development properties and real estate projects, with the aim of constantly producing new rental apartments, tenant-owner's apartments and commercial properties for own management. During the year, we acquired and obtained land allocations for about 1,700 building rights.

Balder focuses on creating building rights on existing land. Where there are opportunities for conversions to condominiums, they will be evaluated. Our ambition is to invest in areas where we already operate, with a main emphasis on Stockholm, Gothenburg and the Öresund region. The development process and value growth occurs in different phases and takes several years. Therefore it is important that the work is conducted on a long-term basis and in close cooperation with municipalities and other stakeholders.

2017

During 2017, a major zoning plan at Frölunda Torg in Gothenburg for 500 apartments gained legal force and construction started of the first residential building with 16 floors and 130 apartments.

Balder completed about 350 apartments and a hotel in Copenhagen. Construction also started of 600 apartments, so there are about 1,150 apart-

ments with construction in progress in Gothenburg and the Öresund region.

In Copenhagen, the company's portfolio has expanded with several ongoing projects and construction starts are planned during 2018. In Örestad Syd, construction is underway of 500 apartments in two separate blocks and a further block of 240 apartments will start during spring. At Amager, Öresunds Park is in production involving a total of 439 apartments in five phases with completion expected in autumn 2018. In 2017, Balder also acquired and obtained land allocations for development properties for about 1,700 building rights.

2018

In 2018, Balder has 13 planned construction starts in Stockholm and Gothenburg and two are also planned in Copenhagen. All the projects involve just over 1,300 apartments in total.

After the summer of 2018, Balder will start construction of a further about 240 apartments in Örestad Syd in Copenhagen

and construction of a block of 100 apartments in Hilleröd, just north of Copenhagen. The plans for 2018 mean that we will start construction of about 1,100 apartments in total during the year and about 2,000 apartments will be in production. Aside from this, we are planning that zoning plans will gain legal force for a further approx. 1,350 apartments.

Sato Oyj

Balder's subsidiary Sato Oyj, Finland's second largest residential property company, had about 1,100 apartments under construction on 31 December 2017, of which about 400 are expected to be completed during 2018. The market value of Sato's property portfolio has developed positively in recent years both through acquisitions and new construction projects under own management.

During 2018, Sato has eight planned construction starts, involving a total of 520 apartments.

Read more about Balder's new production on www.balder.se.



Sketch Rissne, Sundbyberg

Urban development Rissne

Quick facts

Residential: about 35,000 sq.m gross floor area, 350-400 apartments

Commercial service: about 2,000 sq.m

Community service: about 2,000 sq.m

Architect: 3XN, Denmark

Construction start: about 2021

Rissne

Sundbyberg is Sweden's smallest municipality in terms of area, but it is also the most densely developed and fastest growing. With a location close to good communications and Stockholm inner city, the strong growth looks set to continue over the next few years. Rissne is a district with good conditions in this municipality. Centrally located in the area is its own metro station, and in 2021 the Tvärbanan light rail line is expected to open a station adjacent to the metro station.

Balder's objective is to take advantage of the site's positive conditions and potential. The good public transport situation makes it an attractive place to build from an environmental standpoint. There is a lot to gain from a sustainability perspective if we can combine this location with the construction of green buildings that offer a large number of apartments.

Another key goal of our engagement in Rissne is to create a socially sustainable urban district. What we want to achieve is a district where the buildings' unique design, lively ground floors and a safe external environment create the right conditions for people and businesses to thrive and prosper. Creating attractive meeting points for a more social and safer environment is in focus.

To sum up, our approach in Rissne is to combine Balder's commitment to social sustainability with environmentally sound construction and thereby create something that is sustainable in the long term.





Sketch Frölunda, Gothenburg

The Gothenburg area

In Balder's property area, creating new building rights on existing land will remain in focus. One example where densification of existing land will occur is in Västra Frölunda in Gothenburg. In Kungälv, construction is in full swing of Balder's first building to be constructed according to Miljöbyggnad silver rating.

In Västra Frölunda, Gothenburg adjacent to the company's existing holdings, Balder will construct about 530 apartments, a car park and about 3,500 sq.m of premises including a food store. Balder signed a mobility agreement here with the City of Gothenburg during the autumn. The aim is to reduce car use and the traffic flow around the area, particularly on the very busy Västerleden route. More people shall travel by public transport, cycle and walk. This shall become a reality through a

number of measures e.g. carpooling, a bicycle pool and a free monthly travel card for those moving in. A lot of effort will also be dedicated to providing information as well as safe and secure walkways and cycle paths. The agreement has been developed together with the Traffic Office in Gothenburg and the project is part of the Bostad2021 initiative, which aims to develop zoning plan processes and complete 7,000 extra homes up to 2021.

In Kungälv, construction is in full swing

of Balder's first building to be constructed according to Sweden Green Building Council's Silver rating, which imposes strict demands in relation to energy use, indoor environments as well as materials and chemicals. The 134 rental apartments will also be managed by Balder.

Together with the other developers in Kungälv, Balder has launched a carpool for the company's customers and members to use.

Sato Oyj and StudioHome

During the year, Sato invested EUR 156 million in apartments, both through acquisitions and completion of new construction projects.

Balder owns 53.8 % of Sato Oyj, which means that the entire company is consolidated in Balder's income statement and balance sheet. Sato is Finland's second largest residential property company, and on 31 December it owned a total of 25,793 (25,344) apartments.

During the past year, Sato invested EUR 156 million in apartments, both through acquisitions and completion of new construction projects.

In total, 167 apartments were acquired and 856 newly constructed apartments were completed. Sato's focus is to invest in apartments, which are located in Greater Helsinki, Tampere and Turku. Today, 78 % of the property portfolio is located in Greater Helsinki and 14 % in Tampere and Turku. The remaining apartments are located in Jyväskylä, Oulu and St Petersburg. Sato's apartments have an average

area of 55 sq.m.

Sato has extensive experience of property development and a large volume of residential building rights are under zoning in the Helsinki region, Turku and Tampere. The projects under zoning are located close to services and public transport, for example near West Metro and Raide-Jokeri. Over the next five years, Sato has the opportunity to build more than 3,000 new apartments and in 2018 construction starts are planned for just over 500 apartments in the Helsinki region.

StudioHome

Sato continually develops new housing solutions and to meet demand for small and affordable apartments, the pilot project StudioHome was implemented in Vantaa during 2017. The goal of the

project is to promote social living and achieve more reasonable living costs. The StudioHome building consists of 68 small apartments with pertaining common areas such as living room, sauna section, laundry room and roof terrace. More than 700 customers applied for the StudioHome apartments, and 70 tenants moved in during December 2017. In order to create further opportunities for social housing, a caretaker from Sato also moved in to one of the StudioHome apartments. The tenants in the StudioHome project are aged from 19-69 and have different ethnic backgrounds. They range from students to pensioners and come from various occupational groups.



Photo: SATO/ Tuomas Uusheimo



Bovieran

Bovieran AB has been a wholly-owned subsidiary of the Balder Group since 2015. Over the years the housing concept has been in existence, quite a number of senior citizens have found a new home in Bovieran's properties around Sweden.

During the year, sales commenced in six locations and early in the autumn customers moved into the new property in Strängnäs, which became Bovieran's 19th building. Now Bovieran is also expanding outside of the country's borders – with a new investment in Denmark together with Balder's associated company Sjælsø Management. Regardless of where the new apartments have been built, an important basic philosophy has always served as the foundation for the work: to offer a 55+ housing concept, togetherness and new friends.

Long-term social sustainability

Bovieran's properties, with the large glazed-in Winter garden, have been designed to create the best possible conditions for getting to know new people. There are a number of common areas in the building where neighbours can meet and socialise. The goal is to tackle loneliness and provide new opportunities for creating social networks. The form of tenure itself promotes positive collaboration and cooperation among all who live there. In addition, together they create a well-being group where residents

can arrange excursions, organise study groups or other activities that benefit the association's members. Everyone in the association can make proposals so that there is as much variety as possible in the activities.

Read more on www.bovieran.se

Fast spread of a valuable concept

Quick facts 2017

Sales in progress: Karlstad, Staffanstorp, Södertälje, Eskilstuna, Kalmar

Ongoing construction projects: Borgholm, Landskrona, Vänersborg and Växjö

Occupation: Sala, Strängnäs, Skövde

Planned projects: Haninge-Vega, Höganäs Strandbaden, Höganäs Viken, Salem, Svedala, Trelleborg and Ystad





A property's history

On 18 September 2017, Copenhagen's new hotel – Nobis Copenhagen, a top class hotel, opened its doors to the public for the first time.

On 18 September 2017, Copenhagen's latest top class hotel, Nobis Hotel Copenhagen, opened its doors for the very first time. After many months of planning and hard work, the old academy of music instead could be viewed as a top class hotel with distinct features of Nordic style.

The 5,300 sq.m building was designed in 1903 and was originally used as an office property for the Insurance Association in Denmark. The iconic building was designed by the architect and royal inspector of construction works Martin

Borch, who distinguished himself by being one of the first to design a building using concrete as a material. The building served as the association's premises until their relocation in 1971.

In 1972, the Royal Danish Academy of Music took over the building and filled its rooms with a variety of educational opportunities, ranging from composition to conducting. Violinists, composers, percussionists and conductors all left their mark on the building until the academy of music moved in 2008. After that, the

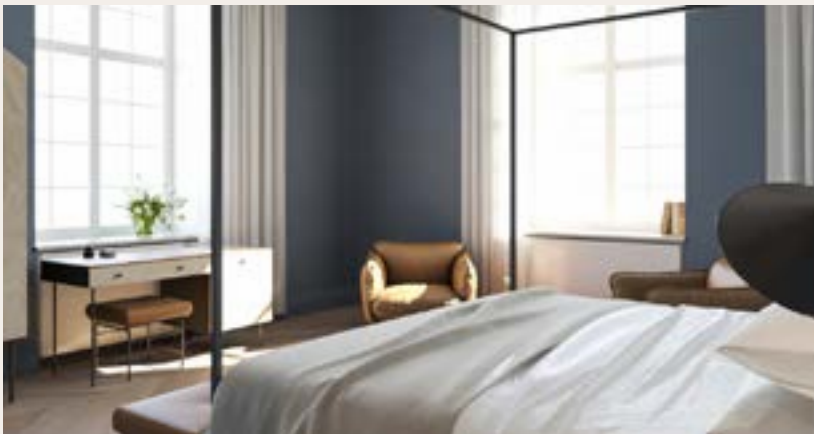
building was empty until 2015, when Fastighets AB Balder showed its interest.

Fastighets AB Balder together with the hotel chain Nobis, had a great vision for the centrally-located building at the intersection of Niels Brocks Gade and H.C. Andersens Boulevard. The vision was that the building would get completely new life as a hotel through a comprehensive renovation and interior changes while preserving and renovating the original façade.

The Swedish architect Gert Wingårdh assisted with the project's design, and with both furniture and choice of material, has proceeded on the basis of preserving the building's history and classical look. The building has undergone an impressive transformation, and the result bears testimony to a project organisation, which has made every effort to create a unique hotel property, which has now been given the name Nobis Hotel Copenhagen. Apart from 75 newly renovated rooms of the highest standard,

the building also now contains spacious meeting rooms, a spa facility, a gym and the Nordic-inspired restaurant Niels.

After the premiere opening, the Nobis hotel chain has received a very positive response as Copenhagen's new top class hotel. The beautiful rooms with their high ceilings, marble bathrooms and classic Scandinavian design has also attracted much positive attention in the hotel magazine Jetsetter, which in the autumn named the hotel as one of the "Hottest new hotels to stay at this fall".



Associated companies

Balder's part-owned associated companies together own 118 investment properties, where our share of the carrying amount is SEK 7,999m. Balder also holds shares in the listed bank Collector, where the participating interest amounts to approximately 44 %.

Balder is a part-owner in property-managing associated companies, in associated companies that conduct project development and in the bank Collector, see Note 15, Participations in associated companies.

During the year, Balder established cooperation with three new partners. Balder now owns 56 % of the shares in Serena Properties AB, 20 % of SHH Bostad AB and 25 % of Rosengård Fastighets AB.

The property-managing associated companies also include Centur, Tulia, Trenum, Balder Skåne and Första Långgatan Fastigheter while Sjaelsö Management has project development in focus.

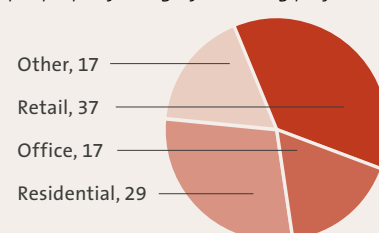
The 50%-owned property-managing associated companies and Balder's participating interest of 56 % in Serena Properties together own 118 investment properties (81) and real estate projects

with a total carrying amount of SEK 15,751m (11,982), a total lettable area of about 748,000 sq.m. (438,000) and a rental value amounting to SEK 974 million (666) in total. Profit from property management for all associated companies, i.e. profit excluding changes in value and tax, amounted to SEK 1,326m (921), of which Balder's participation amounted to SEK 583m (419). The companies' profit after tax amounted to SEK 2,084m (1,333), of which Balder's participation amounted to SEK 1,010m (590).

Balder's profit was affected by changes in value of properties and derivatives of SEK 675m (343) before tax. For more information about Balder's associated companies, see Note 15, Participations in associated companies.

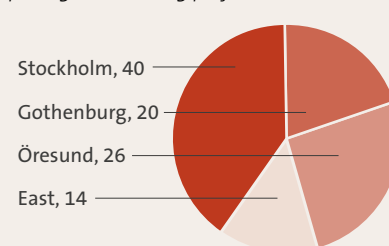
Carrying amount

per property category including projects, %



Carrying amount

per region including projects, %



Balder's participation in the property holdings of property-managing associated companies ¹⁾

	Number of properties ²⁾	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
31 Dec 2017								
Distributed per region								
Stockholm	50	133,258	182	1,366	178	98	3,206	40
Gothenburg	17	91,624	114	1,240	107	94	1,562	20
Öresund	27	67,474	97	1,436	96	99	1,570	20
East	24	90,127	105	1,169	100	95	1,155	14
Total	118	382,483	498	1,302	480	96	7,493	94
Project			1		1		507	6
Total	118	382,483	498	1,302	481	96	7,999	100
Distributed per property category								
Residential	30	50,597	80	1,581	79	99	1,800	22
Office	13	37,208	83	2,222	78	94	1,366	17
Retail	59	208,377	242	1,163	232	96	2,998	37
Other	16	86,302	93	1,076	92	99	1,328	17
Total	118	382,483	498	1,302	480	96	7,493	94
Project			1		1		507	6
Total	118	382,483	498	1,302	481	96	7,999	100

1) The above table refers to the properties owned by the associated companies at the end of the 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 associated companies portfolio.



Trenum AB

The company commenced its operations in 2016 and is 50 %-owned by AP3, the Third Swedish National Pension Fund and Balder. The company will invest in residential properties in Sweden. The focus of the new company is mainly on investments in new production of rental properties in Swedish growth regions. Apart from the three major metropolitan areas, growth areas with positive population trends are also in focus.

At year-end, Centur owned 24 investment properties (23) with a lettable area of 166,000 sq.m. (124,000) and a rental value of SEK 245m (181). The carrying amount of the properties amounted to SEK 4,215m (3,035). The properties are located in Stockholm and in the Öresund region.

Fastighets AB Centur

The company is 50 %-owned by Peab and Balder and it concentrates on property management, project development and property investments. Project development mainly focuses on construction of new retail and office premises and residential apartments but also improvements in real estate projects. The company's largest real estate project is Varvsstaden in Malmö, which holds future building rights for about 350,000 sq. m. of residential and commercial space, on

the site where Kockums once conducted shipbuilding operations. Construction started during 2017. At year-end, the company owned 33 investment properties (30) with a lettable area of 289,000 sq.m. (209,000) and a rental value of SEK 285m (260) and 2 real estate projects (2). The carrying amount of the properties amounted to SEK 4,978m (4,666). The properties are located in Stockholm, Gothenburg and the Öresund region.

Tulia AB

Balder owns 50 % of Tulia and the remaining part is owned by André Åkerlund AB. At year-end, Tulia owned 27 properties (24) with mainly central locations in Stockholm. The company's total lettable area at year-end amounted to 85,000 sq.m. (78,000) and the carrying amount of the properties totalled SEK 3,152m (2,520) with a rental value amounting to SEK 173m (152).

Collector AB

The company is listed on Nasdaq Stockholm, Large Cap, and Balder is the principal owner with a participating interest of about 44 %. Collector is an innovative, digital niche bank offering financing solutions for private and corporate customers. The company has offices in Gothenburg, Stockholm, Helsinki and Oslo.

Balder's participation in the property holdings of property-managing associated companies

SEKm	2017	2016	2015
Rental income	386	282	244
Property costs	-73	-50	-53
Net operating income	313	232	191
	31 Dec 2017	31 Dec 2016	31 Dec 2015
Carrying amount properties, SEKm	7,999	5,991	4,414
Number of properties	118	81	55
Lettable area, sq.m thousands	382	219	183

Balder's participation in the balance sheets of property-managing associated companies.

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



Sketch Lyckholms, Gothenburg

The balance sheet total at year-end amounted to SEK 22,371m (15,155), sales amounted to SEK 1,933m (1,513) and profit before tax to SEK 668m (521) and the market capitalisation was SEK 8,343m (10,577).

Balder also recognises Collector at market value in the consolidated statement of financial position, in order to clarify Collector's value in Balder. Read more about Collector at www.collector.se

Brinova Fastigheter AB

Balder together with Backahill is the principal owner in the company. The company is listed on Nasdaq First North and Balder's participating interest is 25.5 %. The property holdings are geographically concentrated towards southern Sweden and the goal is to create a company with public buildings and residential properties in focus.

At year-end, the company owned 62 investment properties (50) with a value of SEK 3,137m (2,491). The properties are located in the Öresund region.

The total lettable area amounted to 204,000 sq.m (184,000) with a rental

value amounting to SEK 249m (205). Read more on www.bovieran.se

Serena Properties AB

Balder acquired 56 % of the company during the year, 43 % of the shares are owned by the Finnish pension insurance company Varma and 1 % by the investment company Redito AB. The company is a Swedish property company that focuses on property investments in the Nordic region. The company concentrates on properties in strong retail locations. Though active management and a local presence, the company aims to develop retail locations in collaboration with customers in order to create long-term competitive and sustainable trading centres. At year-end, the company owned 24 investment properties (21) with a value of SEK 2,063m (1,856). The properties are mainly located in Finland. The total lettable area amounted to 161,000 sq.m (149,000) with a rental value amounting to SEK 179m (168). The company is recognised as an associated company since the owners have joint control. Read more on www.serenaproperties.se

Första Långgatan Fastigheter i GBG HB

Balder owns the company Första Långgatan Fastigheter i Gbg HB together with Elof Hansson, which is the owner of the property Göteborg Masthugget 11:13. The property is located, adjacent to Masthuggstorget and the lettable area amounted to 32,000 sq.m. of premises and apartments. The rental value amounts to SEK 56m. (50).

Balder Skåne AB

The company is owned in equal shares by Balder and K-Fastigheter and mainly consists of residential properties.

At year-end, the company owned 5 investment properties (3) and no real estate project (1) with a value of SEK 493m (437). The total lettable area amounted to 16,000 sq.m. (12,000) with a rental value amounting to SEK 29m (20).

Tornet Bostadsproduktion AB

Balder's participating interest amounts to 31 % and the other owners are Peab, Folksam and Riksbyggen. Tornet is a company that concentrates on property management, project development and



property investments. The property development projects relate to new construction of residential properties. At year-end, the company owned 16 investment properties (15) and 8 real estate projects (8) with a value of SEK 2,830m (2,234). The properties are located in Stockholm, Gothenburg and the Öresund region. The total lettable area amounted to 63,000 sq.m. (57,000) with a rental value amounting to SEK 106m (104). Read more at www.tornet.se

Sjaelsø Management ApS

Balder owns 49 % of the company and the remaining 51 % is owned by the company's CEO Flemming Joseph Jensen. The company is one of the largest players within project development and construction management in Denmark. Sales amounted to SEK 114m (103) and profit after tax amounted to SEK 51m (22).

SHH Bostad AB

Balder owns about 20 % of the company since 2017 and the other owners are mainly the company's management

team. The company is a nationwide housing development company, which creates efficient and cost-effective housing in places that require affordable rental and tenant-owner's apartments. The operations include the entire value chain from acquisition of land, planning and design, production, sales of rental and tenant-owner's apartments and long-term management of internally produced rental apartments for third parties. Sales amounted to SEK 835m and the profit was SEK 31.7m. Read more on www.shhbostad.se

Rosengård Fastigheter AB

The company is owned in equal shares of 25 % by Fastighets AB Balder, Heimstaden AB, MKB Fastighets AB and Victoria Park AB.

The recently started company, with 1,660 apartments in the Rosengård district, wants to realise the idea of a more integrated Malmö. Existing apartments will be developed and integrated with the Culture Casbah urban development project. The aim is that Rosengård should be a safe, sought-after and central

part of Malmö.

At year-end, the company owned 10 investment properties with a value of SEK 1,100m. The total lettable area amounted to 134,000 sq.m with a rental value amounting to SEK 143m. Read more on www.rosengardfastigheter.se

Current earning capacity

The earning capacity is based on the property portfolio's contracted rental income, estimated property costs during a normal year as well as administrative expenses.

Balder presents its earning capacity on a 12-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 property 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 this has been considered in the current earning capacity.

The earning capacity is based on the property portfolio's contracted rental income, estimated property costs during a normal year as well as administrative expenses.

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 12-month basis

SEKm	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Rental income	6,240	5,800	5,045	2,730	2,260	1,800
Property costs	-1,720	-1,695	-1,635	-800	-735	-560
Net operating income	4,520	4,105	3,410	1,930	1,525	1,240
Management costs and administrative expenses	-550	-490	-425	-165	-165	-120
Profit from property management from associated companies	640	505	340	220	170	120
Operating profit	4,610	4,120	3,325	1,985	1,530	1,240
Net financial items	-1,060	-1,040	-880	-585	-535	-495
Of which non-controlling interests	-525	-445	-410	-	-	-
Profit from property management¹⁾	3,025	2,635	2,035	1,400	995	745
Tax	-650	-570	-439	-308	-219	-164
Profit after tax	2,375	2,065	1,596	1,092	776	581
Profit after tax attributable to						
Ordinary shareholders	2,375	1,865	1,396	892	576	461
Preference shareholders	-	200	200	200	200	120
Profit from property management per ordinary share, SEK	16.81	13.52	10.64	7.39	4.99	3.92

1) Attributable to the parent company's shareholders.

In the current earning capacity, the closing day rate was used in translation of foreign subsidiaries' profit/loss items.

Financing

Balder took advantage of its investment grade rating during the year by issuing long-term bonds in the European capital market.

Balder has assets in Sweden, Norway, Denmark and Finland, which means that the Group is exposed to currency risks. Therefore in order to reduce its risks and ensure long-term sustainable financing, Balder has a well-diversified financing structure with bonds and bank financing in several different currencies. The largest

individual financing source is Euro bonds issued in the European bond market, followed by bank loans in various currencies, an MTN programme in Swedish kronor and a commercial paper programme in Euro and Swedish kronor. Aside from these financing sources, Balder has also issued hybrid capital with a maturity of

60 years. The hybrid capital is subordinate to other financial liabilities and therefore half of it is treated as equity by the credit rating agencies. Balder values long-term relationships with its lenders and cooperates with a number of Nordic banks.

Financial Key ratios

	31 Dec 2017	31 Dec 2016
Interest-bearing liabilities, excl. Hybrid capital, SEKm	54,936	49,580
Hybrid capital, SEKm	3,447	–
Available liquidity including confirmed loan commitments, SEKm	7,875	6,769
Average fixed credit term, years	5.5	4.2
Average interest rate refixing period, years	4.0	2.4
Net debt to total assets (financial covenant < 65), %	50.9	50.0
Interest coverage ratio (financial covenant > 1.8), times	4.3	3.7
Secured debt/Total assets (financial covenant < 45), %	21.9	39.6
Credit rating S&P	BBB Stable outlook	–
Credit rating Moody's	Baa3 Positive outlook	Baa3 Stable outlook
Calculation of Net debt		
Interest-bearing liabilities excl. Hybrid capital, SEKm	54,936	49,580
Hybrid capital (50% is treated as equity by rating agencies), SEKm	1,724	–
Cash and cash equivalents and financial investments, SEKm	–1,585	–1,592
Net debt	55,075	47,988

Financial targets

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

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

Issues in the European capital market were carried out during the first and third quarters. The proceeds from the bonds were mainly used to reduce secured debt and the issued hybrid capital was used to retire all outstanding preference shares. The hybrid capital has several advantages compared to preference shares. It is treated more favourably by the credit rating agencies compared to preference shares, the interest is tax deductible, and it improves cash flow and provides increased financial flexibility. Through the issues, Balder has obtained extended fixed credit term and a reduced proportion of secured debt. In December 2016, Balder obtained an investment grade rating from Moody's of Baa3 with a stable outlook, and in 2017 Moody's changed the outlook from stable to positive. Moody's motivated the improved outlook by the fact that Balder during 2017 extended its fixed credit terms and that the company's proportion of unsecured debt has increased. In 2017, Balder also obtained an investment grade rating from S&P of BBB with a stable outlook and according to S&P, this rating reflects Balder's well-diversified property portfolio with a good spread among regions, segments and customers. The

rating also reflects the fact that Balder operates in large and stable real estate markets with properties in the largest Nordic cities. Through the ratings from Moody's and S&P, Balder can continue to access the European capital market, obtain long fixed credit term, diversify its funding base and thus secure long-term capital for continued growth. Balder's subsidiary Sato has a rating from Moody's of Baa3 with a stable outlook. In order to further stabilise its financing costs and improve access to financing, Sato's goal is to obtain a higher rating.

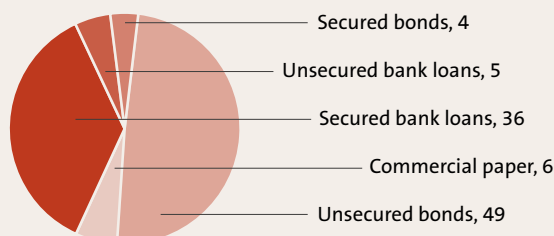
A lender's assessment of credit risk considers factors such as the location of the properties and the diversification of the property portfolio with regards to geography and asset classes. Balder's assets mostly consist of residential properties, which are characterised by long-term stable cash flows since the risk is spread among a large number of customers. The long-term security in the cash flow from residential properties means these assets can be pledged to a higher degree than commercial properties. Balder's property holdings are currently composed of about 60 % residential properties and a large proportion of these are located in Copen-

hagen, Helsinki, Stockholm, Gothenburg and some other growth areas in Sweden and Finland. The majority of Balder's commercial properties are located in the central parts of Stockholm, Gothenburg and Malmö.

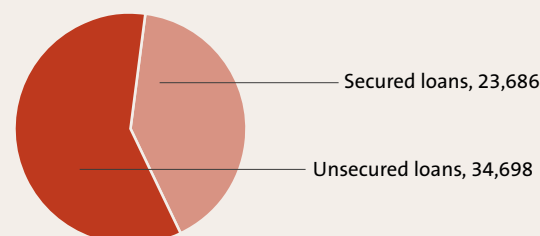
Interest-bearing liabilities

Of Balder's total financing, about 59 % consists of capital market financing and the rest is bank financing and subsidised governmental loans, where the latter are held in Finland. Balder's interest-bearing liabilities amounted to SEK 58,384m on 31 December. The secured liabilities in relation to total assets amounted to 21.9 % (39.6) as of 31 December. On the same date, the net debt to total assets ratio was 50.9 % (50.0). Balder's fixed credit term amounted to 5.5 years (4.2), the interest rate refixing period was 4.0 years (2.4) and the average interest rate amounted to 1.8 % (2.1) including the effect from interest rate derivatives.

Financing sources, %



Distribution secured and unsecured loans, SEKm



Net financial items

Net financial items, excluding changes in value of interest rate derivatives, amounted to SEK -984m (-973), which was a result of larger average debt, however, the average interest rate was lower during the year. At year-end, Balder's average interest rate was 1.8 % (2.1).

Liquidity

Balder utilises credit facilities to balance its liquidity needs. At year-end, Balder's available liquidity amounted to SEK 1,935m (1,942), which was composed of cash and cash equivalents, unutilised credit facilities and financial investments. Apart

from the available liquidity, Balder at year-end had credit facilities of SEK 5,940m (4,827), of which SEK 5,940m (4,827) were unutilised. Balder's cash flow is relatively evenly distributed during the year as about 63 % of rental income relates to residential rents, which are paid monthly. Remaining rents are mainly paid quarterly.

Financial policy

The financial operations at Balder are conducted in accordance with the goals that the Board establishes annually in the financial policy. The goals are set in order to limit the financial risks that Balder is expo-

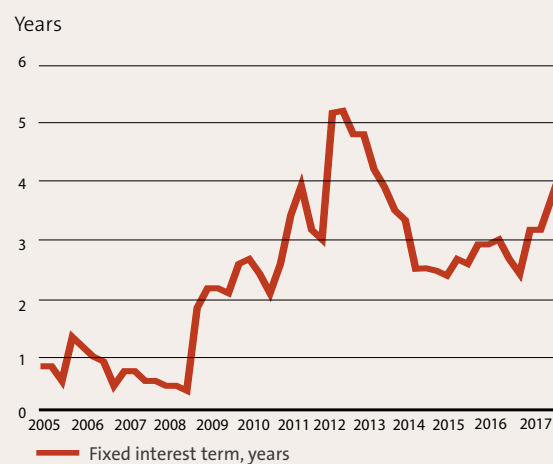
sed to, which mainly relate to interest rate, refinancing and liquidity risk. The financial target regarding net debt to total assets ratio has been adjusted from 2018. The net debt to total assets shall over time not exceed 50 %. An adjustment from previous target of 55 %. The overriding goals of the financial policy are:

- to secure the need of short- and long-term capital supply,
- that the equity/assets ratio should not be less than 35 % over time,
- that the interest coverage ratio should not be less than 2 times,
- that the net debt to total assets should not exceed 50 %.

Net debt to total assets



Fixed interest term



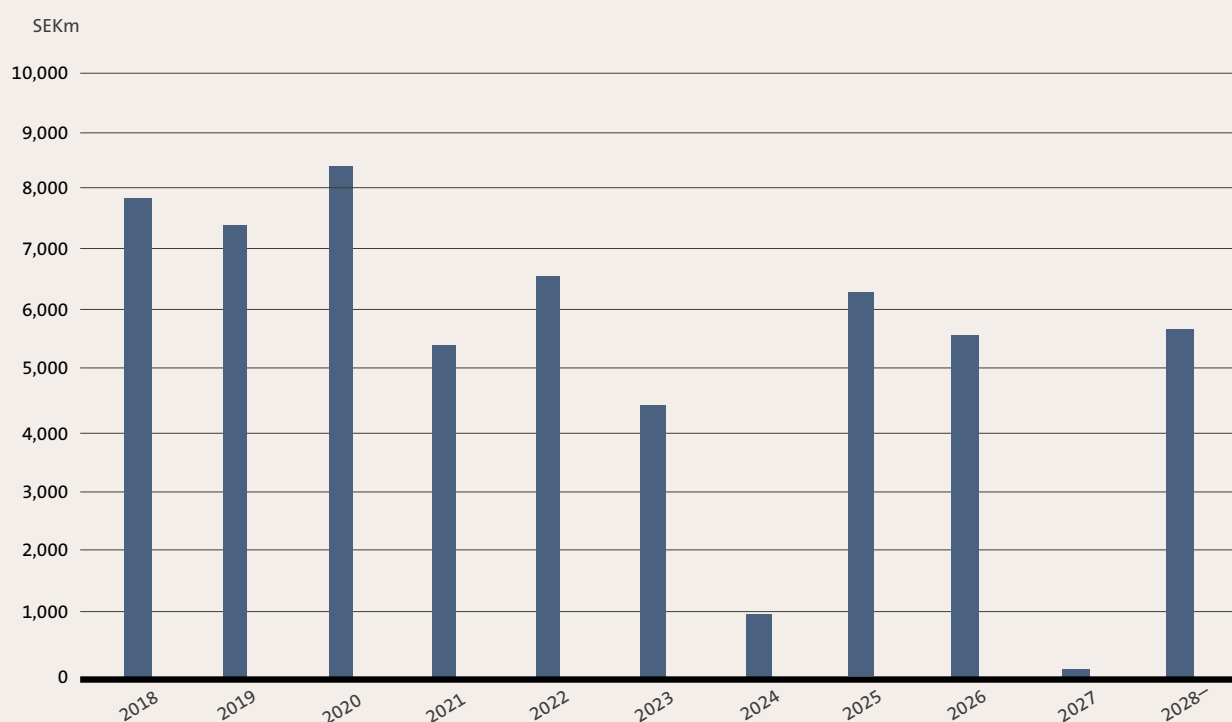
Interest maturity structure on 31 Dec 2017

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

Fixed credit term on 31 Dec 2017

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

Debt maturities on 31 Dec 2017



Property valuation

Balder's property portfolio consists of more than 1,100 properties, of which over 900 are residential properties.

The market value of the property holdings amounted to SEK 98,360m at the end of 2017. The value of the properties is based on internal valuations. In the valuations, the rental trend for the property portfolio is expected to follow inflation over time. Commercial leases include indexation, which means that the rent develops at the same rate as the consumer price index, CPI, during the leasing period. Residential properties have historically developed a little better than the CPI, but in its valuations, Balder has assumed that rents develop in line with inflation. The total rental value of Balder's property portfolio amounted to SEK 6,511 on 31 December 2017.

Valuation methods

Three different valuation methods are used in the internal valuations. These are the yield method, the sales comparison method and the acquisition cost method. During property valuations in Sweden, Norway and Denmark, the yield method is used and during valuation of properties in Finland, all three methods are used.

The yield method

During valuation according to the yield method, the market value of the properties reflects the future cash flow that is computed at present value using a yield requirement. The more predictable the future cash flow, of course the easier it is to determine the market value of the properties. The cash flows of residential properties are usually very predictable as the income is divided among a large number of customers, which makes it easy to determine at what rent an apartment will be let out at again in the event of a vacancy. Balder's commercial properties have an average lease term of 7.4 years. The ten largest leases account for 5.3 % of the total rental income, with

an average lease term of 11.9 years.

These circumstances mean that a large proportion of Balder's future cash flows that make up the future market value are known.

The properties in Balder where the future cash flow is least predictable are mainly concentrated in the central areas of the large cities of Stockholm, Gothenburg and Malmö. It is in those properties that Balder is most dependent on future lettings and it is also where an estimate must be made in the valuations of what rent a premise can be let out for again in the event it becomes vacant. The big cities offer good transparency with comparative rental rates, which means that rental rates can be determined with great certainty. However, the time for further letting is more difficult to determine, which means that an assumption must be made based on market demand, historical interest, and similar premises. An estimate is also made of the future development of the immediate surroundings as well as the position of the property within its market segment.

The sales comparison method

The sales comparison method is used in Finland for the properties that consist of apartments, which can be sold as separate units without restrictions. During valuation of these properties, quoted prices in the market for comparable objects during the past 24 months are used as basis. Using quoted prices as a starting point, an average price is calculated, which is adjusted by an "rental building deduction" based on the property's location, image and technical standard. The exception from the above is properties that were completed during the past two years and properties acquired within the past 12 months.

The acquisition cost method

The acquisition cost method is applied for properties under construction and properties subject to rent control. Initially, these properties are valued at cost with addition of transaction costs and subsequently at cost less depreciation and impairment losses. See note 13.

Operating and maintenance payments

During valuation, assumptions have been made regarding future operating and maintenance payments. The assumptions are based on historic outcomes and future projections as well as estimated standardised costs. Operating and maintenance payments are adjusted upwards each year by inflation.

Yield requirements and the cost of capital

Yield requirements and cost of capital used in valuations have been derived from comparable transactions in the property market. Important factors in choosing a yield requirement are location, rental rate, vacancy rate and the condition of the property. Market assessments of properties always involve a certain amount of uncertainty in the assumptions and estimates made. The uncertainty in respect of individual properties is normally considered to be in the range of +/- 5–10 %. Balder continually monitors the transactions that are completed in the market in order to substantiate and guarantee the internal valuations. Balder also conducts continual discussions with external actors regarding acquisition and divestment of properties, which provides additional guidance.

On 31 December, Balder's average yield amounted to 5.0 % (5.3). The average yield requirement for commercial properties amounted to 4.8 % (5.1) and to 5.2 % (5.6) for residential properties.

Change in value of the property portfolio

In 2017, Balder acquired properties for SEK 4,936m (11,342) in total. Divestments during the year amounted to SEK 3,008m (1,990), which generated a profit of SEK 184m (85). According to Balder's internal valuations, the carrying amount of the properties at year-end amounted to SEK 98,360m (86,177), which corresponds to an unrealised change in value of SEK 5,151m (4,847). The largest proportion of the market value is found in the

Stockholm, Helsinki and Gothenburg regions, which combined represent a property value of SEK 63,969m.

External valuations

In order to quality-assure its internal valuations, Balder regularly allows parts of its portfolio to be externally valued and obtain second opinions on internal valuations. During the year, external valuations or second opinions have been carried out regarding approximately 43 % (40) of the properties, including Sato's property

portfolio, corresponding to approximately SEK 42.3 billion. The difference between the external valuations and the internal valuations was less than 1 %.

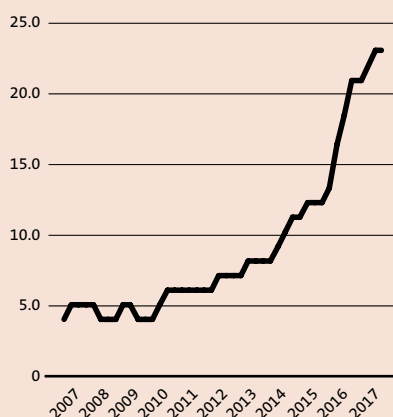
The external valuations were carried out during the year by Newsec and JLL. Second opinions were carried out by JLL. Historically, deviations between Balder's internal and external valuations have been insignificant.

Region	Residential	Commercial properties	The mean value of yield requirements for estimation of residual value, %
	Yield requirement for estimation of residual value, %	Yield requirement for estimation of residual value, %	
Helsinki ¹⁾	4.25 – 7.00	—	—
Stockholm	2.75 – 4.75	2.75 – 7.25	4.3
Gothenburg	2.50 – 6.00	3.75 – 10.00	5.0
Öresund	2.95 – 5.25	4.25 – 7.50	4.7
East ¹⁾	3.75 – 8.00	4.25 – 10.00	—
North	3.75 – 5.00	5.00 – 6.50	4.6

1) Refers properties measured by the yield method.

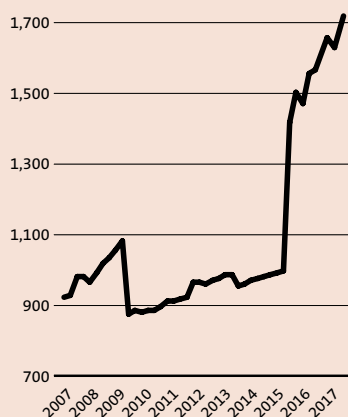
Net operating income

rolling annual value, SEK/share



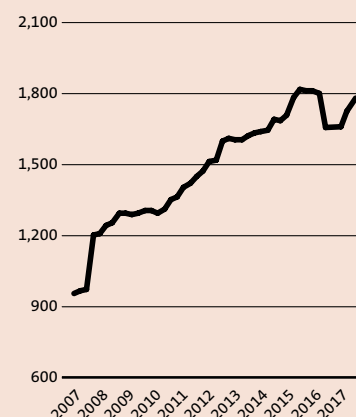
Rental value residential

SEK/sq.m.



Rental value commercial

SEK/sq.m.





The property market

The conditions in the Swedish property market are still good and when 2017 is summarised, we can look back on yet another strong year for property. Looking ahead, the uncertainty factors have increased, however, where the packaging investigation, interest deduction limitations and falling house prices are parameters that make the future uncertain.

The Swedish property market

Strong economic growth and the continued low level of interest rates meant that 2017 was also a strong year in the Swedish property market. Transaction activity continued to be high but unlike 2016 the past year saw much fewer large transactions, which meant that transaction volume decreased from

around SEK 218 billion to SEK 180 billion (transactions more than SEK 10m). The total yield during the year amounted to 10.8 % according to MSCI, a clear decline compared to almost 14 % during the two previous years. The highest total yield, 12.7 %, came from the office segment, largely due to strong value growth, while

residential accounted for the lowest total yield, slightly less than 8 %.

The residential market

After years of stable, rising house prices, the Swedish private housing market witnessed a trend reversal during the autumn. High new production rates and



in many respects an unbalanced addition to supply, resulted in many tenant-owner apartment projects being converted into rental apartments and house prices fell on a broad front, particularly in the Stockholm tenant-owner apartment market. However, there is still strong interest for newly produced rental apartments, both among homebuilders and investors, and the existing holdings are also still regarded as attractive investment objects.

The office market

Investment interest in office properties remains high, with falling yield requirements as a consequence. Yield requirements are now at record low levels and the potential for further downward pressure is considered limited. Rental growth in the office market has been very strong in recent years, particularly in Stockholm where we now see individual prices of more than SEK 9,000 per square metre and record low vacancies. The growth rate was also strong in Gothenburg, while in Malmö there are more uncertainties, for

example regarding the office market, in part due to a much higher new production rate than the other metropolitan areas.

Outlook

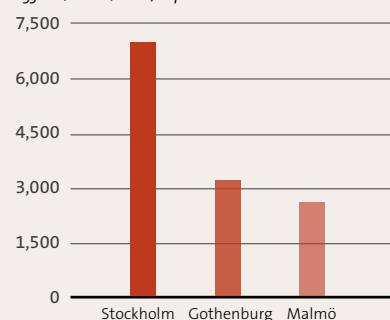
Even if the fundamentals are still favourable, there are several clouds on the horizon, where the so-called packaging investigation and the EU's Anti Tax Avoidance Directive, with more restrictive interest deduction possibilities as a consequence, are two of the most noteworthy. Rising interest rates, due to a less expansionary monetary policy, should also be factored in. All in all, a slight slowdown in the Swedish property market over the coming years is likely.

Source: NAI Svefa

MSCI's IPD Sweden Annual Property Index measures the yield on direct investments in properties and contains a database of almost 4,200 properties with a combined value of just over SEK 800 billion.

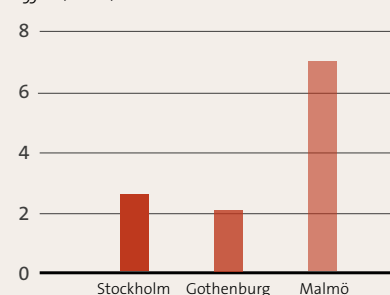
Rental levels

office, CBD, SEK/sq.m.



Vacancy rate

office, CBD, %



CBD = Central Business District

Source: Fastighetsvärlden



The danish property market

In 2017, the stable growth in the Danish economy continued. The expectations are that growth will also be positive in 2018 and for several years to come. A strong labour market with low unemployment, 4 % compared to double that in the eurozone, low levels of interest rates, low inflation and a strong export market, have resulted in growth in consumption and investments.

The urbanisation trend is continuing and more people are moving to the larger cities.

Growth, low interest rates, the willingness of creditors to lend and a fixed-exchange rate policy in relation to the Euro, mean that Denmark is retaining its prominent place as an attractive country for property investments. The record prices during the year show this in particular, when the transaction volume in the property market amounted to DKK 88 billion. Sellers have included domestic funds and pension companies.

Foreign investors represented about 55 % of the total volume, which was 10 percentage points higher than in 2016. Swedish investors alone doubled their property acquisitions from DKK 12 to 24 billion during 2017 compared to 2016.

Copenhagen is still the most attractive area to invest in even if cities like Ålborg, Århus and Odense have captured market shares.

High price increases, especially for properties in Copenhagen has also meant that many investors see the potential in new construction.

Investors have also shown greater interest in hotel properties. Increased tourism meant that the number of hotel nights amounted to 7.2 million during 2017, which was an increase of 4 % from 2016. In addition, significantly more long-term leases are now being signed with hotel operators, which makes such properties attractive as investment objects.

The residential market

The residential market for condominiums continued to perform strongly in 2017. Prices rose throughout the entire country by about 13 % and in Copenhagen prices rose by about 14 %.

The transaction volume for residential properties amounted to DKK 39 billion in 2017. The proportion of foreign investors amounted to 70 % of the transaction volume. In particular, Swedish property companies and property funds accounted for a large proportion of the acquisitions carried out in 2017.

Average prices of condominiums in Denmark, DKK per sq.m. (85 sq.m. apartment)

	2017	2016
Copenhagen	42,400	37,000
Århus	30,250	28,000
All of Denmark	30,650	27,000

Source: Home, Denmark

The office market

Office rents in central Copenhagen increased by almost 6 % during 2017 and were

in the DKK 1,650 – 1,950 sq.m. range, excluding property tax and operating expenses. Demand for premises in slightly more secondary areas also increased but there, the rental rates are around DKK 1,300 – 1,600 per sq.m.

Increased demand for office premises will be offset by the ongoing new production of office properties. About 300,000 sq.m. of office space will be completed during the next two years. This probably means that expectations of future rent increases will not be so high in the next few years.

The vacancy rate for unlet offices in Copenhagen inner city is around 9.5 % compared to about 5.7 % in Greater Copenhagen.

Vacancies in Copenhagen inner city are mainly found in older office properties with smaller premises, which have not undergone renovation or conversion.

In particular, the business service centre segment is expected to be able to capture part of the market from traditional office premises. This will follow the trend that can be seen in other European cities.

The yield requirement for offices in A location is around 4 % and reflects the current imbalance between supply and demand for attractive office properties.

The transaction volume in 2017 for office properties and other commercial properties amounted to DKK 49 billion.

Investors are expected to continue showing strong demand in 2018, primarily for modern properties and especially in attractive locations in Copenhagen but also in Denmark's other major cities.

Source: JLL, Sadolin/Albaek, Home

The Finnish property market

Economic growth in Finland is strong. GDP increased from 2.1 % to 3 % during 2017. This is mainly due to increased employment, higher domestic consumption, a better economy and increased new production on the property side. This means that Finland is attractive both for domestic and foreign property investors. Low interest rates, good access to capital and competitive yield levels have resulted in a sharp rise in transaction volumes in recent years.

The transaction volume in the property market amounted to a record high EUR 10.2 billion during 2017. This represented an increase of 38 % compared to 2016. In particular, one reason for the high transaction volume was a number of transactions where foreign owners acquired large property portfolios.

Foreign investors currently dominate the transaction market with about 70 %

of the total value. Domestic investors are mainly increasing their portfolios through investments in new local projects. Institutional investors are taking advantage of market conditions and are actively continuing to restructure their property portfolios.

Investments in new construction are continuing to increase, particularly in and around Helsinki and in larger cities. Just in Helsinki and the nearby cities of Esbo and Vanda, 87,000 sq.m. of office space and 102,000 sq.m. of retail space were completed during 2017. Apartment construction starts in 2017 amounted to 43,000 units in Finland overall, of which one third were in the Helsinki area.

In Helsinki and some other cities, there is a variable trend in commercial properties in terms of vacancies and rental development. There is a mix of properties where older and less modern

properties have high vacancy rates and a lower rental development compared to attractive and more modern properties, which have low vacancies and a rising rental trend from a stable level. Older properties are being continually converted into more modern office buildings or new apartments.

The yield for office properties in central Helsinki is around 4.0 % and for apartments in good locations it is around 3.8 %. Apartment rents are continuing to increase in all larger cities despite the rapid growth in newly built apartments. However, the increase is moderating slightly compared to recent years. The continued urbanisation trend with an improved economy has meant that investors and project developers' expectations of the housing market are now more positive than before.



Our customers

Customer satisfaction is one of our most important goals and this work is prioritised in the organisation. The goal is that our customers grow in our premises and that we can meet their different needs over time in terms of the size of their premises and geographical location. For our residential customers, the goal is that they should be happy in their homes and want to stay with Balder for a long time.

When customer needs drive developments

Balder conducts regular customer satisfaction surveys among residential and commercial customers in Sweden. In order to measure customer satisfaction, also called CSI (Customer Satisfaction Index), we use different methods and suppliers.

The largest survey was carried out together with AktivBo but Balder also conducts internal surveys and holds personal customer meetings. The surveys with AktivBo occur regularly at 18 month intervals and cover half of our residential customers and all of our commercial customers.

All Balder employees are present during reporting of the company's CSI results, in order to obtain a view of what the customers think and to plan ahead and implement measures based on the results. Some measures are minor, more basic and can be implemented quickly while others require more planning and resources. In connection with this, property management operations can also match their planned measures with customer wishes in order to obtain best possible results.

By working with long-term and clear customer-oriented property management, Balder has obtained increased customer satisfaction and we can see this in all the surveys we conduct. The organisation also gets many good concrete proposals for improvements in these surveys.

For our commercial customers, the needs differ significantly, e.g. in relation

to the design and area of the premises, location and ancillary services depending on the nature of the customer's operations. When it comes to residential customers, we can see that requests can usually be met through standardised solutions. It may relate to quite different things inside the apartments and also in the property's common areas such as the entrance, basement, laundry room or outdoor environment. Of course, area-specific conditions can differ but the basic needs are usually the same.

For this reason, we have produced a standard solution both for our apartments, which we call HOME and for the properties' common areas and other areas, which we call HOUSE.

HOME and HOUSE

With HOME, we offer an apartment standard equivalent to a newly built apartment. The customer can choose the entire concept or parts of it. A great emphasis has been placed on issues relating to the environment, sustainability, functionality and the general feel. In our customer surveys, 93 % of customers answered that the HOME apartment fulfilled all of these points.

Rental apartments are about much more than just the apartment itself. The impression already begins outside the apartment. From the courtyard, to the entrance and onwards to the stairwell you are led into the home. These common areas shall serve many functions. The courtyard should be an inviting place for young and old and a natural meeting point for families, friends and neighbours.

The entrance and stairwell should be safe, welcoming and accessible for visitors. The laundry room should be practical, accessible and easy to clean. Any storage space should be secure.

At Balder, we want our customers to be just as happy at home as in the outdoor environment, and therefore we have developed our modernisation programme HOUSE.

All material in HOUSE is selected with the greatest consideration for the environment. The focus in HOUSE is on accessibility, safety, functionality and meeting points.

Different areas have different conditions but by standardising our action plans, we can carry out these measures faster, more cost-effectively and with higher customer satisfaction and modernise our properties both to today's and tomorrow's standard.

Outdoor environment

In 2017, the Swedish National Board of Housing offered property owners the possibility to apply for support to improve outdoor environments in socio-economically deprived areas. The aim of the measures is that they should contribute to attractive, functional, equal and safe outdoor environments. Balder has applied for and has been granted support for initiatives in several of our areas. With this support, we can improve the measures already planned for these areas' outdoor environments. In several places, we are now building outdoor environments that just like HOME apartments correspond to new production standards.



Our outdoor environments shall encourage play, activity and togetherness and we are convinced that it is those who live and work in the area who should be engaged and involved as decision-makers in respect of the planned measures.

Long-term leases

Balder considers that the risk of a sudden deterioration in rental income is low due to its lease structure. Rental risk is reduced

through a good division between commercial properties and residential properties as well as the geographical spread. In order to offset reduced rental income and a weaker occupancy rate, the company strives for long-term relationships with its existing customers. Balder's ten largest leases account for 5.3 % (5.6) of total rental income and their average lease term amounts to 11.9 years (11.8). No individual lease accounts for more than 0.8 % (0.8) of

Balder's total rental income and no individual customer accounts for more than 4.3 % (4.0) of total rental income. The average lease term for the entire commercial portfolio amounted to 7.4 years (7.1).

The lease structure on 31 December 2017 is shown in the table, whereupon leases terminated on this date, where removal will or is expected to take place, are recognised as leases maturing within one year.

Lease structure 31 Dec 2017

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

1) Lease runs subject to a commitment period of 3 months.

Balder's 10 largest customers as of 31 Dec 2017

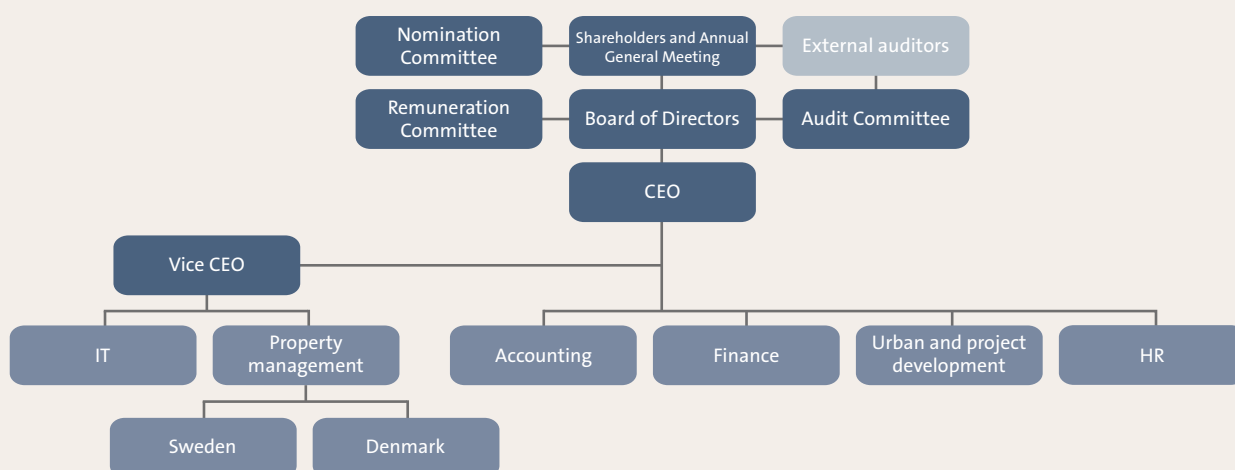
- I.A. Hedin Bil
- ICA Sverige
- Kopparbergs Bryggerier
- Norweigan State
- Profilhotels
- Scandic Hotels
- Stockholms stad
- Stureplansgruppen
- Volvo Personvagnar
- Winn Hotel Group



Malin Fohlin, Caretaker in Gothenburg

Our organisation and personnel

Balder's employees are continually helping to develop the company. For this to happen, we must continually develop good working conditions that promote diversity, new thinking, and cooperation while supporting our values.



The property management organisation in Sweden is divided into 6 regions with local offices in all areas. Local offices are responsible for management, letting, operation and environmental issues.

Balder's personnel that work with new production of properties are based in Gothenburg, Helsinki, Copenhagen and Stockholm. During the year, Balder recruited new employees in order to meet the increased need due to the company's growing project portfolio.

In order to support the organisation, there are head office functions such as Accounting, HR, Finance, Market and IT. The company also has management and support functions in Denmark.

During the year, Balder started a number of development initiatives in the organisation. A reorganisation in the head office functions was completed with

the aim of offering the right support to managers and employees in all locations in the country.

Skills development

In order for Balder to reach its goals we need employees with the right competencies. For this reason, the company offers the opportunity for skills development within Balder Academy, which is the company's digital training tool. Training and development are a key factor for retaining staff and promoting internal commitment. Balder Academy offers introduction courses for new employees, among other things. The introduction courses provide new employees with an insight into how Balder works, our values and what different functions work with in the company. After start of employment, Balder Academy offers a possible

training package depending on what role in the company the person will have. The training modules are available as a knowledge bank where employees can access the content whenever they want. Balder Academy is also responsible for competency training when e.g. new roles and functions are created in the company.

Balder has started internal training for the head office functions, which involves practical training in the property management operations. We know it is important

Employees	31 Dec 2017	31 Dec 2016
Number of employees	610	546
– of whom, women	277	255
– of whom, men	333	291

that all colleagues have an understanding of each other's roles and the work performed in the property management operations, which is Balder's core business. By being involved and being able to see each other's working day, we can learn from each other, increase understanding and hopefully create an even better working environment.

Fastighetsakademin

Through its involvement in Fastighetsakademin, a vocational training college in Gothenburg, Balder has a great opportunity to support students who show an interest in learning more about different professions in the property sector. Balder contributes knowledge about our operations in order to give the training a clearer connection to working life. Balder also offers a number of trainee posts in various occupational roles.

Suggestions for improvement

With the aim of making continual improvements, Balder has started a forum where colleagues can make suggestions for improvement on an ongoing basis, which can benefit the operations in different ways. Incoming suggestions are delegated to each responsible staff member for review, possible action and feedback.

Internal communication

During autumn 2017, a new Intranet was launched that provides us with a better platform to work on and makes it possible to communicate information in a better way within the organisation. Improved communication possibilities create even greater potential for cooperation and exchange of experience among employees in different locations.

Digitalisation

During the year, Balder hired persons with special expertise in digitalisation. The aim is to enhance procedures in the company using new technology and improve working methods.

Balder's Board and management

Balder's Board consists of five members plus the employed CEO. The Board meets regularly and takes decisions according to an established formal work plan regarding the company's important issues. In the composition of the Board, Balder's equality and diversity policy is observed, which entered into force on 22 December 2017. The CEO has a management team, which consists of 5 persons, in addition to the CEO. The CEO has delegated responsibility in respect of the areas finance, accounting, acquisitions/divestments and HR. The management team meets once each month.

Policies and Code of Conduct

Balder has zero tolerance against bribery and corruption. Balder will thus increase its efforts in relation to internal training and information to employees. Balder works systematically on preventing unethical incidents and corruption.

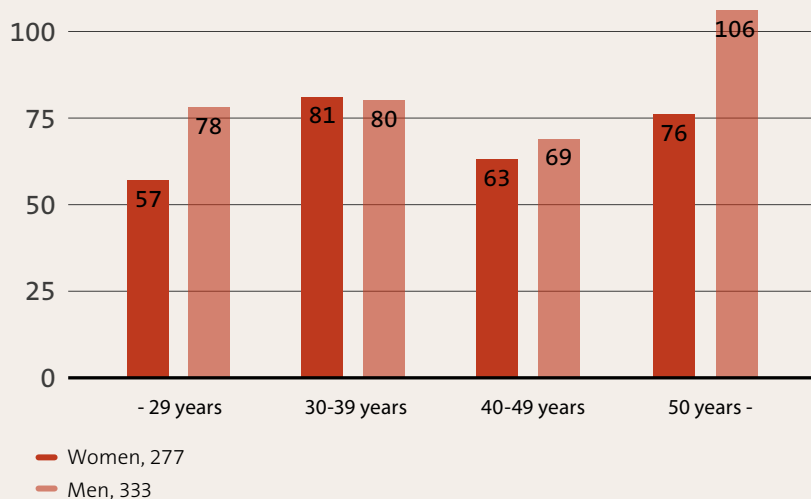
During the year, the Board approved a new Code of Conduct, an equality and diversity policy as well as a sustainability policy. In addition, the existing travel policy was updated to also include transports. These documents will be followed up annually and worked into the company's internal training system. The Board also decided to establish a whistleblower function during the year.

All forms of harassment, abuse and crimes are prohibited and shall be reported to the line manager or handled according to established routines. The possibility of anonymous reporting to Balder's security company shall also exist.

During the year, Balder also developed a selection policy. All letting of apartments shall be handled according to the company's selection policy, which has been drawn up to ensure an impartial assessment when choosing tenants. No stakeholder shall be disadvantaged in the selection process due to gender, sexual orientation, ethnicity, religion or other beliefs, disability, transgender identity/ expression or age.

The employees during 2018 will be informed about and trained in relation to the policies and Code of Conduct drawn up during the year.

Gender distribution by age group, number



Attractive employer

In order for Balder to achieve its overall goal, to be an attractive employer, we need the ability to recruit and retain employees with the right competencies. It is also crucial that these employees are happy and feel a commitment to Balder, and perceive that they have the chance to develop in the Company. Balder works continually on creating the right conditions for achieving this.

Balder's watchwords

Passion

Work should be performed with consideration and respect for both customers and colleagues.

New thinking

We are not afraid of thinking outside the box. The company supports the ideas of employees through a strong entrepreneurial spirit.

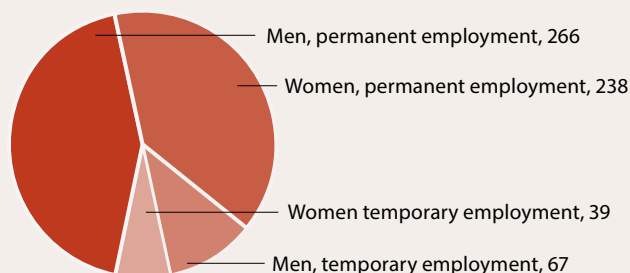
Simplicity

The direct approach is usually the best. Employees help each other to develop by spreading ideas within the organisation.

Proximity

We have short decision-making paths. We are present and act on the basis of the best possible local knowledge. Proximity creates confidence.

Number of employees per types of employment



Balder and society

Social engagement is a natural part of Balder's work and a way to help promote sustainable social development. Balder engages in these issues both locally and regionally and strives to ensure that people feel comfortable in and around our properties. In order to succeed with this, great commitment is required from the employees but we also have to collaborate with other players. At Balder, we believe that diversity creates value in society and we work to create a portfolio with amenities, security and stimulating variety. Our ambition is for Balder to create value for its owners, customers, employees and the community. Some examples are provided below of work carried out in some of our areas during the year.



Södra Ryd, Skövde

During 2016, work started on the development of the area at Södra Ryd, Skövde. All players in the district were invited to a general meeting. The aim was to identify important issues for the district to prioritise. Balder, with its experience of similar areas, became part of the steering group for the development work at an early stage.

Examples of other representatives in the steering group include Skövde Municipality, other local property owners, the school, recreation centre, the local business community, the Police and local associations. Balder mainly contributes through the company's time and competencies and in certain cases with

financial resources in order to promote development.

Balder perceives that the cooperation established between local players is very positive and important for the future.

Examples of completed activities since the initiative started:

- Four security officers have been hired in the area.
- Two area police are stationed in the district.
- Security rounds with residents and police have started.
- Art projects for young girls in the area have been carried out.
- "Bry-dig" evenings were held in Södra

Ryd and participation in an outdoor festival.

- Summer workers with local roots were hired.
- A football school for children was carried out in cooperation with Skövde KIK.
- Sponsorship and support of the local football team FC Skövde.
- A clean up project was completed in cooperation with the school, where young people picked up rubbish in the area.
- A cultivation project in cooperation with ABF and the property owners was carried out in the area.



Vårby gård, Stockholm

Vårby gård is a residential area with a beautiful location south of Stockholm, close to Lake Mälaren and featuring large green areas both around and between Balder's residential buildings. Balder has been in Vårby gård since 2009 and since then it has worked hard to improve the amenities and security. The staff is committed and together with our residents, the local business community, the municipality, other property owners in the area, ABF and the local residents' association, great progress has been made over the years. Balder's work to promote a positive development in the area is continuing in line with Balder's long-term ownership.

Examples of completed activities during 2017:

- The Environmental Club (Miljöklubben) is an initiative with the vision of educating children aged 10-13 about environmental issues and environmental work. For example, questions are asked regarding sorting at source, why it is done and how it impacts the environment. Excursions were also arranged to the Swedish Environmental Protection Agency, among other places.
- Balder has employed people over the years that live in the area and is continually looking at opportunities to develop and improve this way of working. Among other things, we are conducting a dialogue with external parties within the areas of recruitment and skills in relation to a concept we call "Property talent".
- Since 2013, Balder together with Huddinge Municipality and the other local property companies, has created summer jobs for over 450 young people in order to strengthen local self-esteem, arranged meetings between different age groups and provided work experience through caretaking work in the property area. In 2017, a new association for summer jobs was formed in Huddinge. Balder is a member of the association's board, which was established together with Huga Bostäder, D Carnegie and Huddinge Municipality. The goal is to continue advancing this initiative on a long-term basis and also to develop the concept. The ambition is to create about 180 summer jobs per year distributed among the areas of Vårby Gård, Flemingsberg and Skogås.
- Balder is conducting a dialogue with ABF in order to establish an association according to the "Yalla-trappan" principles, which are about reaching and supporting women who are currently a long way from working life. Balder's ambition is to start a cafe and catering business in Balder's premises and employ 5-15 women in the area to work in the business. The association will be called "Yalla Vårby". Balder's employees are planning together with

ABF, among other things, to go to Östersund in January 2018 in order to meet the leaders of the "Yalla Östersund" business. The aim is to exchange ideas and experience. Östersund's model is similar to the plan we have for a cafe and catering business in Vårby gård.

Bredsand, Sundsvall

There has been a joint action group in the Bredsand area since 2013, which is composed of Bredsand school, the Red Cross, Balder, the Orthodox community, The Church of Sweden, the social services, the Police, recreation centre, the municipality, Favi, SDFP football association, the Somali association, Njurunda företagarna and the Tenants' National Association.

The joint action group meets about 4 times per year to discuss and plan cooperation in the area. A number of activities were carried out in the area. One such example is the so-called Bredsand day for residents in the area. During this day, the school holds several performances, children sell cups of coffee and a combined open-air walking and quiz competition and football tournament is held.

Sponsorship/collaboration

Balder has chosen to focus on organisations, which are active in areas that support young people, education and integration. We attach great importance to security and amenities in our property areas and provide sponsorship, where appropriate, preferably for youth activities and security-enhancing initiatives.

Balder is also a partner to The Swedish Crown Princess Couple's Foundation. The Foundation highlights, finances and initiates projects that promote good health and strengthen solidarity among children and young people in Sweden. Balder and the other partners are helping to create a

strong capital base so that the Foundation can distribute grants to more projects, increase support to organisations and initiate projects in key areas.

Having your own home is a requirement for living a secure and independent life. Balder collaborates with players that work actively with integration and treatment programmes directed towards children and young adults. Having a home of one's own and guidance from people with extensive experience of integration and treatment work improves the chances of a better future. An example of a partner is Rebo.



Stakeholder dialogue

The company's most material sustainability aspects have been identified internally and together with the existing environmental policy, this has provided guidance in the development of the company's sustainability policy.

In the company's introductory work with sustainability reporting, both internal and external workshops were conducted in order to identify the most material issues for Balder's sustainability work. The work with the sustainability report has been continually checked off with the company's management and Board.

The company most material sustainability aspects were identified internally and together with the existing environmental policy, this provided guidance for the development of the company's sustainability policy. These policies interact with the company's business concept, strategies, goals and other policies in order to run the company in a long-term sustainable way.

Internal workshops were carried out where stakeholder groups were identified

and prioritised based on their influence on the company. After that, a selection was made regarding what groups would be involved in the year's stakeholder dialogue. In this selection, priority was given to the impact of the stakeholder group.

The selected stakeholder groups 2017:

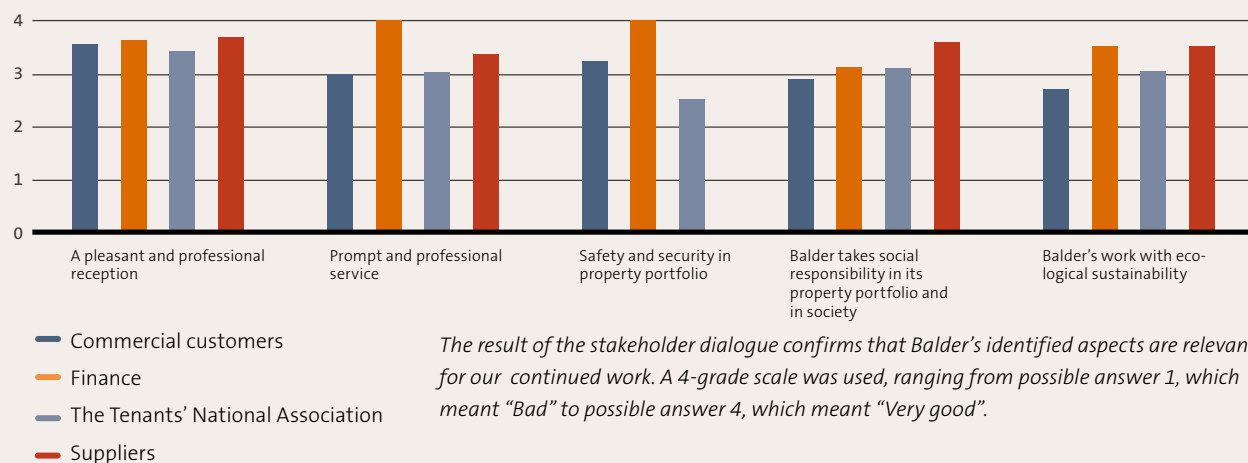
- Commercial customers
- The Tenants' National Association
- Finance
- Suppliers

The stakeholder group residential customers will be involved in the CSI survey in 2018, and the existing CSI issues have also been supplemented based on the sustainability work and stakeholder dialogue. As regards the stakeholder group Personnel, comprehensive work

has been done to develop a new template for employee performance reviews, which will start to be used in Q1 2018.

The stakeholder dialogue was conducted by sending out a questionnaire to a number of selected organisations for each stakeholder group. In certain cases, the questionnaire was substituted or followed up with personal meetings where the issues were discussed and developed. The reaction from the respondents to the company carrying out this stakeholder dialogue was very positive and we will work further with the results from the stakeholder dialogue. The idea is to conduct the stakeholder dialogue annually as a natural part of the sustainability reporting and the company's development work.

Result stakeholder dialogue



The result of the stakeholder dialogue confirms that Balder's identified aspects are relevant for our continued work. A 4-grade scale was used, ranging from possible answer 1, which meant "Bad" to possible answer 4, which meant "Very good".

Sustainability aspects

By striving to achieve and advance the described sustainability aspects, we want to develop the company in the longer term. As the company's sustainability aspects span large areas, the hope is that this will also generate positive results for the company's customers/tenants, personnel, suppliers and for society as a whole.

The company's identified sustainability aspects in most cases have been a part of the basic operations for many years while a few have been developed and implemented in recent years. Those developed more recently mainly relate to ethics in external relationships, which have increased in importance due to Balder's sharp growth.

The other aspect that is being developed in the near future is environmental impacts from transports and materials in connection with construction. This is because the company is now entering a phase of increased new production, which has major environmental consequences in terms of energy and material use.

The company's material sustainability aspects are:

Economic:

- Satisfied customers
- Long-term economic stability and profitability

Social:

- Security and amenities in the company's property portfolio
- Satisfied employees and a good working environment
- Good and ethical external relationships
- Responsible suppliers

Ecological:

- Minimise use of energy, water and hazardous chemicals
- Choose renewable energy sources and less hazardous material

- Minimise waste
- Responsible and efficient trips and transports

For sustainability aspects that are already considered material, there is in-depth knowledge of how the company will work. Meanwhile, we must always be humble in order to advance and improve processes, governance and follow-up methods. For the aspects that were formulated recently, work is ongoing to update policies and routines as well as training efforts in order to follow and advance these aspects. This work is delegated to appropriate parts of the operations.

Business model

The company's business model is a further description of how the business concept is implemented and adhered to. Regardless of whether it is about management, property development or internal support processes, the business concept steers the approved policies and the company's overall goals while taking account of the sustainability aspects mentioned above.

Balder's operations like all businesses have a sustainability impact. Through continually streamlining and improving our working methods, negative environmental impacts can be minimised by means of reduced energy and water use or lower quantities of waste.

Balder aims to listen to customers and tenants and to satisfy them as far as possible. Better amenities and security

are some of the social aspects

that Balder is working hard with.

During investments in existing or new properties, various areas of resource efficiency and social aspects are considered. There has been a greater focus on these issues in recent years.

Another important aspect is that the operations are ethically run. This is ensured through our internal steering documents such as policies and routines. For example, in our role as a property company, processes within letting, recruitment and choice of suppliers are particularly important. Policies and routines are intended to guide and ensure respectful and businesslike relations while minimising risks, for example, of discrimination and corruption. The steering documents along with the company's watchwords are intended to create good relationships and a good corporate culture, which in turn generates long-term value for the company and its owners.

By striving on a long-term basis to achieve and develop the above-described sustainability aspects, the company develops in the longer term. As the company's sustainability aspects span large areas, it is hoped that this will also generate positive results for the company's customers/tenants, personnel, suppliers and for society in general.



Purchasing

Balder works with suppliers within both the product and services sectors. Continual work is ongoing with the aim of reducing the number of suppliers, which today stands at about 4,500, to a level that implies better cost efficiency and a lower environmental impact. By creating central agreements, we can achieve economies of scale and the product range is standardised. When selecting suppliers and during follow-up of delivered quality, internal criteria are used that ensure compliance with laws and regulatory requirements as well as the company's approved policies and guidelines.

During 2017, selected suppliers were involved in the company's stakeholder dialogue. The responses received show that the company has good relationships with suppliers and that there is great potential to further improve a number of collaborations. The management's decision to introduce new policies, a Code of Conduct and a whistleblower function is intended to clarify and improve the work with purchasing and supplier relationships and to reduce future risks.

Suppliers

Balder's suppliers are broadly found in the construction, property, energy and media sectors. Both major contractor firms and smaller suppliers of services and skills constitute the supplier base. The company is focusing on working conceptually with development of the existing property portfolio, in order make it easier for all the parties involved.

Effective logistics solutions are a basic requirement for achieving good cost efficiency. An example is HOME, which a concept for modernising apartments, where a great emphasis has been placed on environmentally friendly material, energy-conserving functionality and minimising transports of material to building sites. All of the involved suppliers are Swedish, Finnish or Danish companies, which to some extent import material from other countries. The supplier base includes contractors, building material, energy and media, consultancy services and public authorities. The total sourcing of material and services was about SEK 4.9 billion in 2017 from a total of about 4,500 suppliers.

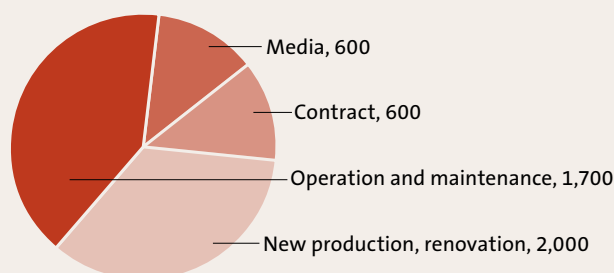
Goals

With the aim of improving the efficiency of Balder's purchasing, there are established goals, including reducing the number

of suppliers, increasing the proportion of central agreements, cost savings and streamlining administrative processes. Economies of scale and fewer suppliers can contribute to some of these effects, standardisation of services and products and coordination of logistics and transports can contribute to further effects. The company's new purchasing system also means more efficient handling of orders, order confirmations and electronic invoice management.

The total cost of a purchase is always in focus. Factors considered here include quality, service, logistics, the environment and price. The decision regarding what supplier, product or service will be selected is based on a total appraisal of the components involved. During the contractual period, continual follow-ups of the supplier's ability to fulfil the agreement are made.

Purchasing volumes, SEKm



Environment and improving efficiency

Balder strives to be a long-term and sustainable property owner in many ways. This can be through reducing energy use, improving waste management, applying a duty of care when choosing material or chemical management. It is just as important to work to ensure that people feel good in our properties by offering a good indoor environment.

Balder is subject to environmental legislation in many areas and works actively to meet the requirements in both our new production and in the day-to-day management. Some of Balder's focus areas are energy, waste management, indoor climate and potential environmental risks such as radon, PCB, and asbestos.

Balder's largest environmental impact relates to the properties' energy use, and consequently this is our most prioritised issue from an environmental standpoint

but also from an economic perspective.

Major efforts have commenced in order to optimise the operation of Balder's holdings. A new working method has been developed with a focus on making inventories, optimisation and follow-up to increase awareness. A new operating portal for property monitoring is under development with operating images relating to the indoor climate, water temperatures, substations, fans and energy monitoring. The new working method will save both time and costs as reaction times will be cut and the operating portal will give the management operations better opportunities to work preemptively with these issues. In connection with larger conversions, measures to improve energy efficiency such as replacing windows, insulation and new installations are considered. During larger energy saving projects, the environmental certification Green Building should be considered.

Environmental policy

"Balder acquires, develops and manages residential properties and commercial properties and we want to contribute to a sustainable society through our business operations. We want to influence and encourage our employees, customers and suppliers to achieve better environmental performances."

Balder's environmental goals

- Reduce energy use and choose sustainable energy sources.
- Strive for environmentally friendly transports.
- Reduce substances that are harmful to the environment and use resource efficient material.
- Reduce the volume of waste and increase the sorting rate. Through systematic and preventive work, which is integrated into the operations, Balder strives to continually improve its environmental performance.
- We follow current environmental legislation, regulatory requirements and society's environmental goals.
- For the environmental policy and environmental goals of Balder's subsidiaries, see each company's website. For more information about Balder's subsidiaries, See Note 26.
- For Balder's wholly-owned subsidiaries, the same environmental policy and environmental goals apply as for Fastighets AB Balder. For Sato Oyj, see the company's website, www.sato.fi.

Energy use

In recent years, Balder has worked to reduce the energy use in its properties. In order to create further awareness, a competition called the Balder Challenge was arranged where both commercial and residential properties were evaluated based on initial energy use and achieved energy savings, investment needs and inventiveness. The idea of the competition was to highlight good examples and spread them within the organisation. Further measures that were taken included replacing windows, additional insulation of façades, adjustment or replacement of ventilation equipment, replacement of light fittings etc.

A few of Balder's properties use fossil fuels as a main fuel, when regular energy sources are not sufficient. The goal is to produce action plans to replace the fossil fuels, which are used for heating, with more environmentally friendly alternatives.

Balder has two wind farms since 2009, one in Falkenberg and one in Öland. The 10 wind turbines have contributed 19,501 MWh of renewable energy, which is equivalent to about 30 % of Balder's electricity consumption. This corresponds to household electricity for about 7,800 apartments.

Waste

Balder's goal is to have a good waste management system in our properties and reduce the quantity of waste that goes to landfill and also maximise recycling. Balder changed the contractor for sorting at source during the year and made an inventory of the existing sorting in the properties in order to find out what improvements can be carried out to improve the possibilities for our customers to sort waste. As several of Balder's refuse collection companies are currently unable to report the follow-up in kg, Balder has set a goal to reduce waste costs. The work on producing more detailed follow-up statistics will continue during the coming year.

Balder also works on encouraging and facilitating sorting of waste by ensuring that the waste rooms are clean, bright and secure and that the containers are well marked-out and that the information is clear. Specific figures regarding Sato's volume of waste will be included in future annual reports. The diagram below excludes Sato's volume of waste as they are unable to report these values at present.

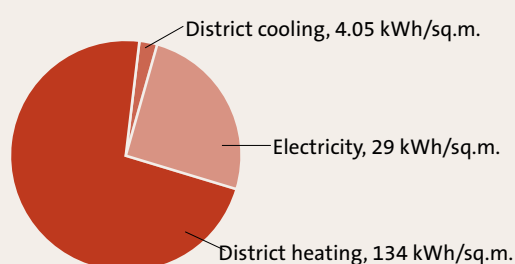
Transports

Apart from energy, transports have a large environmental impact for Balder and a new travel policy was created during the year in order to simplify booking and selection of more environmentally friendly modes of transport. The work with both internal and external transports will continue going forward. Balder's total emissions relating to business trips during 2017 amounted to 208 g CO₂/sq.m. excluding Sato as they do not measure transport emissions at present.

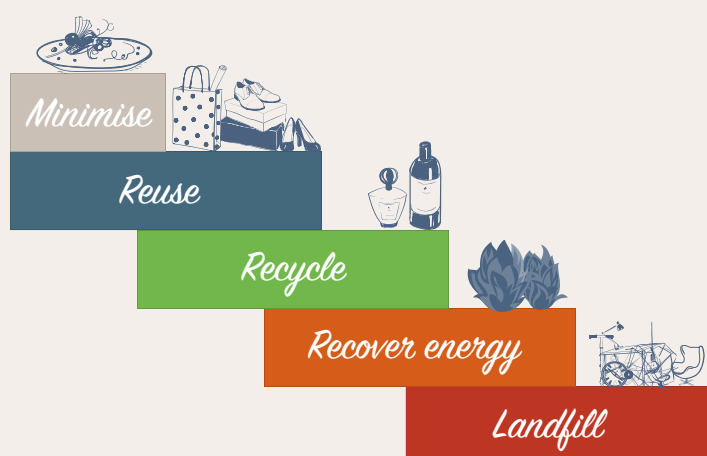
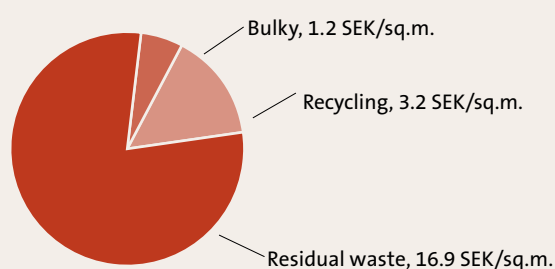
Water and sanitation

Access to freshwater has not been a major issue in Sweden previously but after the dry summers in recent years and reduced groundwater reserves, the issue has increasingly come into focus. Balder uses the municipal water system and works on following up and reducing water consumption. Balder has a goal of reducing water consumption in general. In 2017 1.6 cubic meters of water per square meter was used.

Consumption/type of energy kWh/sq.m.



Waste fractions SEK/sq.m.



Reference sustainability report 2017

In accordance with Chapter 6 Section 11 of the Annual Accounts Act, Balder has prepared a sustainability report in the annual report. The sustainability report is included in this document, which also contains our statutory Annual Report for 2017.

Social engagement is a natural part of Balder's work and a way to help promote sustainable social development.

For a description of Balder's business model see page 3 and 49.

A description of the organisation, policies and governance may be read on pages 41–42. As part of the work ahead of the sustainability report 2017, new policies were developed and the results of these will be evaluated before the sustainability report 2018 based on established goals. On page 42, reference is made to guidelines that Balder proceeds from in its work with Human Rights. The sustainability aspects affect all parts of the strategy and are described on pages 49–52.

For other key performance indicators in sustainability see page 50 and page 52.

The sustainability issues that are prioritised by Balder were identified through a materiality analysis. The priority of the issues is continually validated together with our stakeholders. The stakeholder dialogue is described on page 48.

Management and development of properties, just like all business activity, is associated with risks and these must be handled responsibly and in a controlled manner. Balder works continually on identifying and reducing the risks that can impact the operations. Handled in the right way, risks can generate opportunities and can be value-creating. The sustainability risks are described under Risks and opportunities on pages 54–57. Sustainability risks are present in a number of areas such as acquisition risks, environmental risks, financial risks as well as internal and external regulatory risks.

Balder is carrying out its first sustainability reporting inspired by the GRI G4 guidelines, Core option. For more information about where the sustainability-related information can be found, see the GRI index on pages 58–59.

With the help of the above page references, an account is provided of Balder's work and results in the areas of environment, social relationships and personnel, respect for human rights and anti-corruption. This information constitutes Balder's sustainability report.

Balder does not conduct any operations that require permits according to the Environmental Code. However, there is a reporting duty in respect of refrigerants used to cool refrigerated areas as well as in heat pumps and ventilation systems. Balder's tenants may conduct businesses that require permits or that have a reporting duty.

The auditor's statement on the statutory sustainability report

To the Annual General Meeting of Fastighets AB Balder (publ), corporate identity number 556525-6905

Engagement and allocation of responsibility

The Board of Directors is responsible for the sustainability report for the year 2017 on this page with the above stated page references and for ensuring that it is

prepared in accordance with the Annual Accounts Act.

The focus and scope of the review

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's statement on the statutory sustainability report. This means that our review of the sustainability report has another aim and direction,

and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

Opinion

A sustainability report has been prepared.

Gothenburg, 29 March 2018

Öhrlings PricewaterhouseCoopers AB

Bengt Kron

Authorised Public Accountant
Auditor in charge

Helén Olsson Svärdröm

Authorised Public Accountant

Opportunities and risks

Management and development of properties, just like all business activity, is associated with risks and these must be handled responsibly and in a controlled manner. Balder works actively with diversification of risks in order to limit the company's risk exposure. Handled correctly, they can create opportunities and be value-creating.

Sensitivity analysis

Factor	Change	Earnings effect before tax, SEKm
Rental income	+/-1 %	+/-62
Economic occupancy rate	+/-1 percentage point	+/-65
Interest rate level of interest-bearing liabilities	+1 percentage point	-270
Property costs	+/-1 %	-/+17
Changes in value of properties	+/-5 %	+/-4,918

Rental income, rental development and occupancy rate

Of Balder's contracted rental income, 63 % relates to residential properties and 37 % to premises. The company's income is affected by the occupancy rate of the properties, the possibility of charging market-related rents as well as customers' payment capacity. If the occupancy rate or rental rates change, irrespective of the reason, Balder's results are affected. Naturally, the risk of large fluctuations in vacancies and loss of rental income increases the more large individual tenants a property company has. Balder's ten largest leases represent 5.3 % of total rental income and their average lease term amounts to 11.9 years. No individual lease accounts for more than 0.8 % of Balder's total rental income and no individual customer accounts for more than 4.3 % of total rental income. There are no guarantees that Balder's major tenants will renew or extend their leases when they expire, which in the longer term can lead to altered rental income and vacancies. The dependence on individual tenants decreases in line with Balder's continued growth through acquisitions. In order to limit the risk of falling rental income and a weakened occupancy rate, Balder strives to develop long-term relationships with the company's existing customers. Balder's leases are normally wholly or partly linked to the consumer price index, in other words, wholly or partly adjusted for inflation.

Balder is dependent on tenants paying agreed rents in time. In some leases, the tenant's obligations are guaranteed by the parent company or through bank guarantees. The risk still remains that tenants will suspend their payments or in other respects will not fulfil their obligations. If this happens, Balder's results could be affected negatively. Unlike commercial properties, residential properties are covered by rent control regulations, which among other things mean that the so-called utility value principle determines the setting of the rent.

At year-end, Balder had an economic occupancy rate of 96 %, which means that the vacancy at year-end amounted to SEK 271m and represents an opportunity for potential new lettings. The table above shows how profit before tax would be affected by a change of +/- 1 % in the rental rate and +/- 1 percentage point in the economic occupancy rate.

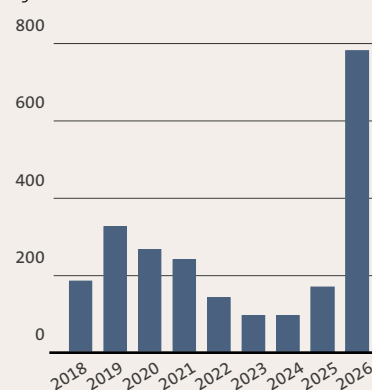
Operating and maintenance costs

Operating costs mainly consist of costs that are based on usage such as electricity, cleaning/refuse collection, water and heating costs. Several of these goods and services can only be purchased from one supplier, which can affect the price. To the extent that possible cost increases are not compensated by adjustments of leases or increases in rent through renegotiation of leases, Balder's results can be affected negatively. Maintenance

costs include measures aimed at maintaining the standard of the properties in the long term. These costs are expensed to the extent they constitute repairs and replacement of smaller areas. Other additional expenses of a maintenance character are capitalised in connection with the expense arising. Unforeseen and extensive repair needs may also affect the results negatively.

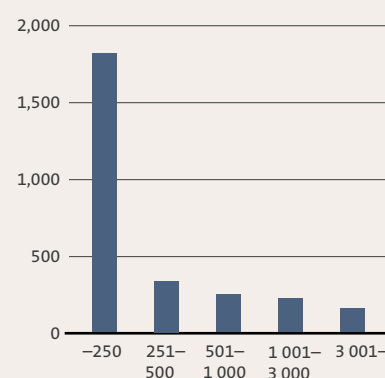
Maturity structure

of commercial lease contracts, SEKm



Commercial contracts

per rental value, numbers





Property development

One way to increase returns is to construct new properties and develop existing ones through investments. The risks in property development projects include assessments about the rental market trend, but also the design of the product and the execution of the project itself. These risks are limited by only making investments in markets where Balder has good market knowledge, and where there is a strong demand for residential and commercial properties. Quality-assured internal processes and a high level of competency in the project organisation ensure that high quality is maintained in both the execution and product. During new construction of buildings, demands are always imposed that a large part of the property should be let before the investment begins. The majority of ongoing projects therefore have a high occupancy rate. In the event of a weaker market, Balder is also able to convert projects intended for the tenant-owner's market into rental apartments.

As the company is entering a new phase of increasing new production and expansion, it is very important to consider

social as well as ecological aspects. These issues are considered during new production and densification both internally and in the dialogue with external parties such as partners, town planning departments, consultants and architect's offices and contractors. For Balder, it is natural to strive for a good long-term solution as Balder is a long-term property owner. As new buildings are becoming more energy efficient, the construction phase is accounting for a larger proportion of buildings' overall environmental impact.

Change in value of the properties

85 % of the value of Balder's property portfolio is found in the four metropolitan areas of Helsinki, Stockholm, Gothenburg and Öresund. Balder's investment properties are recognised at fair value in the balance sheet and changes in value are recognised in profit or loss. Unrealised changes in value do not affect the cash flow. Balder carries out an internal valuation of the property portfolio in connection with quarterly reports. Parts of the property portfolio are also externally valued and compared to the internal valuation.

The value of the properties is affected by a number of factors including property-specific factors such as occupancy rate, rental rate and operating costs as well as market-specific factors such as yield requirements and cost of capital. Both property-specific and market-specific changes affect the value of investment properties, which in turn impacts the Group's financial position and results.

Organisational and operational challenges and risks

As Balder has grown, both geographically and in terms of the number of colleagues, organisational challenges have arisen. Not just as regards new recruitment but in retaining existing colleagues, finding and taking advantage of group-wide resources and developing common work approaches. Another challenge with our sharp growth is to get every new colleague to feel that they are participating in Balder's corporate culture.

In order to offset work environment related risks at the workplace, Balder has developed a new template for employee performance reviews that should be followed up regularly.



Good internal control, appropriate administrative systems, skills development and good access to reliable valuation and risk models provide a good basis for reducing operational risks and thereby retaining the competencies that exist within the company. Balder works continually on monitoring the company's administrative security and control. As part of this work, Balder's Board decided on a number of policies and codes of conduct and also introduced a whistleblower function. These will followed up on an annual basis.

Taxes and changed legislation

Changes in corporation and property taxes, as well as other government levies, rent allowance and interest subsidies can affect the basis for Balder's operations. It cannot be ruled out that tax rates will change in the future or that other changes will occur in the state system that affect property ownership. In most leases, the customer pays his share of the currently charged property tax. Changes

in corporation tax and other governmental levies, may affect Balder's results. A change in tax legislation or practice which implies changes in possibilities of making tax write-offs or utilising loss carry-forwards, for example, can mean a change in Balder's future tax situation and can thereby also impact results.

Financial risks

Balder's operations are mainly financed by equity and loans from external lenders. The relationship between equity and liabilities is managed on the basis of the chosen level of financial risk and the amount of equity to meet lenders' requirements for securing loans at market-related conditions. The financing via loans means that Balder is exposed to financing, interest rate and credit risks. Financing conditions include requirements as regards the equity/assets ratio, loan-to-value ratio and interest coverage ratio.

Refinancing risk

Refinancing risk refers to the risk that

financing cannot be secured at all, or only at a significantly increased cost. Balder conducts continual discussions with banks and credit institutions aimed at securing the long-term financing. Balder cooperates closely with a handful of lenders in order to secure the company's long-term capital requirements.

Interest rate risk

Interest rate risk is defined as the risk that changes in the level of interest rates will affect Balder's financing expense. The interest expense is Balder's single largest cost item. Interest expenses are mainly affected by the current level of the market rate of interest and the credit institutions' margins and by what strategy Balder chooses for interest rate refixing periods. Market rates of interest are affected by the expected inflation rate. In times of rising inflation expectations, the interest rate level can be expected to rise, which immediately increases the interest expense on loans with short maturities. Balder has a large proportion of loans

which run according to short interest rate refixing periods. Balder deploys interest rate derivatives as part of its interest risk management, in order to achieve preferred interest rate refixing periods.

Credit risk

Credit risk is defined as the risk that Balder's counterparties cannot fulfil their financial obligations towards Balder. Credit risk in the financial operations arises during investment of excess liquidity, on entering into interest rate swap contracts and in connection with issued credit agreements. As regards Balder's trade receivables, customary credit checks are carried out before a new lease is entered into.

Currency risk

Balder owns properties via subsidiaries in Denmark, Finland and Norway. Companies' have revenue and costs in local currency and are thereby exposed to fluctuations in exchange rates from a Group standpoint. Currency risk also arises in translation of the assets and liabilities of foreign subsidiaries to the currency of the parent company.

Environmental risks

Property management and property development have an environmental impact. Balder has established an environmental policy and works actively with environmental issues. Under the Environmental Code, the party conducting an activity, which has contributed to pollution, is also responsible for after-treatment. If the party conducting the activity cannot carry out or pay for the after-treatment of a property, the party acquiring the property and that on the acquisition date was aware of or that should have then discovered the pollution, is responsible. Since Balder mainly owns residential, office and retail properties, this risk is considered limited.

The challenges that Balder has identified connected to the environmental area are hazardous substances built into the properties such as PCB and asbestos, increased radon values and transports to and from the properties. An inventory is continually made in the existing holdings and action plans are developed to handle the risks in connection with planned measures or as separate projects.

Material choice

When choosing materials during renovations and projects, it is important from an environmental standpoint, to establish internal and external criteria for evaluation and approval of all products and material before they are used. Increased radon values are a challenge for the entire property sector and also for Balder. In recent years, a radon inventory was made for large parts of the portfolio and action plans are in place for the rest of the properties. Inspections in properties with increased values will be conducted regularly and measures are planned based on the inspections.

Transports

Both Balder's internal transports and customer transports to and from the properties have a major environmental impact. Balder intends to make an inventory of the properties in relation to their sustainable transport potential. Meanwhile, customer needs for more sustainable modes of transport to and from the properties will be evaluated going forward in Balder's CSI surveys. Together with our suppliers, Balder's internal transport and logistics solutions are being overhauled so that the number of transports to the properties is minimised and streamlined. At all local offices, video equipment is being installed to minimise the number of trips for meetings and a new travel policy was established.

Climate risks

Rising sea levels, higher rainfall and increased risks of landslides are much discussed climate risks, which need to be handled in social planning in order to reduce the risks for damage to properties and infrastructure going forward. The municipalities currently have responsibility for investigating what climate adaptation measures may be needed during new construction and for managing this via zoning plans. Existing properties that may end up in the risk zone will need to undergo a future risk inventory and action plans will need to be prepared. In the event of flooding, there is a risk that vermin will get into properties with a risk of the spread of contagion and damage as a consequence.

IT and Digitalisation

In recent years, IT has made a transformation from being a "bread and butter" business support function to being a part, in most cases a critical part, of companies' business processes. Digitalisation is no longer an option or a "buzzword" but can now be regarded as work that can determine a company's future. For the property sector, this is mostly about digitalising properties, building smart homes and offering business-driven digital services to commercial tenants. The process for this is relatively easy to implement in new production, where we can build in large parts of the basic architecture from the very beginning in the form of, among other things, fibre networks and sensors. The work on digitalising an existing property is a greater challenge but Balder is prepared for this. The goal is to "digitalise everything that can be digitalised". In order to realise this goal, the company added new services during the year with digitalisation in focus, in order to advance these issues.

Another important part of the digitalisation efforts is IT security, which if overlooked, can also have major consequences for the company in general. Balder works with the layered security principle in order to minimise the areas for intrusion and in recent years introduced a number of different forms of perimeter protection, as one or two security measures are rarely enough. Apart from well-tried technologies such as firewalls, antivirus and backup systems, Balder has also supplemented its protection with sandboxing systems, advanced email filtering and virtualization to secure the internal IT environment.

From IT security to the new general data protection regulation, GDPR, it is not such a huge step. Even here, Balder is prepared as the company appointed a project team during autumn 2017 with the task of mapping all of the company's IT systems and ensuring that they meet the requirements imposed by the GDPR, which enters into force on 25 May 2018. The project team is also responsible for ensuring that all employees are aware of and understand the new regulation and the company is changing its working methods in cases where it is necessary to meet the GDPR requirements.

Data and GRI index

You have now been able to take a look at Fastighets AB Balder's first sustainability report, which is contained in the same document as the company's annual report. The report is inspired by GRI Standards. The predominant proportion of the sustainability statistics, relevant policies and the Code of Conduct were prepared and drawn up for the first time in 2017, which means that comparisons or follow-ups cannot be reported. This does not apply to the economic statistics, which are provided in the report.

GRI Indicator	Heading	Page	Comment
Introduction			
102-1	Name of the organization	2	
102-14	Statement from senior decision-maker	7-8	
102-2	Activities, brands, products, and services	3	
102-5	Ownership and legal form	9-11	
Development			
102-6	Market Servec	4-5	
102-7	Scale of the organization	6, 28, 41-42	
201-1	Direct economic value generated and distributed	67-85	
Customers and colleagues			
102-8	Information on employees and other workers	41-43	
102-16	Values, principles, standards, and norms of behavior	41-43	
102-17	Mechanisms for advice and concerns about ethics	41-43	
102-18	Governance structure	41	
205-2	Communication and training about anti-corruption policies and procedures	42	New policy being implemented during 2018.
405-1	Diversity of governance bodies and employees	42, 106-107	
Balder and society			
102-47	List of material topics	49	
103-1	Explanation of the material topic and its Boundary	44-47, 49-53	
103-2	The management approach and it's components	44-47, 49-53	
102-40	List of stakeholder groups	48	
102-42	Identifying and selecting stakeholders	48	
102-43	Approach to stakeholder engagement	48	
102-44	Key topics and concerns raised		No such issues were raised during the year
102-9	Supply chain	50	
102-10	Significant changes to the organization and its supply chain	50	

GRI Indicator	Heading	Page	Comment
302-1	Energy consumption within the organization	52	
302-3	Energy intensity	52	
303-1	Water withdrawal by source	53	Only municipal water is used.
305-1	Direct (Scope 1) GHG emissions	52	Only transports
102-11	Precautionary Principle or approach	51	
102-15	Key impacts, risks, and opportunities	54-57	
Data and GRI index			
102-3	Location of headquarters		Gothenburg
102-4	Location of operations	4	Sweden and Denmark, For Finland's report see Satoy.fi?
102-12	External initiatives	44-47	
102-45	Entities included in the consolidated financial statements	98, 108-113	Majority-owned companies are included in the reporting.
102-48	Restatements of information		Balder's first sustainability report and changes have been made based on changed requirements.
102-49	Changes in reporting		Balder's first sustainability report and changes have been made based on changed requirements.
102-50	Reporting period		Calendar year
102-51	Date of most recent report		Balder's first Sustainability report
102-52	Reporting cycle		Annual
102-53	Contact point for questions regarding the report		Magnus Björndahl, CFO
102-54	Claims of reporting in accordance with the GRI standards		The report is inspired by GRI Standards
102-55	GRI content index	58-59	
103-3	Evaluation of the management approach		Balder's first sustainability report, the first evaluation is being performed in 2018.
307-1	Non-compliance with environmental laws and regulations		No significant penalties were imposed during the year.
406-1	Incidents of discrimination and corrective actions taken		No incidents were reported during the year.
419-1	Non-compliance with laws and regulations in the social and economic area		No significant penalties were imposed during the year.

A photograph of two women standing on a cobblestone sidewalk in front of a building with arched windows. The woman on the left is wearing a blue and white plaid shirt and jeans, leaning against a red door frame. The woman on the right is wearing a light blue patterned shirt, a white apron, and black boots, holding a small cup. In the background, a person is walking down the street.

*You have now
reached the end of
the first part of the
annual report.*

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

According to IFRS, Collector AB (publ) and Brinova Fastigheter AB (publ) should not be recognised at market value when Balder reports participations in associated companies from these companies. In order to clarify the listed associated companies' market value, Collector and Brinova are recognised below at the market price on 31st of December.

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

Consolidated statement of changes in equity

SEKm	31 Dec 2017	31 Dec 2016
Opening equity	36,791	29,325
Comprehensive income for the year	7,791	6,507
Dividend approved and entered as a liability to preference shareholders	—50	—200
Approved redemption of preference capital	—3,500	—
New issue, after issue expenses	—	1,780
Transactions with non-controlling interests	—8	—107
Dividends to non-controlling interests	—	—107
Non-controlling interests that arose during acquisition of subsidiaries	6	—
Non-controlling interests that arose during new issue in subsidiaries	—	554
Change in listed associated companies to market value during the year	—1,304	—962
Closing equity	39,725	36,791

The numbers behind Balder

Financial reporting

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Report of the Board of Directors

The Board of Directors and CEO of Fastighets AB Balder (publ), corporate identity number 556525-6905, hereby submit the annual accounts of the Group and the Parent Company for the financial year 2017. Fastighets AB Balder is listed on Nasdaq Stockholm, Large Cap. Comparisons stated in parenthesis refer to the corresponding period of the previous year.

Operations

Balder's business concept is to create value by acquiring, developing and managing residential properties and commercial properties based on local support and to create customer value by meeting the needs of different customer groups for premises and housing.

Balder shall aim to achieve such a position in each region whereby the company is a natural partner for potential customers that are in need of new premises and/or housing. Growth should occur on the basis of continued profitability and positive cash flows.

Financial goals

Balder's goal is to achieve a stable and good return on equity, while the equity/assets ratio over time shall not be less than 35 % and the interest coverage ratio shall not be less than 2.0 times and the net debt to total assets ratio should not exceed 50 %. The outcome in 2017 was 35.5 % (36.1) and 4.3 times (3.7), and 51.8 % (51.8), respectively. Including the listed associated companies at market value, the equity/assets ratio was 36.7 % (38.3) and the loan-to-value ratio was 50.9 % (50.0).

Employees and organisation

Balder's business areas consist of the regions Helsinki, Stockholm, Gothenburg, Öresund, East and North. The regional organisations follow the same basic principles but differ depending on the size and property holdings of each region. Regional offices are responsible for letting, operation, environmental matters and technical management.

The Balder Group, with Fastighets AB Balder as parent company, is composed of a large number of limited liability companies and limited partnership companies. Balder's operational organisation is supported by central accounting, property management and finance functions. The Group had a total of 610 employees (546) on 31 December, of whom 277 (255) were women.

Balder's Management team is composed of six people, of whom one is a woman. For information regarding approved guidelines for remuneration to senior executives, see Note 4, Employees and personnel expenses. The Board will not propose any changes in the guidelines to the Annual General Meeting 2018.

Significant events during the financial year

Financing

During the year, Balder issued EUR 1,850m in total in the European bond market.

Acquisitions

During the year, 42 properties were acquired with a property value of SEK 4,936m. The largest acquisitions in terms of value during the year were Balder's purchase of four hotel properties in central Copenhagen, a hotel property in Helsinki and the retail property 421 in Gothenburg.

Divestments

Balder's strategy for a number of years has been to divest properties in places where the company cannot sustain a sufficiently large management unit. During the year, Balder divested all its properties

in Tranås, Falköping, Arboga and Köping. Balder divested 114 properties in total during the year with a property value of SEK 3,008m including sales that occurred in the subsidiary Sato Oyj. The divestments carried out generated a profit of SEK 184m, equivalent to 6 % over the carrying amount.

Miscellaneous

During the year, the redemption of all 10,000,000 outstanding preference shares was completed. The redemption was carried out at an amount of SEK 350 per preference share and implied a reduction in the company's share capital of SEK 10,000,000.

The property portfolio

Balder's commercial properties are mainly located in the central areas of big cities and the residential properties are located in metropolitan areas and in places that are growing and developing positively.

On 31 December, Balder owned 1,148 investment properties (1,220) with a lettable area of 3,739,000 sq.m (3,806,000) and a carrying amount of SEK 98.4 billion (86.2), including real estate projects. During the year, 42 investment properties (116) with a lettable area of approximately 175,000 sq.m. (505,000) were acquired for SEK 4,936m (11,342). 114 properties (71) were divested during the year with a total lettable area of 248,000 sq.m. (132,000) for SEK 3,008m (1,990), which generated a profit of SEK 184m (85). In 2018, Balder will continue the work on consolidating its property portfolio.

When allocating carrying amounts by region, Helsinki's share amounted to 29 %

(30), Stockholm to 19 % (19), Gothenburg 21 % (20), Öresund 16 % (13), East 12 % (13) and North 3 % (4). Of the carrying amounts, 41 % (39) related to commercial properties and 59 % (61) to residential properties.

Profit from property management

Profit from property management amounted to SEK 3,284m (2,653) during the year, of which the effect of fluctuations in exchange rates amounted to SEK 22m. Profit from property management attributable to the parent company's shareholders increased by 24 % and amounted to SEK 2,804m (2,265), which corresponds to SEK 14.74 per ordinary share (11.89). Profit from property management includes SEK 583m (419) in respect of associated companies, which is included in the income statement as participations in profits from associated companies.

Profit after tax

Net profit after tax during the year amounted to SEK 7,769 m (6,093). Profit after tax attributable to the parent company's shareholders amounted to SEK 7,118m (5,474), corresponding to SEK 38.71 per ordinary share (30.38).

The result was impacted by realised changes in value of properties of SEK 184m (85), unrealised changes in value of properties of SEK 5,151m (4,847), changes in value of wind turbines of SEK –36m (–), changes in value of interest rate derivatives of SEK 144m (–114) and profit from participations in associated companies of SEK 1,010m (590).

Rental income

Rental income increased by 10 % to SEK 5,915m (5,373), of which the effect of fluctuations in exchange rates amounted to SEK 52m. The increase was primarily due to a changed property portfolio. The leasing portfolio was estimated to have a rental value on 31 December of SEK 6,511m (6,089) on a full-year basis. The average rental rate for the entire property portfolio amounted to SEK 1,724 per sq.m. (1,583) excluding real estate projects. The rental income shows a considerable diversification of risks as regards tenants, sectors and locations. The economic occupancy rate amounted to 96 % (95) on the closing date. On 31 December, the total rental value for unlet areas amounted to

SEK 271m (289) on a full-year basis.

Property costs

Property costs amounted to SEK 1,695m (1,693) during the year, of which the effect of fluctuations in exchange rates amounted to SEK 16m. Net operating income increased by 15 % to SEK 4,220m (3,679), which provided a surplus ratio of 71 % (68). Operating costs normally vary with the seasons. The first and fourth quarters have higher costs than the other quarters, while the third quarter usually has the lowest cost level.

Management costs and administrative expenses

Management costs and administrative expenses amounted to SEK 543m (488) during the period, of which the effect of fluctuations in exchange rates amounted to SEK 6m.

Net financial items and changes in value of derivatives

Net financial items, excluding changes in value of derivatives amounted to SEK –984m (–973), of which the effect of fluctuations in exchange rates amounted to SEK –9m. Changes in value of interest rate derivatives amounted to SEK 144m (–114). The positive change in value during the year was due to the increase in the level of interest rates, which means that the difference in relation to the contracted interest rate level of the interest rate derivatives has decreased.

Derivatives are continually recognised at fair value in the balance sheet. Changes in value from derivatives arise in the event of changed interest rate levels/exchange rates and do not affect cash flow, as long as they are not sold during the period. Balder has hedged against higher levels of interest rates, which means that the market value of derivatives decreases during a period of downward interest rates. The deficit in respect of derivatives (interest and currency) amounted to SEK 922m (1,547) at year-end. The deficit on derivatives will be released during the remaining term and recognised as income. This means that Balder has a

reserve of SEK 922m that will be reversed to equity in its entirety, adjusted by deferred tax through profit or loss, in line with the maturity of the derivatives.

The average interest rate on our loans was 1.8 percent (2.1) on closing day and 1.9 percent (2.2) for the year.

Changes in value of investment properties

Balder carried out internal valuations on 31 December of all properties. The properties in Sweden, Denmark and Norway were valued using the yield method, which is based on a 10-year cash flow model. Each property is individually valued by computing the present value of future cash flows, in other words future rent payments less estimated operating and maintenance payments. The cash flow is adjusted to the market by taking account of changes in letting levels and occupancy rates as well as operating and maintenance payments.

The valuation is based on an individual assessment of each property, as well as future cash flows and the yield requirement. In Finland, besides the yield method, the sales comparison method is also used as well as the acquisition cost method. For a more detailed description of Balder's property valuation see Note 13, Investment properties.

Market assessments of properties always involve a certain amount of uncertainty in the assumptions and estimates made. In order to quality-assure its internal valuations, Balder allows parts of the portfolio to be externally valued regularly and obtains second opinions on the internal valuations. During the year, external valuations or second opinions were obtained for 43 % (40) of the properties including Sato's property portfolio, equivalent to approx. SEK 42.3 billion. The difference between the external valuations and the internal valuations was less than 1 %. Historically, deviations between external and internal valuations have been insignificant.

Sensitivity analysis

Factor	Change	Earnings effect before tax, SEKm
Rental income	+/-1 %	+/-62
Economic occupancy rate	+/-1 percentage point	+/-65
Interest rate level of interest-bearing liabilities	+1 percentage point	–270
Property costs	+/-1 %	–/+17
Changes in value of investment properties	+/-5 %	+/-4,918

On 31 December, Balder's average yield requirement amounted to 5.0 % (5.3), excluding real estate projects and development properties. The change in value during the period was attributable to improved net operating income and slightly lower yield requirements.

On 31 December, the carrying amount of the properties amounted to SEK 98,360m (86,177), according to the individual internal valuation, which implied an unrealised change in value of SEK 5,151m (4,847).

Changes in value of wind turbines

The wind turbines were acquired at a time when the price level in the electricity market was higher than the market today. Net profit for the year was charged with a change in value of SEK –36m (–) in addition to depreciation according to plan, whereupon the book value amounted to SEK 20m (63).

Tax

Balder's tax expense amounted to SEK –1,386m (–1,550), of which SEK –221m (–226) is current tax expense for the year, which is mainly attributable to the consolidation of Sato Oyj, and a deferred tax expense of SEK –1,164m (–1,325). The year's deferred tax expense was positively impacted by property divestments that occurred in the form of company transactions. Deferred tax previously entered as a liability was reversed. Current tax expense attributable to the parent company's shareholders amounted to SEK –113m (–135).

Current tax and deferred tax have been calculated based on the applicable tax rate for 2017. Current tax only arises in Sweden in exceptional cases on account of the possibilities of making tax write-offs, tax deductions for certain investments in properties and use of existing loss carry-forwards. For the small number of subsidiaries where no group contributions for tax purposes exist, current tax can arise. Current tax for the year mainly relates to Balder's Finnish subsidiary Sato Oy, and to a lesser extent to acquired and divested companies during the year.

Deferred tax is calculated on the temporary differences arising after the acquisition date. 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 7,041m (5,808). For more detailed information, see Note 11, Income tax.

Changed tax levels and tax legislation, e.g. proposed interest deduction restrictions, new rules regarding depreciation allowances and a prohibition against packaging of properties may impact Balder's future tax expense.

Cash flow and financial position

Balder's assets amounted to SEK 106,260m (92,623) on 31 December. These were financed by equity of SEK 37,718m (33,479) and by liabilities of SEK 68,542m (59,144) of which SEK 58,384m (49,580) are interest-bearing.

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

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

These were financed through cash flow from operating activities of SEK 2,490m (2,891), through property divestments of SEK 2,830m (1,651), financial investments of SEK 7m (225), associated companies of SEK 120m (–), a new issue of SEK 0m (682), a new issue in the subsidiary Sato Oyj of SEK 0m (420), paid dividend from associated companies of SEK 13m (–) and net borrowing of SEK 7,786m (5,382), totalling SEK 13,246m (11,250). Total cash flow for the year amounted to SEK –6m (667).

Liquidity

Apart from unutilised credit facilities of SEK 5,940m (4,827) the Group's cash and cash equivalents, financial investments and unutilised credit facilities amounted to SEK 1,935m (1,942) on 31 December.

Equity

Shareholders' equity amounted to SEK 37,718m (33,479) on 31 December, of which non-controlling interests amounted to SEK 6,422m (5,540), corresponding to SEK 173.86 per ordinary share (139.23). The equity/assets ratio was 35.5 % (36.1). Including the listed associated companies at market value, the equity/assets ratio was 36.7 % (38.3) and equity per ordinary share was SEK 185.02 (157.63).

Interest-bearing liabilities

The Group's interest-bearing liabilities amounted to SEK 58,384m (49,580) on 31 December. The proportion of loans with interest dates during the coming 12-month period amounted to 36 % (52) and the average fixed credit term amounted to 5.5 years (4.2). Derivatives contracts have been entered into in order to limit the impact of a higher market rate of interest.

The above-mentioned derivatives are continually recognised at fair value in the balance sheet with changes in value recognised in the income statement. Changes in value during the year amounted to SEK 144m (–114). Interest-bearing liabilities are described in greater detail in Note 21, Financial risks and financial policies.

Rating

Balder has an investment grade rating from the credit rating agencies Moody's and S&P of Baa3 with a positive outlook and BBB with a stable outlook. The rating from Moody's was obtained in 2016 and the outlook for this was changed to positive during 2017. The rating from S&P was obtained during 2017. Through the ratings from Moody's and S&P, Balder can continue to access the European capital market, obtain long terms for tying-up of capital, diversify its funding base and thus secure long-term capital for continued growth. Credit ratings from the credit rating agencies have a major impact on Balder's financing costs, and therefore it is important to maintain an investment grade rating.

Investments

Property investments amounted to SEK 8,654m (13,185) during the year, of which SEK 4,936m (11,342) related to acquisitions and SEK 3,718m (1,843) related to investments in existing properties and projects. Most of the property

acquisitions during the year related to the acquisitions of four hotel properties in Copenhagen, a hotel property in Helsinki and the retail property 421 in Gothenburg. Of the total changes in the property portfolio, SEK 1,291m (3,603) related to Helsinki, SEK 1,256m (1,280) related to Stockholm, SEK 2,136m (3,274) to Gothenburg, SEK 2,864m (2,210) to Öresund, SEK 1,002m (2,061) to East, and SEK 106m (758) to North.

Associated companies

Balder owns 50 % of a number of property companies where Balder handles management and administration, for further information see Note 15, Participations in associated companies. During the year, Balder established cooperation with three new partners. Balder now owns 56 % of the shares in Serena Properties AB, 20 % of SHH Bostad AB and 25 % of Rosengård Fastighets AB.

Apart from the 50%-owned associated companies and the above-mentioned newly added companies, Balder owns 44.1 % (44.1) of Collector AB (publ), 31 % (31) of Tornet Bostadproduktion AB and 25.5 % (25.5) of Brinova AB Fastigheter AB (publ) and 49 % (49) of Sjaelsö Management ApS.

Balder's associated companies Brinova Fastigheter AB and Collector AB are already listed. In order to clarify the value of these two associated companies in Balder, the consolidated statement of financial position includes recognition of listed associated companies at market value, see page 61.

On pages 24-25, Balder's participations in the balance sheets and property holdings of the 50%-owned property-managing associated companies are reported and presented according to IFRS accounting policies.

The associated companies own a total of 118 investment properties (81) and 4 real estate projects (5). Balder's participation in the lettable area of the property holdings amounts to approximately 382,000 sq.m. (219,000) with a rental value of SEK 498m (333). The economic occupancy rate amounted to 96 % (97).

Parent company

The parent company's operations mainly consist of performing group-wide services. Balder has centralised the Group's credit supply, risk management and cash management through the parent compa-

ny having an internal bank function. Sales in the parent company amounted to SEK 252m (209) during the year, of which intra-group services represented SEK 186m (174) and the remainder mostly related to management assignments for associated companies.

Net profit after tax for the year amounted to SEK 1,234m (1,311). Dividend of SEK 909m (1,430) from subsidiaries was included, other net financial items amounted to SEK 350m (579), of which exchange differences amounted to SEK -565m (1), changes in value of interest rate derivatives amounted to SEK 133m (-151) and group contributions paid amounted to SEK -41m (-568). The recognised exchange differences mainly related to translation of the year's new Euro bond borrowing, which from a Group perspective is used for hedging of net investments in Euro and Danish krone.

The parent company's financial investments and cash and cash equivalents, including unutilised credit facilities amounted to SEK 1,502m (1,444) on 31 December. Receivables from group companies amounted to SEK 36,790m (24,629) on the closing date and interest-bearing liabilities to SEK 28,774m (13,170), the increase was mainly related to new Euro bond borrowing, which was used to redeem secured loans.

Opportunities and risks

Balder's operations, financial position and results may be affected by a number of risk factors. See pages 54-57.

Rents and customers

Balder's income is affected by the occupancy rate of the properties, the possibility of charging market-related rents as well as customers' payment capacity. The occupancy rate and rental levels are largely determined by the general and regional economic trends. Naturally, the risk of large fluctuations in vacancies and loss of rental income increases when there are more large individual customers in the property portfolio.

In order to limit the risk of lower rental income and a weakened occupancy rate, Balder strives to develop long-term relationships with the company's existing customers. Balder's distribution between commercial and residential properties and the geographical spread in the portfolio means that the risk relating to rental

income is low.

At year-end, Balder had an economic occupancy rate of 96 % (95). Balder's ten largest leases represented 5.3 % (5.6) of total rental income and their average lease term amounted to 11.9 years (11.8). No individual lease accounted for more than 0.8 % (0.8) of Balder's total rental income and no individual customer accounts for more than 4.3 % (4.0) of total rental income. The average lease term in the overall commercial portfolio amounted to 7.4 years (7.1).

A change of +/- 1 % in rental income would affect the profit before tax by +/- SEK 62m.

Debt and risk management

Balder's greatest financial risk is a lack of financing. To limit refinancing risk, Balder works continually to renegotiate loans and to diversify the maturity structure of loans. Meanwhile, this work ensures that competitive long-term financing is maintained. Balder's average fixed credit term amounted to 5.5 years (4.2).

Interest risk arises through fluctuations in the market rate of interest, which affects results and cash flow. A higher market rate of interest means an increased interest expense but this often also coincides with higher inflation and economic growth. This means that higher interest expenses are partly offset by lower vacancy rates and higher rental income through increased demand and by the fact that rents are indexed. Balder has elected to use interest rate derivatives to limit the risk of financing costs increasing significantly in the event of a higher market rate of interest.

In the event of an immediate increase in the market rate of interest of one percentage point and the assumption of an unchanged loan and derivative portfolio, the interest expense would increase by SEK 270m. Of Balder's total loan stock at year-end, 64 % (48) had an interest rate refixing period of more than one year.

Currency risk

The holdings in Finland, Denmark and Norway have given rise to a currency position. For more information see Note 21, Financial risks and financial policies.

Property costs

Property costs include direct costs such as operating and media expenses, maintenance costs, ground rent and property tax.

Each region is responsible for ensuring that the property portfolio is well-maintained and in good condition. Through a local presence, knowledge improves about each property's need for preemptive work, which is more cost-effective in the long-term than expensive repairs.

Balder works continually on improving cost efficiency using rational technical solutions, practical efforts and continuous follow up.

A change of +/- 1 % in property costs would affect the property costs by SEK +/- 17m.

Changes in value investment properties

Balder reports its investment properties at fair value with changes in value in the income statement. Market assessments of properties always involve a certain amount of uncertainty in the assumptions and estimates made. The uncertainty in respect of individual properties is normally considered to be in the range of +/- 5–10 %. The uncertainty varies according to the type of property, geographical location and real estate market conditions. Balder continually monitors the transactions that are completed in the market in order to substantiate and guarantee valuations. In addition, Balder conducts continual discussions with external participants on acquisition and divestment of properties and regularly allows external parties to value parts of the portfolio, which provides additional guidance. Also see Note 13, Investment properties.

Profit before tax would be affected by SEK +/- 4,918m in the case of a change in value of the investment properties of +/- 5 %. The equity/assets ratio in the event of a positive change in value would amount to 37.4 % and in the event of a negative change in value it would amount to 33.4 %.

Sustainability Report according to the Swedish Annual Accounts Act

In accordance with the Chapter 6, Section 11 of the Annual Accounts Act, Fastighets AB Balder has chosen to prepare the sustainability report as a separate report from the Annual Report. The sustainability report covers page 53 of this document

Multi-year summary

See page 6.

Shares and owners

After the resolution of the Extraordinary General Meeting on 25 September, the redemption of all 10,000,000 outstanding preference shares was completed. The redemption was carried out at an amount of SEK 350 per preference share and implied a reduction in the company's share capital of SEK 10,000,000. After the redemption of the preference shares and as of 31 December, the share capital amounted to SEK 180,000,000 distributed among 180,000,000 shares. Each share has a quota value of SEK 1, whereof 11,229,432 shares are of Class A and 168,770,568 shares are of Class B. Each Class A share carries one vote, and each Class B share carries one tenth of one vote.

The largest owners are Erik Selin with company, which holds 49.9 % of the votes and Arvid Svensson Invest AB with 15.2 % of the votes. There are no restrictions in the articles of association as to the form of transfer of shares or voting rights at the general meeting.

Since Balder will prioritise growth, capital structure and liquidity over the next few years, the dividend for the share will be low or will not be declared at all.

Report on the Board work during the year

The Board held 10 board meetings during the financial year of which one was the statutory meeting. The work follows a formal work plan approved by the Board. The formal work plan governs the Board's working methods and the division of responsibility between the Board and CEO as well as the forms for the day-to-day financial reporting. During the year, strategic questions and other important matters for the company's development were discussed, apart from day-to-day financial reporting and decision-making. The company's auditors participate in at least one board meeting and report on their completed audit of the management's administration and of the accounts.

Corporate governance

Balder is governed by the corporate governance rules prescribed in the Swedish Companies Act, the Articles of Association and the listing agreement with Nasdaq Stockholm. The Board aims to make it easy for the individual shareholder to understand where in the organisation responsibility and authority lie. The corpo-

rate governance in the company is based on Swedish legislation, principally on the Swedish Companies Act, the Stockholm Stock Exchange's rules for issuers, the Swedish Corporate Governance Code as well as other rules and guidelines. Some of the Code's principles involve creating a good basis for exercise of an active balance of power among owners, the Board and Management, which Balder views as a natural element in the principles of the operations. For the Corporate Governance Report, see pages 100-104.

Remuneration to the CEO and other senior executives

Guidelines for remuneration of senior executives were resolved upon at the preceding Annual General Meeting. Above all, the guidelines mean that market-related salaries and other terms of employment should be applicable for the company management. The remuneration should be paid in the form of a fixed salary. Taken together, dismissal pay and termination benefits should not exceed the equivalent of 18 monthly salaries. The company management refers to the CEO and other members of the Group Management.

The Board's proposed guidelines to the next Annual General Meeting correspond to the present guidelines.

Significant events after the end of the financial year

See Note 28, Significant events after the end of the financial year.

Expectations regarding the future trend

Balder's goal is to grow by means of direct or indirect acquisitions together with our partners in locations, which are considered interesting.

Proposed distribution of earnings At the disposal of the Annual General Meeting the following amount in Swedish kronor is at the disposal of the Annual General Meeting:

Retained earnings	8,223,021,874
Net profit for the year	1,233,991,576
Total ¹⁾	9,457,013,451

1) See change in the parent company's equity, page 73.

The Board proposes that the amount be allocated as follows:

Carried forward	9,457,013,451
Total	9,457,013,451

Financial statements

Consolidated statement of comprehensive income

SEKm	Note	2017	2016
Rental income	2, 3	5,915	5,373
Property costs	3, 6, 7, 8	-1,695	-1,693
Net operating income		4,220	3,679
Management costs and administrative expenses	5, 6	-543	-488
Participation in profits of associated companies	15	1,010	590
– of which, profit from property management		583	419
– of which, changes in value		675	343
– of which tax		-248	-172
Other income/expenses		8	17
<i>Financial items</i>			
Financial income	9	135	104
Financial expenses	10	-1,119	-1,077
Net financial items		-984	-973
Profit including changes in value and tax in associated companies		3,711	2,825
– of which, Profit from property management	3, 4, 5, 6, 7	3,284	2,653
<i>Changes in value</i>			
Changes in value of investment properties, realised	13	184	85
Changes in value of investment properties, unrealised	13	5,115	4,847
Changes in value of derivatives	21	144	-114
Changes in value total		5,443	4,819
Profit before tax		9,154	7,643
Income tax	11	-1,386	-1,550
Net profit for the year		7,769	6,093
<i>Net profit for the year attributable to</i>			
The parent company's shareholders		7,118	5,474
Non-controlling interests		650	619
		7,769	6,093
Other comprehensive income – items that may be reclassified to profit or loss			
Translation difference relating to foreign operations		-103	438
Cash flow hedges after tax		121	-26
Participation in other comprehensive income from associated companies		4	2
Comprehensive income for the year		7,791	6,507
<i>Total comprehensive income for the year attributable to</i>			
The parent company's shareholders		6,906	5,685
Non-controlling interests		885	823
		7,791	6,507
Profit from property management		3,284	2,653
Less non-controlling interests' participation in the profit from property management		-480	-388
Profit from property management attributable to the parent company's shareholders		2,804	2,265
Profit from property management per ordinary share, SEK ¹⁾		14.74	11.89
Profit after tax per ordinary share, SEK ¹⁾	12	38.71	30.38

1) Reduced by the preference share dividend for the period.

Consolidated statement of financial position

SEKm	Note	31 Dec 2017	31 Dec 2016
Assets			
Non-current assets			
Investment properties	13, 24	98,360	86,177
Other property, plant and equipment	14	107	136
Participations in associated companies	15	4,699	3,362
Other non-current receivables	17	949	908
Total non-current assets		104,116	90,583
Current assets			
Trade receivables	16	158	150
Other receivables		159	146
Prepaid expenses and accrued income	18	241	153
Financial investments	19	305	305
Cash and cash equivalents	25	1,281	1,287
Total current assets		2,144	2,041
Total assets		106,260	92,623
Equity and liabilities			
Equity	20		
Share capital		180	190
Other contributed capital		7,806	7,806
Translation differences		-59	218
Reserves		51	-14
Retained earnings including net profit for the year		23,318	19,739
Equity attributable to the parent company's shareholders		31,295	27,939
Non-controlling interests		6,422	5,540
Total equity		37,718	33,479
Provisions			
Deferred tax liability	11	7,041	5,808
Total provisions		7,041	5,808
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities ^{1,2)}	21	49,453	33,267
Other non-current liabilities		241	176
Derivatives	21	890	1,453
Total non-current liabilities		50,584	34,896
Current liabilities			
Current interest-bearing liabilities ^{1,)}	21	8,930	16,314
Trade payables		254	267
Derivatives	21	32	94
Other liabilities		274	636
Accrued expenses and deferred income	23	1,427	1,130
Total current liabilities		10,918	18,441
Total liabilities		68,542	59,144
Total equity and liabilities		106,260	92,623

1) Interest-bearing liabilities for the most part are formally current but are non-current in character, as they are continually extended. The interest bearing liabilities that formally mature within one year and one year of agreed amortisation are recognised as current interest-bearing liabilities.

2) The line non-current interest-bearing liabilities includes Hybrid capital of SEK 3,447m (-). 50 % of the Hybrid capital, or equivalent to SEK 1,724m (-) is treated as equity by the ratings agencies and thereby reduces interest-bearing liabilities during calculation of the debt/equity ratio and net debt to total assets ratio.

Consolidated statement of changes in equity

Attributable to the parent company's shareholders

SEKm	Share capital	Other contributed capital	Reserves	Translation differences	Retained earnings including net profit for the year	Total	Non-controlling interests	Total equity
Opening balance, 1 Jan 2016	182	6,034	–	–7	14,465	20,675	4,377	25,052
Net profit for the year					5,474	5,474	619	6,093
Other comprehensive income			–14	225		211	204	414
Total comprehensive income	–	–	–14	225	5,474	5,685	823	6,507
Transactions with non-controlling interests							–107	–107
Dividends to non-controlling interests							–107	–107
Non-controlling interests that arose during new issue in subsidiaries							554	554
New issue, after issue expenses	8	1,772				1,780		1,780
Dividend approved and entered as a liability to preference shareholders					–200	–200		–200
Total transactions with the company's owners	8	1,772	–	–	–200	1,580	340	1,920
Closing balance, 31 Dec 2016 ¹⁾	190	7,806	–14	218	19,739	27,939	5,540	33,479
Opening balance, 1 Jan 2017	190	7,806	–14	218	19,739	27,939	5,540	33,479
Net profit for the year					7,118	7,118	650	7,769
Other comprehensive income			65	–277		–212	234	22
Total comprehensive income	–	–	65	–277	7,118	6,906	885	7,791
Transactions with non-controlling interests							–8	–8
Non-controlling interests that arose during acquisition of subsidiaries							6	6
Approved redemption of preference capital	–10				–3,490	–3,500		–3,500
Dividend approved and entered as a liability to preference shareholders					–50	–50		–50
Total transactions with the company's owners	–10	–	–	–	–3,540	–3,550	–2	–3,552
Closing balance, 31 Dec 2017 ¹⁾	180	7,806	51	–59	23,318	31,295	6,422	37,718

1) For more information, see Note 20 relating to Equity.

Consolidated statement of cash flows

SEKm	Note	2017	2016
Operating activities			
Net operating income		4,220	3,679
Other income/expenses		8	17
Management costs and administrative expenses		-543	-488
Reversal of depreciation and amortisation		19	26
Interest received	25	114	62
Interest paid	25	-1,075	-1,001
Tax paid		-235	-160
Cash flow from operating activities before change in working capital		2,508	2,135
Cash flow from changes in working capital			
Change in operating receivables		-86	176
Change in operating liabilities		69	580
Cash flow from operating activities		2,490	2,891
Investing activities			
Acquisition of properties		-4,936	-7,648
Purchase/disposal of property, plant and equipment		-27	-41
Purchase of financial investments		-41	-145
Acquisition of shares in associated companies		-456	-493
Investments in existing properties and projects		-3,718	-1,843
Transactions with non-controlling interests		-8	-107
Divestment of properties		2,830	1,651
Sale of financial investments		7	225
Divestments of shares in associated companies		120	-
Dividend paid from associated companies		13	-
Cash flow from investing activities		-6,215	-8,401
Financing activities	25		
New issue, after issue expenses		-	682
New issue in subsidiaries, non-controlling interests' share of the new issue in Sato Oyj		-	420
Dividend paid preference shares		-150	-200
Redemption of preference capital		-3,500	-
Dividend paid to non-controlling interests		-	-107
Change in value of derivatives, realised		-417	-
Borrowings		24,896	10,783
Amortisation/Redemption of loans		-17,110	-5,365
Change in credit facilities		-	-36
Cash flow from financing activities		3,719	6,177
Cash flow for the year		-6	667
Cash and cash equivalents at the beginning of the year		1,287	620
Cash and cash equivalents at the end of the year	25	1,281	1,287
Cash and cash equivalents		1,281	1,287
Unutilised credit facilities	22	350	350
Unutilised credit facilities		5,940	4,827
Financial investments	19	305	305
Available liquidity including confirmed credit commitments		7,875	6,769

Parent Company income statement

SEKm	Note	2017	2016
Net sales	2	252	209
Administrative expenses		-278	-224
Operating profit	4, 5	-26	-14
Profit from financial items			
Dividends from subsidiaries		909	1,430
Interest income and similar profit/loss items	9	1,700	1,277
Interest expenses and similar profit/loss items	10	-1,350	-698
– of which, exchange differences		-565	1
Changes in value of derivatives	21	133	-151
Profit before appropriations and taxes		1,367	1,843
Appropriations			
Group contributions paid		-41	-568
Profit before tax		1,326	1,275
Income tax	11	-92	36
Net profit for the year/comprehensive income ¹⁾		1,234	1,311

1) The Parent Company has no items that are recognised in Other comprehensive income and therefore comprehensive income corresponds to net profit for the year.

Parent Company balance sheet

SEKm	Note	31 Dec 2017	31 Dec 2016
Assets			
Non-current assets			
Property, plant and equipment	14	9	25
<i>Financial assets</i>			
Participations in group companies	26, 24	3,345	3,346
Participations in associated companies	15, 24	1,240	787
Other non-current receivables	17	798	773
Receivables from group companies	27	36,790	24,629
<i>Total financial assets</i>		42,174	29,536
Deferred tax assets	11	88	180
Total non-current assets		42,271	29,741
Current assets			
<i>Current receivables</i>			
Other receivables		38	8
Prepaid expenses and accrued income	18	160	8
<i>Total current receivables</i>		199	16
Financial investments	19	197	203
Cash and cash equivalents	25	955	941
Total current assets		1,350	1,159
Total assets		43,621	30,900
Equity and liabilities			
Equity	20		
<i>Restricted equity</i>			
Share capital		180	190
<i>Fritt eget kapital</i>			
Överkursfond		4,366	7,233
Balanserat resultat		3,857	3,219
Årets resultat		1,234	1,311
Summa eget kapital		9,637	11,953
Non-restricted equity			
Liabilities to credit institutions ^{1,2)}	21	24,425	5,501
Other non-current liabilities		102	112
Derivatives	21	412	805
Liabilities to group companies	27	4,443	4,440
Total non-current liabilities		29,381	10,858
Current liabilities			
Liabilities to credit institutions ¹⁾	21	4,350	7,668
Trade payables		6	4
Derivatives	21	–	84
Other liabilities		19	280
Accrued expenses and deferred income	23	229	53
Total current liabilities		4,603	8,089
Total equity and liabilities		43,621	30,900

1) Interest-bearing liabilities for the most part are formally current but are non-current in character, as they are continually extended. The interest bearing liabilities that formally mature within one year and one year of agreed amortisation are recognised as current interest-bearing liabilities.

2) The line non-current interest-bearing liabilities includes Hybrid capital of SEK 3,447m (–). 50 % of the Hybrid capital, or equivalent to SEK 1,724m (–) is treated as equity by the ratings agencies and thereby reduces interest-bearing liabilities during calculation of the debt/equity ratio and net debt to total assets ratio.

Parent Company statement of changes in equity

SEKm	Number of shares	Restricted equity	Non-restricted equity		Net profit for the year	Total equity
		Share capital	Share premium reserve	Retained earnings		
Equity at 1 Jan 2016	182,396,852	182	5,460	2,359	1,061	9,063
Net profit for the year/comprehensive income	–	–	–	–	1,311	1,311
Appropriation of profits				1,061	–1,061	–
New issue, after issue expenses	7,603,148	8	1,772			1,780
Dividend approved and entered as a liability to preference shareholders				–200		–200
Total transactions with the company's owners	7,603,148	8	1,772	861	–1,061	1,580
Equity at 31 Dec 2016	190,000,000	190	7,233	3,219	1,311	11,953
Equity at 1 Jan 2017	190,000,000	190	7,233	3,219	1,311	11,953
Net profit for the year/comprehensive income	–	–	–	–	1,234	1,234
Appropriation of profits				1,311	–1,311	–
Approved redemption of preference capital	–10,000,000	–10	–2,867	–623,		–3,500
Dividend approved and entered as a liability to preference shareholders				–50		–50
Total transactions with the company's owners	–10,000,000	–10	–2,867	638,	–1,311	–3,550
Equity at 31 Dec 2017 ¹⁾	180,000,000	180	4,366	3,857	1,234	9,637

1) For more information, see Note 20 relating to Equity.

Parent Company cash flow statement

SEKm	Note	2017	2016
Operating activities			
Operating profit/loss		–26	–14
Reversal of depreciation/impairment		17	3
Interest received	25	29	12
Interest paid	25	–465	–383
Cash flow from operating activities before change in working capital		–444	–383
Cash flow from changes in working capital			
Change in operating receivables		–183	–3
Change in operating liabilities		12	270
Cash flow from operating activities		–615	–116
Investing activities			
Purchase of property, plant and equipment		–1	–8
Acquired participations in group companies		1	–427
Purchase of financial investments		–38	–42
Change in lending to group companies		–9,865	–1,270
Change in lending to associated companies		–35	136
Sale of financial investments		8	225
Acquisition of shares in associated companies		–453	–251
Cash flow from investing activities		–10,384	–1,637
Financing activities	25		
New issue, after issue expenses		–	682
Dividend paid preference shares		–150	–200
Redemption of preference capital		–3,500	–
Change in value of derivatives, realised		–343	–
Borrowings		20,774	3,368
Amortisation/Redemption of loans		–5,767	–1,124
Change in credit facilities		–	–36
Cash flow from financing activities		11,014	2,690
Cash flow for the year		14	937
Cash and cash equivalents at the beginning of the year		941	4
Cash and cash equivalents at the end of the year	25	955	941
Unutilised credit facilities	22	350	300
Financial investments	19	197	203

Notes to the financial statements

Note 1 • Applied Accounting policies

General information

The financial statements for Fastighets AB Balder, as of 31 December 2017, were approved by the Board of Directors and Chief Executive Officer on 28 March 2018 and will be submitted for adoption by the Annual General Meeting on 8 May 2018. Fastighets AB Balder (publ), corporate identity number 556525-6905, with registered office in Gothenburg, constitutes the parent company of a Group with subsidiaries as defined in Note 26, Participations in Group companies. The company is registered in Sweden and the address of the company's head office in Gothenburg is Fastighets AB Balder, Box 53121, 411 39 Gothenburg, Sweden. The visiting address is Parkgatan 49. Balder is a listed property company which shall meet the needs of different customer groups for premises and housing based on local support.

Accounting policies

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Interpretations Committee (IFRIC), as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups is applied.

The annual accounts of the parent company have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for Legal Entities) and statements of the Swedish Financial Reporting Board. The parent company applies the same accounting policies as the Group apart from the instances described below in the section "the Parent Company's accounting policies". The deviations that occur between the parent company and Group accounting policies are due to limitations in the possibilities of applying IFRS in the parent company on account of the Annual Accounts Act.

The parent company's functional currency is the Swedish krona (SEK), which is also the presentation currency of the parent company and the Group.

The financial statements are presented in Swedish krona rounded off to millions of kronor unless otherwise stated.

Assets and liabilities are recognised at historical cost, with the exception of investment properties, financial investments and derivative instruments, which are measured at fair value.

Preparation of financial statements in conformity with IFRS requires the company management to make estimates and assumptions that affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses.

The estimates and assumptions are based on historical experience and other factors that appear reasonable under the existing circumstances. The result of these judgments and assumptions is then used to judge the carrying

amounts of assets and liabilities that would not be evident from other sources. The actual outcome may diverge from these estimates and judgements.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are recognised in the period in which they arise if the change affects that period alone or, alternatively, in the period in which they arise and during future periods if the change affects both the period in question and future periods.

Assumptions made by the company management in the application of IFRS, which have a material impact on the financial statements, and estimates which may give rise to significant adjustments in subsequent financial statements are presented in more detail in Note 30, Critical estimates and assumptions.

The accounting policies set out for the Group have been consistently applied for all periods presented in the Group's financial statements, unless otherwise stated below. The Group's accounting policies have been applied consistently in the reporting and consolidation of subsidiaries.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocation of resources and evaluation of the operating segments' results. In the Group, this function has been identified as the Management team which takes strategic decisions. The Group's internal reporting of the operations is divided into the segments Helsinki, Stockholm, Gothenburg, Öresund, East and North, which are harmonised with the Group's internal reporting system. See further in Note 3, Segment reporting.

Classification etc.

Non-current assets and non-current receivables largely consist of amounts that are expected to be recovered or paid after more than twelve months, calculated from the end of the reporting period. Current assets and current liabilities largely consist of amounts that are expected to be recovered or paid within twelve months, calculated from the end of the reporting period. Current liabilities to credit institutions include the interest-bearing liabilities that formally mature within one year and one year's agreed amortisation. The company's interest-bearing liabilities are non-current in character, as they are continually extended, see Note 21. In the parent company, receivables and liabilities from/to group companies are recognised as non-current, when there is no approved amortisation plan.

Miscellaneous

From 2017, Balder has chosen to make a few reclassifications of profit/loss items in the consolidated statement of comprehensive income. The associated companies' profit from property management, changes in value and tax

are now presented in italics directly under the profit/loss line Participation in profit/loss from associated companies.

Changes in value in respect of properties and derivatives are recognised instead in connection with each other, directly before profit before tax. The comparative period has been adjusted. The changes are expected, together with other supplementary information in the annual accounts, to make it easier for the reader and provide a fairer presentation.

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to or has the right to a variable return from its holding in the entity and can affect the return through its control of the entity. When determining whether control exists, potential voting shares that can be called upon or converted without delay should be considered.

Subsidiaries are accounted for according to the acquisition method. This method means that acquisition of a subsidiary that is classified as a business combination is treated as a transaction by which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The analysis establishes the cost of the shares or entity, as well as the fair value on the date of acquisition of the identifiable assets acquired and liabilities and contingent liabilities assumed. The consideration also includes the fair value of all assets or liabilities which are a result of an agreement on contingent consideration. Acquisition-related costs are expensed as they arise. For each acquisition, the Group determines if non-controlling interests in the acquired entity are recognised at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The cost of acquisition of a subsidiary's shares and operations consists of the fair values of the assets on the date of exchange, liabilities incurred or assumed and equity instruments issued as consideration in exchange for the acquired net assets, as well as transaction costs that are directly attributable to the acquisition.

In business combinations where the cost of acquisition exceeds the net value of acquired assets, and liabilities and contingent liabilities assumed, the difference is recognised as goodwill. When the difference is negative, it is recognised directly in the income statement. When a company is acquired, the acquisition constitutes either the acquisition of an entity or the acquisition of an asset. An asset acquisition is identified if the acquired company only owns one or more properties. There are leases for these properties, but no personnel are employed in the company that can conduct business. In a business combination based on joint control, de facto control, the acquisition is recognised at historical cost, which means that assets and liabilities are recognised at the values they have been carried at in each company's balance sheet. In this way, no goodwill arises.

When an acquisition occurs of a group of assets or net assets which do not constitute an entity, the cost for the Group is allocated according to the individually identifiable assets and liabilities in the Group based on their relative fair values on the acquisition date.

The subsidiaries' financial statements are included in the consolidated financial statements from the date control arises until the date control ceases.

Transactions eliminated on consolidation

Transactions with non-controlling interests that do not lead to a loss of control are recognised as equity transactions, in other words, as transactions with owners in their capacity as owners. In the case of acquisitions from non-controlling interests, the difference between the fair value of consideration paid and the proportion of the carrying amount of the subsidiary's net assets actually acquired is recognised in equity. Gains and losses on disposals to non-controlling interests are also recognised in equity.

Intra-group receivables and liabilities, revenue or expenses, and unrealised gains or losses arising from transactions between group companies, are eliminated in full on preparation of the consolidated accounts.

Associated companies and joint ventures – equity method

Associated companies are companies that Balder has significant influence over. Significant influence means the opportunity to participate in decisions relating to the company's financial and operational strategies, but does not imply control or joint control. Normally, ownership equivalent to at least 20 % and up to 50 % of the votes means that a significant influence is held. Circumstances in the individual case can result in a significant influence even with ownership of less than 20 % of the votes.

A joint venture is a joint arrangement whereby the parties that exercise joint control over the arrangement are entitled to the net assets from the arrangement. Joint control exists when the joint exercise of control over an operation is regulated through an agreement. It only exists when the parties that share control must give their consent in connection with decisions regarding the operation.

Associated companies and joint ventures are recognised in the Group according to the equity method. The equity method means that participations in an associated company are recognised at cost at the date of acquisition and are subsequently adjusted by the Group's participation in the change in the associated company's net assets. Dividends received from associated companies reduce the carrying amount. Profit participations in associated companies are recognised on separate lines in the consolidated statement of comprehensive income and in the consolidated statement of financial position. Participations in the profits of associated companies are recognised after tax. The equity method is applied until the date when the significant influence ceases.

Foreign currency

Financial statements of foreign operations

Assets and liabilities in foreign operations are translated to Swedish kronor, at the exchange rate prevailing at the end of the reporting period. Income and expenses in a foreign operation are translated to Swedish kronor at an average rate that represents an approximation of the prevailing exchange rates on the date of each

transaction. Translation differences that arise in connection with currency translation of foreign operations are recognised via other comprehensive income as a translation reserve.

Transactions in foreign currency

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency, which applies in the primary economic environments in which companies conduct their operations. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the prevailing at the balance sheet date. Exchange differences are recognised in the income statement, apart from non-current internal balances, which are treated as a part of the net investment in subsidiaries and are recognised via other comprehensive income. Non-monetary assets and liabilities, which are recognised at historical costs are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities, which are recognised at fair value are translated to the functional currency at the rate prevailing on the date of fair value measurement.

Rental income

Rental income is recognised in the consolidated income statement on a straight-line basis according to the terms of the leasing agreement. The aggregate cost of benefits provided is recognised as a reduction of rental income on a straight-line basis over the term of the lease. Rental income is recorded in the period it refers to.

Other income

Other income is recognised on a straight-line basis in the consolidated income statement.

Costs for operating lease contracts

Kostnader avseende operationella leasingkontrakt och förmåner erhållna i samband med tecknandet av ett avtal redovisas i koncernens resultaträkning linjärt över leasingavtalets löptid.

Financial income and expenses

Financial income and expenses consists of interest income on bank balances and receivables as well as interest expenses on liabilities.

Interest income on receivables and interest expense on liabilities are calculated using the effective rate method. The effective rate is the interest rate which means that the present value of all future incoming and outgoing payments during the interest rate refixing period will be the same as the carrying amount of the receivable or liability. Interest income and interest expenses include allocated amounts of transaction costs and possible discounts, premiums and other differences between the initial carrying amount of the receivable or liability and the amount that is settled at maturity. The interest component in financial lease payments is recognised in the consolidated statement of comprehensive income by application of the effective interest method.

Borrowing costs directly attributable to the construction or production of an asset, which requires a significant time to complete for use or sale are included in the cost of the asset. Capitalisation of borrowing costs takes place provided that it is likely to lead to future economic benefits and that the costs may be measured in a reliable manner.

Financial instruments

Financial instruments are measured and recognised in the Group in accordance with the rules in IAS 39.

Financial instruments on the asset side that are recognised in the consolidated statement of financial position include cash and cash equivalents, financial investments, trade receivables and other securities held as non-current assets as well as derivatives with positive value. Liabilities include trade payables, borrowings and derivatives with negative value. Financial instruments are initially recognised at the cost of acquisition corresponding to the fair value of the instrument plus transaction costs for all financial instruments, apart from those classified as financial assets recognised at fair value via the consolidated statement of comprehensive income, such as derivative instruments, which are recognised at fair value excluding transaction costs. The financial instruments are classified on initial recognition based on the purpose for which the instrument was acquired, which affects the subsequent recognition.

A financial asset or financial liability is carried in the consolidated statement of financial position when the company becomes a party to the contractual terms of the instrument. Trade receivables are carried in the balance sheet when the invoice has been sent. Rental receivables are recognised as a receivable in the period when performance, which corresponds to the receivable's value, has been delivered and payments corresponding to the value of the receivable have still not been received. A liability is recognised when the counterparty has performed a service and a contractual payment obligation prevails, even if the invoice has not yet been received. Trade payables are recognised when the invoice has been received.

A financial asset is derecognised when the contractual rights are realised or expire or the company no longer has control over them. The same applies to a portion of a financial asset. A financial liability is derecognised when the contractual liability is discharged or otherwise expires. The same applies to a portion of a financial liability.

Acquisition and disposal of financial assets are recognised on the transaction date, which represents the day when the company committed to acquire or dispose of the asset. Borrowing is recognised when the funds have been received, while derivative instruments are recognised when the contract has been entered into.

Balder divides its financial instruments into the following categories in accordance with IAS 39.

Financial assets measured at fair value through profit or loss

This category consists of two subcategories: financial assets held for trading and other financial assets that the company initially elected to place in this category, under the so-called Fair Value Option. Financial instruments in this category are measured on a continual basis at fair value with changes in value recognised through profit or loss. The first subcategory includes the Group's derivatives with positive fair value.

Loans and receivables

Receivables, which do not constitute derivatives, are recognised after initial recognition at amortised cost under the effective interest method. A receivable is examined individually as regards estimated risk of loss and is carried

at the amount which is expected to be received. Impairments are made for doubtful receivables and are recognised in operating costs.

Financial assets available for sale

The category financial assets available for sale includes financial assets which are not classified in any other category or financial assets that the company initially elected to classify in this category. Holdings of shares and participations that are not recognised as subsidiaries or associated companies are recognised here. Assets in this category are continually measured at fair value with changes in value recognised in other comprehensive income, however, not those that are due to impairments and dividend income, which are recognised through profit or loss. In the event of disposal of the asset, accumulated gains or losses, which were previously recognised in equity, are recognised in the consolidated statement of comprehensive income. This category includes unlisted shares which are recognised in the item other securities held as non-current assets.

Financial liabilities measured at fair value through profit or loss

This category consists of two sub-categories, financial liabilities held for trading and other financial liabilities that the company elected to place in this category, the so-called Fair Value Option. The first category includes the Group's derivatives with negative fair value. Changes in fair value are recognised in profit or loss.

Other financial liabilities

Borrowing is reported initially at the amount received less transaction costs. After the date of acquisition, the loan is measured at amortised cost using the effective interest method. Non-current liabilities have an expected maturity of more than 1 year while current liabilities have maturities of less than 1 year. Declared dividends are recognised as liabilities after the general meeting has approved the dividend.

Trade payables and other operating liabilities have short expected maturities and are measured at their nominal value with no discounting.

Derivative instruments

Derivative instruments include interest rate and currency swaps that are deployed to cover the risk of changes in interest rates and exchange rates. Derivatives are also terms of agreement which are embedded in other agreements. Embedded derivatives should be accounted for separately if they are not closely related to the host contract. Derivative instruments are measured at fair value. Changes in the value of derivative instruments, stand-alone as well as embedded, are recognised in the consolidated income statement.

Hedges of net investments in foreign operations

The Group hedges a significant proportion of the net investments in foreign operations through loans in the same currency as foreign operations and through currency swaps. Translation differences on loans and changes in fair value of hedging instruments are recognised in "Other comprehensive income" insofar as the hedge is effective. The cumulative changes in translation differences and fair value are recognised as separate components in equity. Profits or losses arising from the ineffective portion of the hedging instrument are recognised in net profit for the year. On disposal of foreign operations, the gain or loss that is accumulated in equity is

transferred to the net profit for the year, thus increasing or decreasing the profit/loss of the divestment.

Cash and cash equivalents

Cash and cash equivalents consist of cash and immediately available balances with banks and equivalent institutions, and short-term liquid investments with a term to maturity of less than three months, which are exposed to a minimal risk for fluctuations in value.

Impairment testing of financial assets

On each reporting date, the company assesses if there are objective indications that a financial asset, or group of financial assets, requires impairment. Objective evidence consists partly of observable circumstances that occurred and which have a negative impact on the possibility to recover the cost, and partly of a significant or protracted decline in the fair value of an investment in a financial investment classified as a financial asset available for sale.

In the event of impairment of an equity instrument which is classified as a financial asset available for sale, any previously recognised accumulated loss in equity is transferred to profit or loss.

The recoverable amount of loans and trade receivables, which are recognised at amortised cost, is measured as the present value of future cash flows discounted by the effective rate that applied upon initial recognition of the asset. Assets with short maturities are not discounted. An impairment loss is recognised as a cost in the consolidated income statement.

Property, plant and equipment

Owned assets

Property, plant and equipment are recognised as an asset in the consolidated statement of financial position if it is probable that future economic benefits will accrue to the company and the cost of the asset can be reliably measured.

Items of property, plant and equipment are recognised in the Group at cost less accumulated depreciation and any impairment losses. The purchase price is included in the cost as well as expenses directly attributable to the asset in order to bring it to the location and in the condition to be used in accordance with the aim of the acquisition.

The carrying amount of an item of property, plant and equipment is derecognised on retirement or disposal or when no future economic benefits can be expected from use of the asset. Gains or losses arising from disposal or retirement of an asset consist of the difference between the selling price and the asset's carrying amount less directly related selling expenses. Gains and losses are recognised as other operating income/expenses.

Leased assets

Leases are classified in the consolidated financial statements either as finance or operating leases. A finance lease exists when the economic risks and rewards associated with ownership have been essentially transferred to the lessee; if this is not the case, it is a matter of an operating lease.

In the case of operating leases, the lease payment is expensed over the term of the lease based on usage, which may differ from what has actually been paid as leasing fees during the year.

The Group has no finance leases.

Additional expenditure

Additional expenditure is added to the cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be measured in a reliable way. Other additional expenditure is recognised as a cost in the period in which it arises. The assessment of whether additional expenditure is added to cost depends on whether the expenditure concerns the replacement of identified components, or parts thereof, whereupon such expenditure is capitalised. Even in cases where new components are created, the expenditure is added to the cost. Repairs are expensed on an ongoing basis.

Depreciation methods

Assets are depreciated on a straight-line basis over their estimated useful lives:

Property, plant and equipment	Useful life
Equipment	3–10 years
Wind turbines	10–20 years

Assessment of the residual value and useful lives of assets is made on an annual basis.

Investment properties

Investment properties are properties that are held with the aim of receiving rental income or appreciation in value or a combination of both. Investment properties are initially recognised at cost, which includes expenses and borrowing costs directly related to the acquisition. Investment properties are recognised according to the fair value method. The fair value is based on internal valuations which are reconciled as required with external independent valuers. Fair value is based on the market value, which is the estimated amount that would be received in a transaction on the valuation date between knowledgeable parties that are independent of one another and that have an interest in completing the transaction after customary marketing, where both parties are assumed to have acted discerningly, wisely and without compulsion. Both unrealised and realised changes in value are recognised in the income statement. Valuations are performed at the end of each quarter.

Income from property sales is normally recognised on the date of possession unless the risks and rewards have been transferred to the purchaser on an earlier date. Control of the asset may have been transferred on an earlier date than the date of possession and if this is the case the property sale is recognised as income on this earlier date. The assessment of the date of revenue recognition takes into consideration what was agreed between the parties as regards risks and rewards as well as involvement in the day-to-day management.

In addition to this, circumstances that can affect the outcome of the transaction are considered which lie outside the seller's and/or purchaser's control. If the Group starts a conversion of an existing investment property for continued use as an investment property, the property will continue to be recognised as an investment property. The property is recognised according to the fair value method and is not reclassified as property, plant and equipment during the conversion period.

Additional expenditure is added to the carrying amount only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be measured in a reliable way. Other additional expenditure is recognised as a cost in the period in which it arises. The assessment of whether

additional expenditure is added to the carrying amount depends on whether the expenditure concerns the replacement of identified components, or parts thereof, whereupon such expenditure is capitalised. Even in cases where new components are created, the expenditure is added to the carrying amount.

Tenant-owner's apartment projects in progress – percentage of completion

Balder applies the percentage of completion method where project revenue and profits are gradually recognised during the project based on an end position forecast and the actual degree of completion of the project. This requires that the project's revenue and costs and thus margins can be estimated in a reliable way. This is based on Balder's system for calculations, reporting, follow-up and forecasts. This system requires inputs in the form of estimates and assessments that depend on the knowledge and experience that Balder and its employees possess. However, the final project outcome can deviate from the assessments made.

Impairment losses

The carrying amounts of the Group's assets, with the exception of investment properties, financial instruments and deferred tax assets, are tested on each balance sheet date to determine if there is any indication of an impairment need. If such indications exist, the recoverable amount of the asset concerned is calculated. For exempted assets, as above, the carrying amount is tested in accordance with each standard.

If it is impossible to determine significant independent cash flows to an individual asset, the assets should be grouped, in conjunction with impairment testing, at the lowest level at which it is possible to identify significant independent cash flows – a so-called cash generating unit. An impairment loss is recognised when the carrying amount of the asset or cash generating unit exceeds its recoverable amount. An impairment loss is recognised in the income statement.

The recoverable amount of assets in the category loan receivables and trade receivables, which are recognised at amortised cost, is measured as the present value of future cash flows discounted by the effective rate that applied upon initial recognition of the asset.

Assets with short maturities are not discounted. The recoverable amount on other assets is the higher of the fair value less selling expenses and the value in use. Future cash flows are discounted using a discount factor that reflects risk-free interest and the risk associated with the specific asset for the purpose of calculating the value in use. For an asset that does not generate cash flows, which is significantly independent of other assets, the recoverable amount is estimated for the cash generating unit to which the asset belongs.

Reversal of impairment losses

Impairments of loans and receivables recognised at amortised cost are reversed if a later increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment was made.

Preference shares

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. If this right does not exist, the preference shares are recognised as equity.

Repurchase of own shares

Purchases of own shares are recognised as

a deduction from equity. The proceeds from disposal are recognised as an increase in equity. Any transaction costs are recognised directly against equity.

Cash flow statement

The cash flow statement was prepared using the indirect method, by which the result in adjusted for transactions that do not result in incoming or outgoing payments during the period, as well as for any income or costs attributable to investing or financing activities.

Employee benefits

Short-term employee benefits

Short-term employee benefits are calculated without discounting and are recognised as a cost as the related services are received.

Pensions

Pension plans are classified as either defined benefit or defined contribution plans. The plans are predominantly defined contribution plans. Defined benefit plans only exist in exceptional cases.

Defined contribution plans

For defined contribution plans, the Group pays contributions to privately managed pension insurance plans on a voluntary basis. The Group has no further payment obligations once the contributions have been paid; that is, the individual carries the risk. The contributions are recognised as employee benefit expenses when they are due for payment. Prepaid contributions are recognised as an asset to the extent that a cash refund or decrease in future payments could accrue to the Group.

Termination benefits

A provision is recognised in connection with terminating the employment of personnel only if the company is demonstrably obligated to end employment before the normal time or when remuneration is provided as an offer to encourage voluntary retirement.

Provisions

Provisions are recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of past events, and it is probable that an outflow of financial resources will be required to settle the obligation and that the amount can be reliably estimated. In cases where the effect of payment timing is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks specific to the liability.

Taxes

Income taxes consist of current tax and deferred tax. Income tax is recognised in the income statement except when underlying transactions are recognised in other comprehensive income or directly against equity, whereupon the associated tax effect is recognised in other comprehensive income or in equity. Current tax is tax that shall be paid or received in respect of the current year, using the tax rates which are enacted or which in practice are enacted on the balance sheet date. Also included are adjustments of current taxes attributable to prior periods.

Deferred taxes are estimated in accordance with the liability method, based on temporary differences between the tax bases of assets and liabilities and their carrying amounts. Temporary

differences not taken into consideration are temporary differences arising on the initial recognition of goodwill, the initial recognition of assets and liabilities that are not business combinations and on the transaction date not affecting the recognised or taxable result. Furthermore, temporary differences are not taken into consideration that are attributable to investments in subsidiaries and which are not expected to be reversed within the foreseeable future. The measurement of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is measured using the tax rates and tax regulations which were enacted or were in practice enacted on the balance sheet date. Deferred tax assets and liabilities are recognised net if they concern the same tax authority (country).

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are only recognised to the extent that it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilised.

When a company is acquired, the acquisition constitutes either the acquisition of an entity or the acquisition of an asset. An asset acquisition is identified if the acquired company only owns one or more properties. There are leases for these properties, but no personnel are employed in the company who can conduct business. In case of recognition as an acquisition of assets, no deferred tax is recognised. All of Balder's completed acquisitions during the year, have been classified as acquisition of assets and therefore no deferred tax is recognised relating to properties in respect of these acquisitions.

Contingent liabilities

A contingent liability is recognised if there is a possible obligation for which it has yet to be confirmed if the Group has an obligation that could lead to an outflow of resources, alternatively, if there is a present obligation that does not meet the criteria to be recognised in the balance sheet as a provision or other liability as it is not probable that an outflow of resources will be required to settle the obligation or as it is not possible to make a sufficiently reliable estimate of the amount.

New accounting principles from and including 1 January 2018

IFRS 9 Financial Instruments

IFRS 9 will start to be applied by the Balder Group for annual periods beginning on 1 January 2018. The standard introduces new principles for classification of financial instruments, for hedge accounting and for credit reserves. The Group will not restate comparative figures for the financial year 2017, in accordance with the standard's transitional arrangements.

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

IFRS 9 introduces a new expected loss impairment model, and that considers forward-looking information during measurement of lease receivables and recognition of future bad debt losses. Compared to previously applied accounting policies, the new model implies an earlier recognition of bad debt losses. Historical information and experience from previous credit losses is used to forecast future losses. The effect of the new mo-

del is an increased provision for trade receivables of SEK 20m with the largest negative impact on lease receivables in the subsidiary Sato Oyj with a related reduction in equity of SEK 16m (net after tax) as of 1 January 2018.

Balder applies hedge accounting for net investment in a foreign operation. As the hedging relationship is deemed to be effective even under the new standard, the transition will therefore have no effect.

IFRS 15, Revenue from Contracts with Customers
IFRS 15 will be applied by the Balder Group for annual periods beginning on 1 January 2018. In connection with the transition to IFRS 15, a review of the Group's total revenue was carried out to analyse the effects between the currently applied accounting principles and IFRS 15.

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

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

New accounting policies from and including 1 January 2019

IFRS 16 Leases

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

quantified during 2018.

The Parent Company's accounting policies

The Parent Company has prepared its annual accounts according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The recommendation means that the parent company in the annual accounts for the legal entity should apply all International Financial Reporting Standards and interpretations approved by the EU as far as possible within the framework of the Annual Accounts Act, and taking into account the connection between recognition and taxation. The recommendation states which exemptions and amendments apply with respect to IFRS.

Differences between the Group and Parent Company accounting policies

The accounting policies set out for the parent company have been applied consistently for all periods presented in the parent company's financial statements

Classification and presentation

The parent company's income statement and balance sheet are prepared according to the Swedish Annual Accounts Act's layout. The difference from IAS 1 Presentation of Financial Statements, which is applied in the presentation of the consolidated financial statements, is mainly related to recognition of financial income and expenses and shareholders' equity.

Subsidiaries and associated companies

Participations in subsidiaries and associated companies are recognised in the parent company in accordance with the cost method. Received dividends are only recognised as income provided that they pertain to profits earned subsequent to the acquisition. Dividends which exceed this earned profit are treated as a repayment of the investment and reduce the carrying amount of the participation.

Revenue

The parent company's net sales consist of management services in relation to subsidiaries and associated companies. This revenue is recognised in the period it relates to.

Anticipated dividends

Anticipated dividends from subsidiaries are

recognised in cases where the parent company has the exclusive right to decide on the size of the dividend and the parent company has made a decision on the size of the dividend before having published its financial statements.

Financial guarantees

The parent company's financial guarantee contracts mainly consist of loan guarantees on behalf of subsidiaries and associated companies. Financial guarantees mean that the company has an obligation to compensate the holder of a debt instrument for losses that they incur because a particular debtor does not complete payment on maturity according to the terms of the agreement. For recognition of financial guarantee contracts, the parent company applies RFR 2 paragraph 72, which implies relief compared to the rules in IAS 39 as regards financial guarantee contracts issued on behalf of subsidiaries and associated companies. The parent company recognises financial guarantee contracts as a provision in the balance sheet when the company has an obligation for which payment is likely to be required to settle the obligation.

Leased assets

All lease agreements in the parent company are recognised in accordance with the rules for operating leases.

Taxes

In the parent company, untaxed reserves are recognised including deferred tax liability. However, in the consolidated accounts, untaxed reserves are allocated between deferred tax liabilities and equity.

Group contributions and shareholders' contributions

The company recognises group contributions and shareholders' contributions in accordance with the Swedish Financial Reporting Board's recommendation RFR 2. Shareholders' contributions are recorded directly in equity in the case of the receiver and capitalised in shares and participations by the grantor, to the extent that impairment is not required. Group contributions are recognised as income in the income statement of the receiver and as a cost for the grantor. The tax effects are recognised according to IAS 12 in the income statement.

Note 2 • Revenue distribution

SEKm	Group		Parent company	
	2017	2016	2017	2016
Rental income	5,915	5,373	–	–
Rendering of services	–	–	252	209
Total	5,915	5,373	252	209

Rental income distributed by country			Rental income distributed by property category			Rental income distributed by region		
SEKm	Group		SEKm	Group		SEKm	Group	
	2017	2016		2017	2016		2017	2016
Sweden	2,811	2,595	Residential	3,742	3,538	Helsinki	2,044	1,901
Denmark	294	193	Offices	795	725	Stockholm	920	819
Finland	2,769	2,558	Retail	668	527	Gothenburg	1,153	1,030
Norway	42	27	Other	648	523	Öresund	666	496
Total	5,915	5,373	Project	62	59	East	919	933
			Total	5,915	5,373	North	214	193
						Total	5,915	5,373

Note 3 • Segment reporting

Balder's operating segments consist of the regions Helsinki, Gothenburg, Öresund, East and North. This division is aligned with the

Group's internal reporting. The Management primarily follows up operating segments based on their net operating income, where common

property administration expenses have been allocated according to the prime cost principle. Also see Note 1, Applied accounting policies.

Regions	Helsinki		Stockholm		Gothenburg		Öresund		East		North		Group	
SEKm	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rental income	2,044	1,901	920	819	1,153	1,030	666	496	919	933	214	193	5,915	5,373
Property costs	–692	–677	–216	–209	–292	–287	–155	–91	–276	–367	–63	–63	–1,695	–1,693
Net operating income	1,352	1,224	704	610	861	743	510	405	642	566	151	130	4,220	3,679
Changes in value of properties														
Commercial properties	–	–	1,202	1,179	1,007	935	374	181	58	69	50	92	2,691	2,455
Residential properties	588	916	341	181	444	273	754	825	387	186	131	96	2,645	2,477
Wind turbines	–	–	–	–	–14	–	–	–	–22	–	–	–	–36	–
Net operating income including changes in value	1,941	2,140	2,247	1,970	2,297	1,951	1,637	1,412	1,066	820	332	319	9,519	8,612
<i>Non-allocated items:</i>														
Other income/expenses													8	17
Management costs and administrative expenses													–543	–488
Participations in the profit from associated companies													1,010	590
Operating profit													9,994	8,730
Net financial items													–984	–973
Changes in value of derivatives													144	–114
Income tax													–1,386	–1,550
Net profit for the year													7,769	6,093
Other comprehensive income													22	414
Comprehensive income for the year													7,791	6,507
Assets														
Commercial properties	–	–	15,560	13,370	15,090	12,737	6,974	5,079	1,948	1,195	1,096	1,084	40,668	33,466
Residential properties	28,241	26,175	3,403	3,014	5,314	4,734	8,833	6,493	9,662	10,293	2,238	2,002	57,692	52,711
Investment properties	28,241	26,175	18,964	16,385	20,404	17,471	15,807	11,571	11,610	11,489	3,334	3,087	98,360	86,177
<i>Non-allocated items:</i>														
Property, plant and equipment													107	136
Other non-current receivables													949	908
Participations in associated companies													4,699	3,362
Current assets													2,144	2,041
Total assets													106,260	92,623
Equity and liabilities														
<i>Non-allocated items:</i>														
Equity													37,718	33,479
Deferred tax liability													7,041	5,808
Interest-bearing liabilities													58,384	49,580
Derivatives													922	1,547
Non-interest-bearing liabilities													2,196	2,209
Total equity and liabilities													106,260	92,623
Investments (including company acquisitions)														
Commercial properties	–	–	1,201	1,248	1,395	3,115	1,465	1,378	506	13	0	722	4,567	6,478
Residential properties	1,291	3,603	55	32	741	159	1,399	832	496	2,047	106	36	4,087	6,707
Investment properties	1,291	3,603	1,256	1,280	2,136	3,274	2,864	2,210	1,002	2,061	106	758	8,654	13,185

The Group's registered office is in Sweden. Revenue from external customers in Sweden amounted to SEK 2,811m (2,595) and total revenue from external customers in Denmark, Finland and Norway amounted to SEK 3,104m (2,778). Total non-current assets, other than financial instruments and deferred tax receivables that are located in Sweden amounted to SEK 51,414m (45,735) and the total of such non-current assets located in other countries amounted to SEK 47,053m (40,578).

Note 4 • Employees and personnel expenses

At year-end, the Group had a total of 610 employees (546), of whom 277 (255) were women. The number of employees in the parent company at year-end was 255 (223), of whom 90

(85) were women.

During 2017, Fastighets AB Balder had 5 Board members (5) including the Chairman, of whom 1 (1) was a woman. The Group as well as

the parent company had 6 senior executives (6) including the CEO, of whom 1 (1) was a woman.

Number of employees

	Group		Parent	
	2017	2016	2017	2016
Average number of employees	586	556	232	228
of whom, women	269	264	81	87
of whom, men	317	292	151	141

Salaries, fees and benefits

SEKm	Koncernen		Moderbolaget	
	2017	2016	2017	2016
Chairman of the board	0.2	0.2	0.2	0.2
Other board members	0.3	0.3	0.3	0.3
Chief executive officer				
Basic salary	0.9	0.9	0.9	0.9
Benefits	–	–	–	–
Other senior executives				
Basic salary	6.0	5.6	6.0	5.6
Benefits	0.3	0.3	0.3	0.3
Other employees				
Basic salary	257.2	220.0	99.4	85.6
Benefits	2.7	1.7	2.1	1.7
Total	267.6	229.0	109.2	94.6

Statutory social security contributions including payroll tax

SEKm	Group		Parent	
	2017	2016	2017	2016
Board of Directors	0.1	0.1	0.1	0.1
President and CEO	0.4	0.4	0.4	0.4
Other senior executives	2.1	2.0	2.1	2.0
Other employees	81.6	72.4	33.8	29.0
Total	84.2	74.9	36.4	31.5

Contractual pension expenses

SEKm	Group		Parent	
	2017	2016	2017	2016
President and CEO	0.3	0.3	0.3	0.3
Other senior executives	0.9	0.8	0.9	0.8
Other employees	33.1	27.5	6.5	5.0
Total	34.3	28.6	7.7	6.1
Total	386.1	332.5	153.3	132.2

Remuneration to senior executives and other benefits during the year

SEKm	1 Jan 2017-31 Dec 2017				1 Jan 2016-31 Dec 2016			
	Basic salary director's fees	Benefits	Pension expense	Total	Basic salary director's fees	Benefits	Pension expense	Total
Chairman of the Board Christina Rogestam	0.2	–	–	0.2	0.2	–	–	0.2
Board member Fredrik Svensson	0.1	–	–	0.1	0.1	–	–	0.1
Board member Sten Dunér	0.1	–	–	0.1	0.1	–	–	0.1
Board member Anders Wennergren	0.1	–	–	0.1	0.1	–	–	0.1
CEO	0.9	–	0.3	1.2	0.9	–	0.3	1.2
Management team (5 persons)	6.0	0.3	0.9	7.2	5.6	0.3	0.8	6.7
Total	7.4	0.3	1.2	8.9	7.0	0.3	1.1	8.4

No variable remuneration is paid to any of the company's senior executives.

Note 4 • Continued

A defined benefit pension plan agreement has been entered into with the CEO which means that an amount of SEK 0.3m (0.4) will be paid out annually to the CEO when he reaches 55 until he is 65. Future payments will be limited by the fund's assets by agreement. The payments are not dependent on future employment. The present value of the commitment amounted to SEK 2.9m (3.2). The commitment has been secured by a provision to a pension fund, whose plan assets amounted to SEK 2.9m (3.2). The value of the pension commitment has been calculated in accordance with the Pension Obligations Vesting Act, which does not accord with IAS 19.

The difference in cost under the two methods of calculation is not significant.

Remuneration to senior executives follows the guidelines resolved upon at the latest Annual General Meeting. The remuneration should be market-related and competitive. The remuneration should be paid in the form of a fixed salary. Pension terms should be market-related and based on defined contribution pension solutions. Total dismissal pay and termination benefits should not exceed 18 monthly salaries. The CEO's salary and benefits are determined by the Board. Salaries and benefits of other senior executives are determined by the CEO. In the event of termination of the CEO's employment, a mutual period of notice of six months applies. In the event of termination by the company, termination benefits of 12 monthly salaries are payable (not qualifying for pension or holiday pay). A mutual period of notice of six months applies to other members of the Management team. No termination benefits are payable.

The Board has the right to depart from the guidelines resolved upon by the Annual General Meeting for remuneration to senior executives, if special grounds exist.

Note 5 • Audit fees and reimbursements

The audit assignment refers to the review of the financial statements and accounting records as well as the administration of the Board of Directors and CEO. This item also includes other duties that the company's auditors are obliged to perform as well as advice or other assistance that is occasioned by observations during the review or implementation of such other duties. Everything else is consultancy. Audit expenses are included in group-wide expenses, which are levied on the subsidiaries.

SEKm	Group		Parent Company	
	2017	2016	2017	2016
PwC				
The audit assignment	4.6	3.9	2.9	3.0
–of which to ÖhrlingsPricewaterhouseCoopers AB	3.5	3.0	2.9	3.0
Audit work apart from the audit assignment	0.6	–	0.6	–
–of which to ÖhrlingsPricewaterhouseCoopers AB	0.6	–	0.6	–
Tax advice	0.8	0.7	0.8	0.5
–of which to ÖhrlingsPricewaterhouseCoopers AB	0.8	0.7	0.8	0.5
KPMG (Sato Oyj)				
The audit assignment	1.2	1.3	–	–
Tax advice	0.3	0.1	–	–
Other services	0.4	1.5	–	–
Total	7.9	7.5	4.3	3.4

Note 6 • Operating costs distributed according to function and type of cost

Group, SEKm	2017	2016
Property costs	1,695	1,693
Management costs and administrative expenses	543	488
Total	2,238	2,182
Group, SEKm	2017	2016
Personnel expenses	386	332
Depreciation/amortisation	19	26
Media expenses	535	549
Property tax	238	222
Ground rent	49	45
Maintenance and other costs ¹⁾	1,010	1,006
Total	2,238	2,182

1) Refers to operating costs and administration excluding personnel expenses.

Note 8 • Operating leases

Leases where the Group is lessee

The Group has a number of site leasehold rights and leases under operating leases. The lease payments are renegotiated at the end of the leases to reflect market rents. Leases are mostly due for renegotiation in more than 5 years and amount to SEK 706m (783) in total. In the annual accounts for 2017, an expense of SEK 49m (45) was recognised in respect of operating leases in the Group. The future non-cancellable lease payments are as follows:

Group, SEKm	2017	2016
Within one year	48	49
1–5 years	91	94
>5 years	568	640
Total	706	783

No leasing expenses were recognised in the parent company. However, there are a small number of insignificant operating leases, where Balder is lessee, mainly relating to private cars. Payments made during the lease term are expensed in the income statement on a straight-line basis over the term of the lease.

Leases where the Group is lessor

The Group lets out its investment properties under operating leases. The future non-cancellable lease payments are shown in the table on the right.

Leases for commercial premises are normally entered into for 3–5 years with a period of notice of 9 months. Leases for residential properties normally run subject to a period of notice of 3 months.

The average lease term in the portfolio's commercial leases amounted to 7.4 years (7.1).

Group, SEKm	2017	2016
Housing, parking etc. (within one year)	3,943	3,800
Commercial premises		
Within one year	2,295	1,996
1–5 years	6,705	5,823
>5 years	8,103	6,251
Summa	21,045	17,870

Note 9 • Financial income

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Interest income	71	69	43	48
Interest income, subsidiaries	–	–	1,601	1,209
Other financial income	64	34	56	19
Total	135	104	1,700	1,277

Interest income is mainly related to receivables from associated companies. Other financial income mainly relates to dividends on listed shares and closing of a currency futures contract.

Note 10 • Financial expenses

SEKm	Group		Parent	
	2017	2016	2017	2016
Interest expenses, borrowings	837	690	274	88
Interest expenses, interest rate derivatives	174	329	164	279
Interest expenses, subsidiaries	–	–	278	311
Other financial expenses ¹⁾	108	57	635	21
Total	1,119	1,077	1,350	698

Other financial expenses are related to interest-bearing liabilities and changes in value on financial investments.

1) Other financial expenses in the Parent Company amounted to SEK 635m (21) of which exchange differences amounted SEK 565m (–1). Recognised exchange differences mainly refers to the translation of the year's new Euro bond borrowing, which from a Group perspective is used for hedging of foreign net investments.

Note 11 • Income tax

Recognised in the income statement

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Current tax expense (–)/tax revenue (+)				
Current tax	–221	–226	–0	0
Deferred tax expense (–)/tax revenue (+)				
Deferred tax related to temporary differences	–1,433	–1,239	–96	36
Deferred tax on changes in loss carry-forwards	65	–128	4	0
Released deferred tax in respect of temporary differences on sale	195	54	–	–
Change in other temporary differences	8	–12	–	–
Total deferred tax	–1,164	–1,325	–92	36
Total recognised tax	–1,386	–1,550	–92	36

Reconciliation of effective tax

Group, SEKm	2017, %	2017	2016, %	2016
Profit before tax		9,154		7,643
Tax according to applicable tax rate for the parent company	22	–2,014	22	–1,682
Difference between profit for tax purposes and the recognised profit on sale of property	–2	221	–1	73
Tax on participation in profits from associated companies	–2	222	–2	130
Tax pertaining to prior years	–0	1	0	–18
Differences in foreign tax rates	–0	36	–1	40
Non-taxable income/non-deductible expenses etc.	–2	148	1	–93
Recognised effective tax	15	–1,386	20	–1,550
Parent Company, SEKm	2017, %	2017	2016, %	2016
Profit before tax		1,326		1,275
Tax according to applicable tax rate for the parent company	22	–292	22	–281
Non-taxable income/non-deductible expenses	0	–0	–0	2
Tax-exempt dividends	–15	200	–25	315
Tax pertaining to prior years	0	–0	–0	0
Recognised effective tax	7	–92	–3	36

Note 11 • Continued

Recognised in the balance sheet

Deferred tax assets and tax liabilities

Group 2017, SEKm	Deferred tax assets	Deferred tax liabilities	Net
Deferred tax assets and tax liabilities relate to the following:			
Properties	–	–7,469	–7,469
Derivatives	142	–	142
Loss carry-forwards	378	–	378
Other temporary differences	–	–92	–92
Set-off	–520	520	–
Total	–	–7,041	–7,041

No non-capitalised assessed loss carry-forwards exist. Measured deficit amounts to SEK 1,718m (982).

Parent Company 2017, SEKm	Deferred tax assets	Deferred tax liabilities	Net
Deferred tax assets and tax liabilities relate to the following:			
Derivatives	91	–	91
Loss carry-forwards	9	–	9
Other temporary differences	–	–11	–11
Set-off	–11	11	–
Total	88	–	88

No non-capitalised assessed loss carry-forwards exist. Measured deficit amounts to SEK 42m (23).

Change of deferred tax in temporary differences and loss carry-forwards

Group, SEKm	Balance at 1 Jan 2016	Recognised in income statement	Acquisitions and disposals of companies	Balance at 31 Dec 2016
Properties	–4,674	–1,213	–332	–6,219
Derivatives	263	28	3	294
Capitalisation of the value of loss carry-forwards	343	–128	1	216
Other temporary differences	–2	–12	–85	–98
Total	–4,071	–1,325	–412	–5,808

Group, SEKm	Balance at 1 Jan 2017	Recognised in the income statement	Acquisitions and disposals of companies	Balance at 31 Dec 2017
Properties	–6,219	–1,084	–166	–7,469
Derivatives	294	–154	2	142
Capitalisation of the value of loss carry-forwards	216	65	97	378
Other temporary differences	–98	8	–2	–92
Total	–5,808	–1,164	–68	–7,041

Parent Company, SEKm	Balance at 1 Jan 2016	Recognised in the income statement	Balance at 31 Dec 2016
Derivatives	162	33	195
Capitalisation of the value of loss carry-forwards	5	0	5
Other temporary differences	–23	3	–21
Total	144	36	180

Parent Company, SEKm	Balance at 1 Jan 2017	Recognised in the income statement	Balance at 31 Dec 2017
Derivatives	195	–105	91
Capitalisation of the value of loss carry-forwards	5	4	9
Other temporary differences	–21	9	–11
Total	180	–92	88

Note 12 • Earnings per share

Earnings per share were computed in the following way:

Parent Company, SEKm	2017	2016
Net profit for the year attributable to the parent company's shareholders	7,118	5,474
Less - preference share dividend	-150	-200
Total	6,968	5,274
<i>Weighted average number of ordinary shares</i>		
Total number of ordinary shares, 1 January	180,000,000	172,396,852
Weighted average number of ordinary shares before dilution	180,000,000	172,396,852
Effect of newly issued shares	-	1,201,477
Weighted average number of ordinary shares after dilution	180,000,000	173,598,329
Earnings per ordinary share before dilution, SEK	38.71	30.59
Earnings per ordinary share after dilution, SEK	38.71	30.38

The calculation of earnings per ordinary share has been based on the net profit for the year attributable to holders of ordinary shares in the parent company amounting to SEK 6,968m (5,274), after taking account of the participation of preference shares in net profit for the period and on a weighted average number of shares during the year amounting to 180,000,000 shares (173,598,329).

Note 13 • Investment properties

Group, SEKm	2017	2016
Opening fair value	86,177	68,456
Acquisitions	4,936	11,342
Investments in existing properties and projects	3,718	1,843
Changes in value, unrealised	5,151	4,847
Disposals	-2,824	-1,905
Currency changes	1,202	1,593
Closing fair value	98,360	86,177

Valuation model

Investment properties are recognised at fair value in the consolidated statement of financial position and the changes in value are recognised in the consolidated income statement. All investment properties are deemed to be at Level 3 in the fair value hierarchy according to IFRS 13 Fair Value Measurement. The fair value of Balder's property portfolio is based on internal valuations. The properties in Sweden, Denmark and Norway were mainly valued using the yield method. In Finland, besides the yield method, the sales comparison method is also used as well as the acquisition cost method. 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. Fair value is the estimated amount that would be recovered in a transaction on the date of measurement between knowledgeable parties that are independent of one another and that have an interest in completing the transaction after customary marketing, where both parties are assumed to have acted discerningly, wisely and without compulsion.

On the closing date, Balder carried out an internal valuation of the entire property portfolio.

The yield method

During valuation using the yield method, each property is valued by computing the present value of future cash flows, in other words future rent payments less estimated operating and maintenance payments and the residual value in ten years. Estimated rent payments as well as operating and maintenance payments have been derived from current rental income as well

as operating and maintenance costs. The cash flow is adjusted to the market by taking account of changes in letting levels and occupancy rates as well as operating and maintenance payments. An inflation rate of 2 % has been assumed in all cash flow calculations. Properties equivalent to about 69 % of the total market value were valued by the yield method.

The sales comparison method

During valuation using the sales comparison method, quoted prices in the market are used as a basis for comparable objects during the past 24 months. The sales comparison method is used in Finland for the properties that consist of apartments, which can be sold as separate units without restrictions. Properties equivalent to about 29 % of the total market value were valued by the sales comparison method.

Acquisition cost method

Properties under construction, real estate projects and rent control regulated properties are valued at acquisition cost. Properties equivalent to about 2 % of the total market value were valued at acquisition cost. Initially, these properties are valued at acquisition cost with addition of transaction costs and subsequently at acquisition cost less depreciation and impairment losses.

Market value assessments of properties always involve a certain amount of uncertainty in the assumptions and estimates made. The uncertainty in respect of individual properties is normally considered to be in the range of +/- 5–10 % and should be regarded as the uncertainty, which is part of the assumptions and calculations made. In a less liquid market, the range can be greater. For Balder, a range of uncertainty of +/- 5 % means a value range of SEK +/- 4,918m, equivalent to SEK 93,442–103,278m.

In order to quality-assure its internal valuations, Balder allows parts of the portfolio to be externally valued regularly and obtains second opinions on the internal valuations. During the year, external valuations or second opinions were obtained for 43 % of the properties including Sato's property portfolio, equivalent to approx. SEK 42.3 billion. The difference between the ex-

ternal valuations and the internal valuations was less than 1 %. Historically, deviations between external and internal valuations have been insignificant. For more information about Balder's valuation methods, see pages 32–33.

Changes in value

Balder carried out an individual internal valuation on 31 December of the entire real estate portfolio. Unrealised changes in value during the year amounted to SEK 5,151m (4,847). Realised changes in value amounted to SEK 184m (85), equivalent to about 6 % (5) above the carrying amount.

Rent payments

The rental trend is estimated to follow inflation taking account of prevailing index clauses in leases during their terms. When leases expire, an assessment is made of whether the lease is deemed to be extended at the prevailing market rent level and whether there is a risk of the premises becoming vacant. Vacancies are considered on the basis of the current vacancy situation with a gradual adjustment to expected market-related vacancy rates taking account of the property's individual conditions.

Operating and maintenance payments

Outcomes, budgetary and projection data as well as estimated standardised costs have been used in the assessment of the property's future property costs.

Yield

Yield requirements and cost of capital used in the calculations have been derived from comparable transactions in the property market. Important factors in choosing a yield requirement are location, rental rate, vacancy rate and the condition of the property. The yield requirement and cost of capital used are shown in the table on page 83.

The average yield on the closing date amounted to 5.0 % (5.3).

On 31 December 2017, after Balder's valuation, the company's total property value amounted to SEK 98,360m (86,177). For more information see the Report of the Board of Directors and Sensitivity analysis on page 63.

Note 13 • Continued

Future investments

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

are in Copenhagen and Helsinki and mainly relate to condominiums owned by Balder, which are let. In Copenhagen, there are currently about 1,000 apartments under construction and in Helsinki there are about 1,000 apartments under construc-

tion. On 31 December 2017, Balder's investment undertakings amounted to approximately SEK 4.4 billion (4.0), including commercial projects.

Sensitivity analysis, excluding project real estate

Impact on value, SEKm

+/-5 % change in value

Residential properties

+/- 2,688

Commercial properties

+/- 1,977

The sensitivity analysis to the left shows what +/-5 % change in value means.

Yield requirement and cost of capital

Region	Residential		Commercial properties		The mean value of yield requirements for estimation of residual value, %
	Cost of capital requirement for discounting of future cash flows, %	Yield requirement for estimation of residual value, %	Cost of capital requirement for discounting of future cash flow, %	Yield requirement for estimation of residual value, %	
Helsinki ¹⁾	6.25–9.00	4.25–7.00	–	–	–
Stockholm	4.75–6.75	2.75–4.75	4.75–9.25	2.75–7.25	4.3
Gothenburg	4.50–8.00	2.50–6.00	5.75–12.00	3.75–10.00	5.0
Öresund	4.95–7.25	2.95–5.25	6.25–9.50	4.25–7.50	4.7
East ¹⁾	5.75–10.00	3.75–8.00	6.25–12.00	4.25–10.00	–
North	5.75–7.00	3.75–5.00	7.00–8.50	5.00–6.50	4.6

1) Refers properties valued using the yield method.

The yield requirement is the single most important parameter during valuation. Generally speaking, residential has a lower yield requirement, mainly due to a secure cash flow and low risk.

Note 14 • Other property, plant and equipment

Equipment

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Cost				
Opening balance	136	100	16	9
Purchasing	27	42	1	8
Disposals and retirements	–4	–5	–	–
Closing balance	159	136	18	16
Depreciation				
Opening balance	–63	–50	–8	–7
Disposals and retirements	4	4	–	–
Depreciation/amortisation	–13	–18	–1	–1
Closing balance	–72	–63	–9	–8
Carrying amount	87	73	9	9

Wind turbines

SEKm	Group		Parent	
	2017	2016	2017	2016
Cost				
Opening balance	164	164	30	30
Closing balance	164	164	30	30
Depreciation and impairment losses				
Opening balance	–101	–93	–14	–12
Impairment losses	–36	–	–14	–
Depreciation	–7	–9	–2	–2
Closing balance	–144	–101	–30	–14
Carrying amount	20	63	–	16
Total carrying amount	107	136	9	25

Depreciation is recognised in administrative expenses and media expenses.

Impairment losses on wind turbines are recognised in the Group in the line Changes in value investment properties, unrealised and in the parent company in the line Administrative expenses.

Note 15 • Participations in associated companies

Participations in associated companies are recognised in the Group using the equity method and in the Parent Company using the cost method.

Accumulated cost, SEKm	Group		Parent Company	
	2017	2016	2017	2016
Opening balance	3,362	2,276	787	536
Acquisition of associated companies ¹⁾	330	473	330	226
Associated companies that were reclassified as subsidiaries ²⁾	-120	-0	-	-
Dividend from associated companies	-13	-	-	-
Participations in the profits of associated companies after tax	1,010	590	-	-
Change in shareholders' equity of associated companies	130	23	123	25
Closing balance	4,699	3,362	1,240	787

Participating interest in associated companies' statements of comprehensive income

Group, SEKm	2017	2016
Rental income	482	340
Property costs	-104	-69
Net operating income	378	271
Changes in value of properties, unrealised	655	343
Changes in value of properties, realised	17	0
Management costs and administrative expenses	-35	-26
Other operating income ³⁾	337	246
Operating profit	1,353	835
Net interest income/expense	-97	-73
Changes in value of derivatives, unrealised	1	-1
Profit before tax	1,257	761
Tax	-247	-171
Net profit for the year	1,010	590
Profit from property management before tax	583	419

Summary of participating interest in associated companies' statements of financial position

Group, SEKm	2017	2016
Assets	12,450	8,826
Equity	4,699	3,362
Liabilities	7,751	5,464

1) Acquisitions of associated companies during the year referred to participations in SHH Bostad AB, Serena Properties AB and Rosengård Fastighets AB.

2) The item refers to Murbruket Holding Fastighets AB during 2017, and in 2016 the item refers to Balder Administration ApS.

3) Most relates to Collector AB. Of which profit from property management from Collector amounted to SEK 294m (230).

Group holdings of participations in associated companies in 2017

Company	Corporate identity number	Registered office	Number of shares	Participation, %	Value of share of equity in the Group, SEKm	Carrying amount in Parent Company, SEKm
Collector AB ¹⁾	556560-0797	Gothenburg	45,250,590	44	1,581	744
Tulia AB	556712-9811	Gothenburg	50,000	50	564	-
Fastighets AB Centur	556813-6369	Stockholm	5,000	50	539	4
Mötesplatsen Alingsås Intressenter AB	556859-0417	Alingsås	32,000	32	6	15
Fixfabriken Holding AB	556949-3702	Gothenburg	50,000	50	3	-
Chirp AB	556915-7331	Stockholm	17,000	34	6	-
Balder Skåne AB	556699-9230	Gothenburg	500	50	88	-
Första Långgatan Fastigheter i GBG HB	916851-7259	Gothenburg	-	50	317	-
Tornet Bostadsproduktion AB	556796-2682	Stockholm	1,550,000	31	164	-
Brinova Fastigheter AB ²⁾	556840-3918	Skåne	18,420,302	25	308	-
Fastighets AB Tornet	559008-2912	Gothenburg	500	50	3	-
Trenum AB	556978-8291	Gothenburg	500	50	434	75
Norra Backaplan Bostads AB	556743-0276	Gothenburg	33,333	33	158	-

Note 15 • Continued

Company	Corporate identity number	Registered office	Number of shares	Participation, %	Value of share of equity in the Group, SEKm	Carrying amount in Parent Company, SEKm
Sjaelsö Management ApS	35394923	Copenhagen	392	49	62	–
Brahestad AB	556984-8228	Malmö	250	50	22	–
SHH Bostad AB	559007-1824	Stockholm	808,088	20	100	100
Serena Properties AB ³⁾	559023-2707	Stockholm	2,799,998	56	252	230
Rosengård Fastighets AB	559085-4708	Malmö	25,000	25	90	73
Total					4,699	1,240

1) Balder's market value of Collector AB (publ) on 31 December 2017 amounted to SEK 3,677m (4,661).

2) Balder's market value of Brinova Fastigheter AB (publ) on 31 December 2017 amounted to SEK 220m (282). As Balder's participation in the company's equity amounts to SEK 311m, no write-down requirement is considered to exist.

3) During the year, Balder acquired 56 % of Serena Properties AB. Balder exercises joint control and the company is thus recognised according to the equity method in the Group.

Group holdings of participations in associated companies in 2016

Company	Corporate identity number	Registered office	Number of shares	Participation, %	Value of share of equity in the Group, SEKm	Carrying amount in Parent Company, SEKm
Collector AB	556560-0797	Gothenburg	45,250,590	44	1,355	744
Tulia AB	556712-9811	Gothenburg	50,000	50	435	–
Fastighets AB Centur	556813-6369	Stockholm	5,000	50	463	4
Mötesplatsen Alingsås Intressenter AB	556859-0417	Alingsås	32,000	32	9	15
Bergsspiran AB	556736-4475	Gothenburg	250	25	0	0
Fixfabriken Holding AB	556949-3702	Gothenburg	50,000	50	3	–
Chirp AB	556915-7331	Stockholm	17,000	34	6	–
Balder Skåne AB	556699-9230	Gothenburg	500	50	64	–
Första Långgatan Fastigheter i GBG HB	916851-7259	Gothenburg	–	50	315	–
Tornet Bostadsproduktion AB	556796-2682	Stockholm	1,550,000	31	136	–
Brinova Fastigheter AB	556840-3918	Skåne	18,420,302	25	276	–
Murbruket Holding Fastighets AB	556940-2877	Gothenburg	250	50	6	–
Fastighets AB Tornet	559008-2912	Gothenburg	500	50	4	–
Trenum AB	556978-8291	Gothenburg	500	50	87	25
Norra Backaplan Bostads AB	556743-0276	Gothenburg	33,333	33	155	–
Sjaelsö Management ApS	35394923	Copenhagen	392	49	43	–
Brahestad AB	556984-8228	Malmö	250	50	4	–
Total					3,362	787

Note 16 • Trade receivables

Trade receivables are carried at the amount which is expected to be received less individually estimated doubtful receivables. The individual assessment is made on all trade receivables, which have fallen due for 90 days or more. Earnings in 2017 were charged with SEK 15m (13) in respect of actual and expected bad debt losses. The trade receivables are of a short-term character and this means that they are recognised as current assets, corresponding to fair value.

Age distribution of trade receivables

Group, SEKm	2017	2016
–30 days	119	106
31–60 days	37	23
61–90 days	3	21
91 days–	46	37
Total	205	187
Doubtful trade receivables	–46	–37
Trade receivables, net	158	150

Doubtful trade receivables

Group, SEKm	2017	2016
Opening balance	–37	–24
Actual bad debt losses during the year	6	2
Changes during the year doubtful trade receivables	–15	–15
Closing balance	–46	–37

Note 17 • Other non-current receivables

	Group		Parent company	
SEKm	2017	2016	2017	2016
Receivables from group companies associated companies	759	777	756	773
Other non-current receivables	190	131	42	0
Total	949	908	798	773

Note 18 • Prepaid expenses and accrued income

	Group		Parent Company	
SEKm	2017	2016	2017	2016
Insurance	3	3	0	0
Interest income	2	1	1	0
Interest expenses	135	–	135	–
Rental income	44	40	–	–
Property costs	21	90	–	4
Other financial income	21	–	21	–
Other items	16	20	4	4
Total	241	153	160	8

Note 19 • Financial expenses

SEKm	Group		Parent Company	
	2017	2016	2017	2016
<i>Securities</i>				
Shares and bonds	305	305	197	203
Total	305	305	197	203

Financial investments are measured at fair value through profit and loss.

Note 20 • Equity

Share capital

On 31 December 2017, the registered share capital consisted of 180,000,00 shares, of which 11,229,432 were Class A shares and 168,770,568 were of Class B. After the resolution of the Extraordinary General Meeting on 25 September, the redemption of all preference shares was completed on 12 October. After the redemption of the preference shares and as of 31 December, the share capital in Balder thus amounted to SEK 180,000,000, distributed among 180,000,000 shares. Each Class A share carries one vote, and each Class B share carries one tenth of one vote. Shareholders are entitled to a dividend that is determined in due course. The shareholding gives entitlement to voting rights at the general meeting of shareholders.

Preference shares

After the resolution of the Extraordinary General Meeting on 25 September, the redemption

of all 10,000,000 outstanding preference shares was completed. The redemption was carried out at an amount of SEK 350 per preference share and implied a reduction in the company's share capital of SEK 10,000,000.

Other contributed capital

Other contributed capital refers to equity contributed by the owners. This includes share premiums paid in connection with new issues.

Translation differences

Refers to currency translation differences arising due to translation of foreign operations.

Reserves

The item refers to cash flow hedges after tax. Cash flow hedges mainly refer to interest rate hedges.

Retained earnings including net profit for the year

Retained earnings including net profit for

the year includes profits earned in the parent company and its subsidiaries. This item also includes previous transfers to statutory reserves.

Non-controlling interests

The item refers to the minority's share of equity in non-wholly-owned subsidiaries and mainly refers to Sato Oyj, where Balder's participating interest amounts to 53.84 %.

Dividend

The Board proposes to the Annual General Meeting that no dividend (–) be declared for the financial year 2017.

Appropriation of profits

The Board has proposed that the profits at the disposal of the Annual General Meeting of SEK 9,457,013,451 shall be appropriated as follows; to be carried forward SEK 9,457,013,451.

Aktiekapitalets utveckling

Day	Month	Year	Event	Change in number of shares	Total number of shares	Total number of outstanding shares	Quota value per share, SEK	Change share capital, SEK	Total share capital, SEK
27	June	2005	Start date		75,386,104	75,386,104	1.00		75,386,104
18	August	2005	Issue in kind	2,000,002	77,386,106	77,386,106	1.00	2,000,002	77,386,106
18	August	2005	Reduction of the share capital by decreasing nominal amount	–	77,386,106	77,386,106	0.01	–76,612,245	773,861
18	August	2005	Issue in kind	1,287,731,380	1,365,117,486	1,365,117,486	0.01	12,877,314	13,651,175
18	August	2005	Set-off issue	18,846,514	1,383,964,000	1,383,964,000	0.01	188,465	13,839,640
18	August	2005	Consolidation of nominal amount to SEK 1	–1,370,124,360	13,839,640	13,839,640	1.00	–	13,839,640
27	January	2006	Issue in kind	1,000,000	14,839,640	14,839,640	1.00	1,000,000	14,839,640
9	October	2006	Issue in kind	1,380,000	16,219,640	16,219,640	1.00	1,380,000	16,219,640
		2008	Repurchase, treasury shares	–476,600	16,219,640	15,743,040	1.00	–	16,219,640
28	August	2009	Issue in kind	9,171,502	25,391,142	24,914,542	1.00	9,171,502	25,391,142
4	June	2010	Bonus issue	76,173,426	101,564,568	99,658,168	1.00	–	101,564,568
1	February	2011	New issue	6,700,000	108,264,568	106,358,168	1.00	6,700,000	108,264,568
20	May	2011	Bonus issue	54,132,284	162,396,852	159,537,252	1.00	–	162,396,852
16	June	2011	Directed new issue of preference shares	4,000,000	166,396,852	163,537,252	1.00	4,000,000	166,396,852
31	January	2012	Set-off issue preference share	1,000,000	167,396,852	164,537,252	1.00	1,000,000	167,396,852
11	October	2012	Set-off issue preference share	1,000,000	168,396,852	165,537,252	1.00	1,000,000	168,396,852
24	May	2013	Directed new issue of preference shares	500,000	168,896,852	166,037,252	1.00	500,000	168,896,852
22	October	2013	Directed new issue of preference shares	3,500,000	172,396,852	169,537,252	1.00	3,500,000	172,396,852
19	March	2014	Disposal of repurchased shares	2,859,600	172,396,852	172,396,852	1.00	–	172,396,852
18	December	2015	Directed new issue of ordinary shares	10,000,000	182,396,852	182,396,852	1.00	10,000,000	182,396,852
23	September	2016	Directed new issue of ordinary shares	3,000,633	185,397,485	185,397,485	1.00	3,000,633	185,397,485
16	December	2016	Set-off issue	4,602,515	190,000,000	190,000,000	1.00	4,602,515	190,000,000
12	October	2017	Redemption of preference capital	–10,000,000	180,000,000	180,000,000	1.00	–10,000,000	180,000,000
31	December	2017			180,000,000	180,000,000	1.00		180,000,000

Note 21 • Financial risks and financial policies

Balder is financed by equity and liabilities, where the majority of the liabilities consist of interest-bearing liabilities. The proportion of equity is impacted by the chosen level of financial risk which in turn is impacted by lenders' equity requirements for offering market-related financing. Balder's long-term goals for the capital structure are that the equity/assets ratio should not be less than 35 % over time and that the interest coverage ratio should not be less than 2.0 times and that the net debt to total assets ratio should not exceed 50 %.

Financial policy

The Group is exposed to six different kinds of financial risks through its operations. Financial risks refer to interest rate risk, liquidity risk, refinancing risk, price risk, credit risk and currency risk. The financial policy prescribes guidelines and rules for how the financial operations shall be conducted and establishes the division of responsibilities and administrative rules. Departures from the Group's financial policy require the approval of the Board. Responsibility for the Group's financial transactions and risks is managed centrally by the parent company's financial department. Financial risk is managed at a portfolio level. Financial transactions shall be conducted based on an assessment of the Group's overall needs relating to liquidity, financing and interest risk. The financial goal regarding the net debt to total assets ratio was adjusted ahead of 2018. The net debt to total assets ratio over time should not exceed 50 %. An adjustment from the previous goal of 55 %.

Financial policy goals:

- the equity/assets ratio should exceed 35 % over time,
- the interest coverage ratio should not be less than 2.0 times,
- the net debt to total assets ratio should not exceed 50 %,
- secure short-term and long-term supply of capital,
- achieve a stable long-term capital structure.

The goals are followed up regularly in reports to the Board prior to presentation of the company's interim reports.

Balder has obligations to its financiers in the form of financial key ratios, so-called covenants. At year-end, Balder had financing obligations of an interest coverage ratio of 1.8 times, an equity/assets ratio of 25 % and a loan-to-value ratio of 65 %. All covenants were met at year-end. Sato also has covenants in its loan agreements and they are a loan-to-value ratio of 70 %, an interest coverage ratio of 1.8 times and proportion of assets that should be unsecured of at least 40 % at the end of 2017 and at least 42.5 % at the end of 2018. At year-end, the proportion of unsecured assets in Sato was 66.3 %, the loan-to-value ratio was 52.1 % and the interest coverage ratio was 4.5 times.

		Outcome		
Financial goals	Mål	2017	2016	
Equity/assets ratio, min.	35.0	36.7	38.3	
net debt to total assets ratio, %	max. 50.0	50.9	50.0	
Interest coverage ratio, times	min. 2.0	4.3	3.7	

Key ratios including listed associated companies at market value.

Duration analysis of financial liabilities

Group, 31 Dec 2017

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	7,968	7,277	8,361	5,299	6,523	22,954
Interest expenses ¹⁾	1,059	1,057	1,055	1,052	1,050	5,219
Trade payables	254	–	–	–	–	–
Other liabilities	274	–	–	–	–	–
Total	9,555	8,334	9,416	6,352	7,573	28,173

Group, 31 Dec 2016

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	16,314	5,091	8,598	6,190	5,259	8,129
Interest expenses ¹⁾	1,038	1,033	1,028	1,023	1,018	5,016
Trade payables	267	–	–	–	–	–
Other liabilities	636	–	–	–	–	–
Total	18,254	6,123	9,626	7,213	6,277	13,144

Parent Company, 31 Dec 2017

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	4,350	2,576	3,032	354	4,925	13,537
Interest expenses ¹⁾	523	523	522	521	520	2,590
Trade payables	6	–	–	–	–	–
Other liabilities	19	–	–	–	–	–
Total	4,900	3,099	3,554	875	5,445	16,127

Parent Company, 31 Dec 2016

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	7,668	2,358	2,108	432	354	248
Interest expenses ¹⁾	276	274	272	270	269	1,316
Trade payables	4	–	–	–	–	–
Other liabilities	280	–	–	–	–	–
Total	8,228	2,632	2,380	702	623	1,565

1) Refers to interest expenses during the period 0–10 years.

Sensitivity analysis

Factor	Change	Earnings effect before tax, SEKm
Rental income	+/-1 %	+/-62
Economic occupancy rate	+/-1 percentage point	+/-65
Interest rate level interest-bearing liabilities	+1 percentage point	-270
Property costs	+/-1 %	-/+17
Changes in value properties	+/-5 %	+/-4,918

Maturity structure interest rate derivatives ¹⁾

Year	Nominal amount, SEKm	Interest, %
2018	699	1.38
2019	1,156	1.10
2020	1,016	1.93
2021	2,655	2.25
2022	623	2.01
2023	1,043	1.41
2024	625	1.30
2025	1,845	1.37
2026	2,871	1.56
2027	148	1.10
2037	1,500	2.00
Total	14,181	1.68

1) Refers to interest rate derivatives where Balder pays fixed interest.

Capital risk

The Group's goal as regards the capital structure is to secure the Group's ability to continue its operations, so that it can continue to generate a return to shareholders and value for other stakeholders.

Duration analysis of financial liabilities

The tables above show the cash flow per year as regards financial liabilities assuming the current size of the Group. The cash flow refers to interest expenses, amortisation, trade payables and settlement of other financial liabilities. Net financial items have been calculated based on the Group's average interest less interest income.

Note 21 • Continued

Refinancing occurs on a regular basis, so no interest expense for a longer period than 10 years is indicated.

Liquidity risk

Liquidity risk refers to the risk of a lack of sufficient cash and cash equivalents to be able to fulfil the company's payment obligations relating to operating costs, interest and amortisations. According to the financial policy, there should always be sufficient cash in hand and guaranteed credit facilities to cover the day-to-day liquidity requirements. Regardless of long-term goals, the Board can decide to temporarily boost liquidity, for example, to be better prepared for major transactions. On the closing date, Balder's cash and cash equivalents, financial investments and unutilised credit facilities amounted to SEK 1,935m (1,942). Balder's financial policy, which is updated at least once each year, prescribes guidelines and rules for how borrowing should be conducted. The overall objective of financial management is to use borrowing to safeguard the supply of capital to the company in the short and long run, to adapt the financial strategy and management of financial risks to the company's business so that a long-term and stable capital structure is achieved and maintained and to achieve the best possible net financial income/expense within given risk limits.

Refinancing risk

Refinancing risk refers to the risk that Balder may not be able to obtain refinancing in the future or only at a significantly increased cost. At year-end, Balder had credit facilities of SEK 5,940m (4,827), of which SEK 5,940m (4,827) were unutilised. Balder also has credit facilities that fully cover future payments for ongoing construction projects. Balder works continually on raising new loans and on renegotiating existing loans. Over time, 50 % of the loan portfolio should have a credit term of more than two years and not more than 35 % of the loans should mature during a single year.

Interest rate risk

Interest rate risk refers to the risk of fluctuations in cash flow and earnings due to changes in interest rates. The key factor affecting interest rate risk is the interest rate refixing period. Long interest rate refixing periods ensure predictability in cash flow but in most cases also mean higher interest expenses. The Group's interest rate exposure is centralised, which means that the central finance function is responsible for identifying and managing this exposure. The interest risk shall be managed using risk hedging instruments such as interest rate swaps, interest rate ceilings and interest rate floors. The overriding key ratio used is the interest coverage ratio. On each measurement date, the interest coverage ratio shall exceed 2.0 times. To manage the interest risk cost-effectively, an assessment of the interest rate risk is made when raising loans with short interest rate refixing periods based on the Group's overall loan portfolio. Interest rate derivative transactions are carried out as required to achieve the desired interest risk in the overall borrowing.

Balder has mainly used swaps and interest rate ceilings to manage its interest rate risk, which matures between 2018 and 2037. Fluctuations in market interest rates give rise to theoretical surpluses or deficits in respect of these financial

instruments, which do not directly affect cash flow. Derivatives are continually recognised at fair value in the balance sheet and changes in value are recognised in the income statement. Derivatives are measured based on quoted prices in the market. The changes in value during 2017 amounted to SEK 144m (-114). At year-end, the fair value of interest rate derivatives amounted to SEK -827m (-1,493). The fair value of financial instruments is based on measurements by the intermediating credit institutions. The reasonability of the measurements has been tested by engaging another credit institution to value similar instruments at the end of the reporting period, see sensitivity analysis on the previous page. Sato's interest rate derivatives meet hedge accounting requirements, as the term of the derivatives is matched with the underlying financing. This means that the change in value of the derivatives is recognised in comprehensive income.

Currency risk

Balder owns properties through subsidiaries in Norway, Denmark, Finland and through Sato in St Petersburg. Companies' revenue and costs are in local currency and are thereby exposed to fluctuations in exchange rates from a Group standpoint. Exchange rate fluctuations also arise in translation of the assets and liabilities of foreign subsidiaries to the currency of the parent company.

Translation exposure

When the subsidiaries' statement of financial position in local currency is translated into Swedish kronor, a translation difference arises that is due to the current year being translated at a different closing rate than the previous year and that the statement of comprehensive income is translated at the average rate during the year, while the statement of financial position is translated at the exchange rate on 31 December. The translation difference is posted to other comprehensive income. The translation exposure consists of the risk that the translation difference represents in terms of the impact on comprehensive income. The risk is greatest for the currencies in which the Group has the largest net assets and where the price movements in relation to Swedish kronor are the largest. The net assets in Finland and Denmark have the greatest impact on the Group. During the year, Balder issued a total of EUR 1,850m in the European bond market, which helped to reduce the currency exposure of the Group's net assets in EUR and DKK. At year-end, there also were currency swaps for DKK 400m and EUR 100m, and the fair value of these amounted to SEK -95m.

The assets and liabilities in EUR and DKK are aggregated as the DKK rate is pegged to the EUR. The translation differences are mainly handled through borrowing divided among different currencies based on the net assets in each currency. Loans raised in the same currency as there are net assets for in the Group, reduce these net assets and thus reduce the translation exposure. These hedges of net investments in foreign operations operate in the following way. Exchange gains and losses on loans in foreign currency, which finance acquisition of foreign subsidiaries, are reported as part of other comprehensive income to the extent that the loan functions as a hedge for the acquired net assets. In other comprehensive

income, they meet the translation difference arising from the consolidation of the foreign subsidiaries. In the Group, net exchange differences of SEK -565m (-) relating to liabilities in foreign currency were transferred to other comprehensive income as hedging of net investments in foreign operations. The loans that hedge net investments in foreign operations are in EUR and DKK, since these foreign currencies have the greatest impact on the statement of financial position.

Since the Group uses parts of its cash flow to amortise the loans to improve net financial items, the extent of this hedging tends to decrease over time. A change in the foreign subsidiary's net assets over time can have the same effect.

Price risk

Balder's income is affected by the occupancy rate for its properties, the level of market-related rents and customers' payment capacity. A +/- 1 % change in the rental rate or the economic occupancy rate of +/- 1 percentage point has an effect on profit before tax of +/- SEK 62m and +/- 65m respectively.

Credit risks

Trade receivables

The risk that the Group's customers will not fulfil their obligations, i.e. that payment will not be received for trade receivables, constitutes a customer credit risk. The credit of the Group's customers is assessed by obtaining information about the customers' financial position from various credit rating agencies.

An estimate of the credit risk is made in conjunction with new leases and conversion of premises for existing customers. Bank guarantees, advance rental deposits or other security are required for customers with low creditworthiness or unsatisfactory credit histories.

Credit is monitored continually to follow developments in the creditworthiness of customers.

Financial operations

Balder's financial operations give rise to credit risk exposure. The risk is mainly counterparty risk in connection with receivables from banks and other counterparties that arise in the trading of derivative instruments. Balder's financial policy includes special counterparty rules which stipulate the maximum credit exposure for different counterparties.

Borrowing, maturity structure and interest rates

At year-end, Balder had binding loan agreements with credit institutions totalling SEK 58,384m (49,580). Loans are raised in Swedish kronor, Danish kroner, Norwegian kroner and euro. At year-end, loans in Danish kroner amounted to DKK 3,387m, loans in Norwegian kroner to NOK 474m and loans in euro amounted to EUR 3,793m. The credit agreements mainly consist of bilateral contracts with Nordic banks as well as a commercial paper programme for SEK 5,940m (5,827). On 31 December, the outstanding commercial paper volume was SEK 3,348m (3,002). Net interest-bearing liabilities less cash and cash equivalents and financial investments of SEK 1,585m (1,592) amounted to SEK 55,075m (47,988).

Agreements can be divided into four categories:

- loans against security pledged in the form of promissory note receivables from subsidiaries.

Note 21 • Continued

The security has been augmented by collateral in the shares of subsidiaries/limited partnership shares,

- loans against mortgage deeds pledged on property,
- commercial paper programme,
- bond loans.

Interest-bearing liabilities for the most part are formally current but are non-current in character, as they are continually extended. From 2016, the interest bearing liabilities that formally mature within one year and one year of agreed amortisation are recognised as current interest-bearing

liabilities.

In certain cases, the security is augmented by guarantees relating to interest coverage ratios, equity/assets ratios and loan-to-value ratios. Balder satisfied all of its guarantees at year-end. Credit agreements contain customary termination conditions.

The average fixed credit term in loan agreements amounted to Interest rate refixing period 5.5 years (4.2) years on 31 December 2017. The maturity structure of loan agreements, presented in the table showing the duration analysis indicates when loan agreements are due for renegotiation or repayment. The average effective

interest on the closing date amounted to 1.8 % (2.1) including the effect of accrued interest from Balder's interest rate derivatives. The average interest rate refixing period on the same date was 4.0 years (2.4). The proportion of loans with interest dates during the coming 3-year period amounted to 47 % (66).

The fair value of financial liabilities, which are not derivative instruments has been estimated by discounting the future cash flow using the current market rate of interest at the end of the reporting period. The discount rate used in the estimation of fair value is in the range 0.4 and 3.2 %.

Interest rate refixing period

Years	Carrying amount, SEKm		Interest, %		Participation, %		Fair value, SEKm ³⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
Within one year	20,909	25,975	0.9	1.0	36	52	20,948	26,043
1–2 years	1,998	4,742	2.9	4.6	3	10	2,038	4,775
2–3 years	4,734	1,959	2.2	3.3	8	4	4,883	2,026
3–4 years	5,871	4,416	2.6	2.7	10	9	6,041	4,573
4–5 years	5,553	7,736	1.5	3.0	10	16	5,579	7,917
>5 years	19,318	4,752	2.5	3.0	34	10	19,268	4,752
Total	58,384	49,580	1.8	2.1	100	100	58,756	50,086

Carrying amount and fair value of financial instruments

Group, SEKm	Loans and receivables		Financial assets/liabilities measured at fair value through profit or loss ⁴⁾		Other financial liabilities		Total carrying amount		Total fair value	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Trade receivables	158	150	–	–	–	–	158	150	158	150
Other non-current receivables ³⁾	949	908	–	–	–	–	949	908	949	908
Cash and cash equivalents	1,281	1,287	–	–	–	–	1,281	1,287	1,281	1,287
Financial investments ³⁾	–	–	305	305	–	–	305	305	305	305
Total receivables	2,389	2,345	305	305	–	–	2,693	2,650	2,693	2,650
Non-current interest-bearing liabilities ³⁾	–	–	–	–	49,453	33,267	49,453	33,267	49,826	33,772
Other non-current liabilities ³⁾	–	–	–	–	241	176	241	176	241	176
Derivatives ^{2,5)}	–	–	922	1,547	–	–	922	1,547	922	1,547
Current interest-bearing liabilities ³⁾	–	–	–	–	8,930	16,314	8,930	16,314	8,930	16,314
Trade payables	–	–	–	–	254	267	254	267	254	267
Total liabilities	–	–	922	1,547	58,879	50,023	59,801	51,570	60,173	52,076

Parent Company, SEKm	Loans and receivables		Financial assets/liabilities measured at fair value through profit or loss ⁴⁾		Other financial liabilities		Total carrying amount		Total fair value	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Receivables from group companies ³⁾	36,790	24,629	–	–	–	–	36,790	24,629	36,790	24,629
Other non-current receivables ³⁾	798	773	–	–	–	–	798	773	798	773
Cash and cash equivalents	955	941	–	–	–	–	955	941	955	941
Financial investments ³⁾	–	–	197	203	–	–	197	203	197	203
Total receivables	38,543	26,343	197	203	–	–	38,740	26,546	38,740	26,546
Non-current liabilities to credit institutions ³⁾	–	–	–	–	24,425	5,501	24,425	5,501	24,425	5,501
Other non-current liabilities ³⁾	–	–	–	–	102	112	102	112	102	112
Derivatives ^{2,5)}	–	–	412	888	–	–	412	888	412	888
Liabilities to group companies ³⁾	–	–	–	–	4,443	4,440	4,443	4,440	4,443	4,440
Current liabilities to credit institutions ³⁾	–	–	–	–	4,350	7,668	4,350	7,668	4,350	7,668
Trade payables	–	–	–	–	6	4	6	4	6	4
Total liabilities	–	–	412	888	33,325	17,726	33,737	18,614	33,737	18,614

1) Level 1 – measured at fair value based on quoted market values on active markets for identical assets.

2) Level 2 – measured at fair value based on other observable inputs for assets and liabilities than market values under level 1.

3) Level 3 – measured at fair value based on inputs for assets and liabilities that are not based on observable market inputs.

4) Financial assets/liabilities held for trading.

5) Derivative instruments have been recognised net as a liability. The liability includes positive values in the Group of SEK 5m (5) and in the parent company of SEK 0m (0).

Note 22 • Credit facilities

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Approved credit limit	350	350	350	300
Utilised portion	—	—	—	—
Unutilised portion	350	350	350	300

Note 23 • Accrued expenses and deferred income

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Personnel expenses	84	71	17	12
Interest expenses	365	244	209	38
Prepaid rents	672	530	—	—
Property costs	279	264	—	—
Other items	27	20	3	3
Total	1,427	1,130	229	53

Note 24 • Pledged assets and contingent liabilities

Pledged assets		Group		Parent Company	
SEKm		2017	2016	2017	2016
Property mortgages		23,246	38,418	—	—
Shares in group companies		6,830	19,507	—	—
Promissory notes		—	—	3,623	9,380
Total		30,076	57,925	3,623	9,380

Contingent liabilities		Group		Parent, Company	
SEKm		2017	2016	2017	2016
Guarantees for subsidiaries		—	—	10,112	16,931
Guarantees for associated companies		1,511	1,609	1,511	1,609
Other guarantees		276	180	139	—
Total		1,787	1,789	11,762	18,540

Note 25 • Cash flow statement

Cash and cash equivalents

SEKm	Group		Parent Company	
	2017	2016	2017	2016
The following sub-components are included in cash and cash equivalents:				
Cash and bank balances	1,281	1,287	955	941
Total according to the balance sheet	1,281	1,287	955	941
Total according to the cash flow statement	1,281	1,287	955	941

Interest and derivative expenses paid

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Interest received	114	62	29	12
Interest paid	–901	–671	–301	–104
Betald derivatkostnad	–174	–329	–164	–279
Total	–961	–939	–436	–371

Intra-group interest income and interest expenses for 2017 and 2016 did not affect the cash flow.

Reconciliation of liabilities related to financing activities

Group, SEKm	31 Dec 2016	Cash flow	Exchange	Changes not affecting cash flow	31 Dec 2017
				Other items not affecting cash flow	
Interest-bearing liabilities	49,580	7,786	1,025	–7	58,384
Total liabilities related to financing activities	49,580	7,786	1,025	–7	58,384

Parent Company, SEKm	31 Dec 2016	Cash flow	Exchange	Changes not affecting cash flow	31 Dec 2017
				Other items not affecting cash flow	
Interest-bearing liabilities	13,170	15,007	598	–	28,774
Total liabilities related to financing activities	13,170	15,007	598	–	28,774

Note 26 • Participations in Group companies

Specification of the Parent Company's direct holdings of participations in subsidiaries

Subsidiary	Corporate identity number	Registered office	Number of participations	Share, %	Carrying amount	
					2017	2016
Balder Storstad AB	556676-4378	Gothenburg	100,000	100	1,046	1,046
Balder Mellanstad AB	556514-4291	Gothenburg	1,938,000	100	150	150
Din Bostad Sverige AB	556541-1898	Gothenburg	1,000,000	100	626	626
Egby Vindkraftverk AB	556760-5919	Gothenburg	1,000	100	0	0
Balder Danmark A/S	34058016	Copenhagen	5,000	100	158	158
Balder Fastigheter Norge AS	916755856	Oslo	120	100	161	161
Balder Bilrum Fastighet AB	556730-4059	Gothenburg	100,000	100	1,204	1,205
Total					3,345	3,346

The Balder Group owns 100 % of 350 additional companies (301) in Sweden, Denmark and Norway, via the above-mentioned subsidiaries, as presented in each subsidiary's annual reports. For companies in Finland, see Sato Oyj's annual accounts at www.Sato.fi.

Parent Company, SEKm

	2017	2016
Accumulated cost		
Opening balance	3,346	1,822
Acquisitions	–1	1,205
Shareholders' contribution paid	–	319
Closing balance	3,345	3,346

Note 27 • Receivables from/liabilities to Group companies

Parent Company, SEKm	Receivables		Liabilities	
	2017	2016	2017	2016
Opening balance	24,629	21,676	4,440	4,507
Change in lending to subsidiaries	12,161	2,953	3	–67
Closing balance	36,790	24,629	4,443	4,440

There is no fixed amortisation plan.

Note 28 • Significant events after the end of the financial year

No events of significant importance for Fastighets AB Balder's position have occurred after the end of the reporting period.

Note 29 • Related parties

Related parties

Group

The Group is under the significant influence of Erik Selin Fastigheter AB, which holds 49.9 % (48.2) of the votes in the parent company Fastighets AB Balder. The parent company in the largest group of which Balder is part is Erik Selin Fastigheter AB.

Parent Company

Apart from the related parties shown for the Group, the parent company exercises control over subsidiaries according to Note 26, Participations in group companies.

Summary of related party transactions

Group

Erik Selin Fastigheter AB purchased property-related administrative services from Balder for

SEK 2m (2). The services were priced based on market-related terms.

Parent Company

The parent company performed property-related administrative services on behalf of its subsidiaries amounting to SEK 186m (174). The parent company functions as an internal bank. On the closing date, receivables from subsidiaries amounted to SEK 36,790m (24,629). The price of the administrative and financial services is based on market-related terms.

Associated companies

Apart from the relative parties described above, the Balder Group owns associated companies according to Note 15, Participations in associated companies.

During the financial year, the associated

companies have purchased management and administrative services for their organisations from Balder amounting to SEK 44m (32). In addition to this, services were purchased from Collector AB (publ). Net receivables from associated companies amounted to SEK 658m (664) on the closing date. The price of the administrative and financial services is based on market-related terms.

Transactions with key people in executive positions

The company's Board members and companies owned by these members control 65.2 % (63.6) of the votes in Balder. With regard to the Board, CEO and other employees' salaries and other remuneration, expenses and agreements relating to pensions and similar benefits as well as agreements in respect of termination benefits, see Note 4, Employees and personnel expenses.

Note 30 • Critical estimates and assumptions

The company management and the Board have discussed the development, the choice of and the disclosures in respect of the Group's key accounting policies and estimates, as well as their application.

Investment properties

For important assumptions and estimates in connection with valuation of investment properties see Note 13, Investment properties.

Balder reports its properties according to the fair value method which means that changes in value are recognised in the income statement. Thus the results can be affected significantly.

Balder performs an internal valuation of the properties in connection with each quarterly report. In order to quality-assure its internal valuations, Balder regularly allows parts of the portfolio to be externally valued during the year.

Tax

Balder has loss carry-forwards at its disposal, which it is estimated can be utilised against future profits, under current tax rules.

However, Balder cannot provide any guarantees that current or new tax rules will not restrict the possibilities of utilising the loss carry-forwards.

Classification of acquisitions

The accounting standard IFRS 3 contains a rule that acquisitions must be classified as business combinations or asset acquisitions, which means that an individual assessment must be made of each particular transaction. The assessments of acquisitions made during the year resulted in all transactions being classified as asset acquisitions.

Note 31 • Parent Company information

Fastighets AB Balder (publ) is a Swedish-registered limited liability company with its registered office in Gothenburg. The parent company's shares are listed on Nasdaq Stockholm, Large Cap segment. The address of the head office is Box 53121, 411 38 Gothenburg, Sweden. The visiting address is Parkgatan 49.

The consolidated accounts for 2017 include the parent company and its subsidiaries, together referred to as the Group.

The annual accounts and the consolidated accounts were approved for issuance by the Board of Directors and CEO on 28 March 2018. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be subject to adoption by the Annual General Meeting on 8 May 2018. The Board will propose to the Annual General Meeting that no dividend (–) be declared for the financial year 2017.

The annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have been prepared in accordance with the international accounting standards IFRS referred to in the European Parliament's and Council's regulation (EC) No. 1606/2002 from 19 July 2002 on application of the international accounting standards. The annual accounts and consolidated financial statements provide

a true and fair view of the parent company's and Group's financial position and results of operations. The Report of the Board of Directors for the Group and the parent company provides a true and fair review of the development of the Group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies forming the Group.

Gothenburg, 28 March 2018

Christina Rogestam
Chairman of the Board

Sten Dunér
Board member

Fredrik Svensson
Board member

Anders Wennergren
Board member

Erik Selin
Board member and CEO

Our audit report was submitted on 29 March 2018
Öhrlings PricewaterhouseCoopers AB

Bengt Kron
Authorised Public Accountant
Auditor in charge

Helén Olsson Svärdröm
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Fastighets AB Balder (publ) Corporate identity no. 556525-6905

Report on the annual accounts and consolidated financial statements

Opinions

We have audited the annual accounts and consolidated financial statements of Fastighets AB Balder (publ) for 2017. The company's annual accounts and consolidated financial statements are included in pages 62-96 of this document. In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and of its financial performance and its cash flows for the year in accordance with the Swedish Annual Accounts Act.

The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and of its financial performance and its cash flows for the year in accordance with IFRS, as adopted by the EU, and the Swedish Annual Accounts Act.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statements of comprehensive income and financial position for the Group.

Our opinions in this report on the annual accounts and consolidated financial statements are consistent with the content of the supplementary report that has been submitted to the parent company and the Group's audit committee in accordance with Article 11 of the Auditors Ordinance (537/2014).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the section Auditor's responsibility. We are independent in relation to the parent company and the Group according to generally accepted auditing standards in Sweden and in other respects have fulfilled our professional ethical responsibilities according to these requirements. This means that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of the Auditors Ordinance (537/2014) have been provided to the audited company or, if applicable, to its parent company or its controlled companies in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we assessed the risk of errors in the areas, which are influenced to a greater extent by management's estimates and assumptions. One such area, for example, is the estimates and projections about future events that are made to determine the fair value of the Group's investment properties, which are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored our audit in order to perform a proper review to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates in five countries and the properties are owned by separate companies, which through centralised accounting functions and uniform routines are compiled in sub-groups. The Finnish sub-group Sato Oyj and the Finnish, Danish and Norwegian companies are audited by local unit audit teams, which report to the group audit team.

We have evaluated the work performed by the local unit auditors to determine whether sufficient audit evidence has been obtained as the basis for our opinions in the auditor's report for the Group.

The audit of the sub-group Sato Oyj was performed by KPMG Finland. According to generally accepted auditing standards, it is the responsibility of the group auditor to ensure that the unit auditors, have performed the right work and with sufficiently high quality regarding the identified audit risks. Since Sato Oyj accounts for a substantial part of the Balder Group and thus the group audit and since we and the unit auditors are not part of the same network, this task is extra important. We have therefore drawn up special instructions to KPMG Finland and ensured via continual communication and meetings as well as written confirmations that they followed and considered the instructions. We have read, discussed and evaluated the risk assessment and materiality assessment that the unit auditor planned for and also used in the audit. We also visited KPMG Finland and reviewed significant audit items.

Apart from the parent company accounts and consolidated financial statements, the Swedish subsidiaries were also audited by the group audit team. All in all, this means that we have assured ourselves that there is sufficient evidence for our Group audit and audit report.

Materiality

The scope and direction of the audit was influenced by our assessment of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

We chose total assets as a benchmark of our overall assessment of materiality for the financial statements as a whole, given that the value of the investment properties have a significant impact and significance for the Group's financial position, and constitutes a particularly important area for the audit. We also defined a specific materiality for the audit of the profit from property management including the working capital related balance sheet items.

Key audit matters

Key audit matters are the matters which, in our professional judgment were the most significant for the audit of the annual accounts and consolidated financial statements for the current period. These matters were addressed in the context of our audit of, and in forming our opinion about, the annual accounts and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

Key audit matters

How our audit considered this key audit matter

Valuation of investment properties

We refer to the Report of the Board of Directors, description of accounting principles in Note 1. Critical estimates and assumptions in Note 30 and Investment properties in Note 13.

Investment properties were recognised at a fair value of SEK 98,360m on 31 December 2017 and account for a significant part of the Balder Group's balance sheet.

The fair value of the Group's property holdings is based on internal calculations, mainly by applying the yield method. The sales comparison method is used for some of the Finnish holdings or alternatively, the acquisition cost method. To quality-assure the internal valuations, external valuations were obtained for about 43 % of the property portfolio.

The significance of the estimates and assumptions included in determining fair value, together with the fact that only a small percentage difference in the individual properties calculation parameters, such as estimates of future net operating income, occupancy rate and yield requirements, can lead to significant errors, means that the valuation of investment properties, is a key audit matter.

We allowed our valuation specialists to review and assess the yield method that Balder applies, the mathematical accuracy and reasonableness of the assumptions made.

Our audit included the following audit procedures:

- Follow up that the valuations comply with Balder's guidelines for property valuation
- Audit sampling to follow up the model's mathematical calculations
- Assessed inputs through audit sampling and follow up in relation to historical outcomes, compared with available market inputs
- Audit sampling of inputs in the calculation models in relation to information in the property system
- Consideration of external valuations and audit sampling compared to internal calculations
- Reviewed the audit approach and external documentation with the Finnish audit team regarding the valuation of the subsidiary Sato's property portfolio.

Our work focused on the largest investment properties, the most significant assumptions and the properties where there were the largest variations in value compared to previous quarters. In cases where the assumptions about future net operating income, occupancy rate and yield requirement deviated from our initial expectations, these deviations were discussed with the Group's representatives and, if necessary, supplementary documentation was obtained. Finally, we checked that the models used, that the assumptions and sensitivity analyses Balder made were properly described in Note 13.

Recognition of property transactions

We refer to the Report of the Board of Directors, description of accounting principles in Note 1, Investment properties in Note 13 and Critical estimates and assumptions in Note 30. Investment properties.

During the year, a number of property transactions took place which in respect of the amount and contractual terms were particularly important to consider in the audit.

In the case of each property transaction, we estimated that the accounting treatment was in accordance with Balder's accounting principles and

IFRS.

For all significant acquisitions and divestments, we obtained and reviewed the underlying agreements and terms of entry. Furthermore, we examined the calculations, to ensure that pro forma statements, entry balances and, where appropriate that settlement notes were in accordance with the agreement and that the transaction was recognised correctly.

We followed up that the property transactions were correctly recognised and disclosed in the annual accounts.

Other information than the annual accounts and consolidated financial statements

This document also contains other information than the annual accounts and consolidated financial statements and is found on pages 1-61 and 108-115, respectively. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated financial statements accounts does not cover this other information and we do not express any form of assurance regarding this other information.

In connection with our audit of the annual accounts and consolidated financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this procedure we also consider the knowledge otherwise obtained during the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated financial statements and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated financial statements, in accordance with IFRS as adopted by the EU, and the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error

In preparing the annual accounts and consolidated financial statements, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to the ability to continue as a going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated financial statements.

A further description of our responsibility for the audit of the annual accounts and consolidated financial statements is available on the Swedish Inspectorate of Auditors's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated financial statements, we have also audited the administration of the Board of Directors and the Managing Director of Fastighets AB Balder (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend that the Annual General Meeting allocate the profit in accordance with the proposal in the Report of the Board of Directors and discharge the members of the Board and the Managing Director from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in this respect is described in further detail in the section Auditor's responsibility. We are independent in relation to the parent company and the Group according to generally accepted auditing standards in Sweden and in other respects have fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for allocating the company's profit or loss. In connection with a proposal for dividend, this involves, inter alia, an assessment of whether the dividend is defensible in view of the requirements imposed by the type, scale and risks of the operations on the size of the parent company's and the Group's equity need to strengthen the balance sheet, liquidity and financial position generally.

The Board is responsible for the company's organisation and administration of the company's affairs. This involves, among other things, continually assessing the financial situation of the company and the Group and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs in other respects are controlled in a secure manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a secure manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company,
- or in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Swedish Inspectorate of Auditor's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Skånegatan 1, 405 32 Gothenburg, was appointed as Fastighets AB Balder's (publ) auditing company by the general meeting of shareholders on 11 May 2017 and has been the company's auditing company since 2009.

Gothenburg, 29 March 2018

Öhrlings PricewaterhouseCoopers AB

Bengt Kron

Authorised Public Accountant

Auditor in charge

Helén Olsson Svärdröm

Authorised Public Accountant

Corporate governance

Corporate governance in Swedish listed companies is governed by a combination of written rules and practice, by which the owners directly and indirectly control the company. The rules and regulations have been developed through legislation, recommendations, the Swedish Corporate Governance Code and through self-regulation. The Code is based on the principle comply or explain, which means that all rules need not always be complied with if there is a reason and it is explained.

Some of the Code's principles aim to create a good basis for exercise of an active and responsible ownership role and to create a well-adjusted balance of power between owners, the Board and the executive management, which Balder views as a natural element of the principles for the operations. The Code also means that certain information should be made available on the company's website. The Swedish Corporate Governance Code is administered by the Swedish Corporate Governance Board and is available on www.bolagsstyning.se where the Swedish model for corporate governance is also described. Balder applies the Code, which is intended to serve as part of the self-regulation within the Swedish business community.

Articles of Association

The company's name is Fastighets AB Balder and the company is a public company (publ). The registered office of the company is in Gothenburg.

The company's objects shall be directly or indirectly, through wholly-owned or part-owned companies, to acquire, manage, own and divest real property and securities and carry on other activities connected therewith.

The articles of association, which are available on Balder's website, among other things, contain information regarding share capital, number of shares, class of shares and preferential rights, number of Board members and auditors as well as provisions regarding notice and agenda for the annual general meeting.

Annual General Meeting

The Annual General Meeting (AGM) is the company's highest decision-making body

in which the shareholders exercise their rights to decide on the affairs of the company. The Board and auditors of the company are elected by the AGM according to the proposal of the nomination committee. The AGM also passes resolutions regarding amendments of the articles of association and regarding change in the share capital. To participate in passing resolutions, the shareholder must be present at the meeting, either personally or by proxy. In addition, the shareholder must be registered in the share register on a certain date prior to the meeting and notification of participation must be given to the company within a certain determined period. Shareholders who wish to have a special matter dealt with at the AGM can normally request this if the request is made in good time to Balder's Board of Directors prior to the meeting.

Resolutions at general meetings of shareholders are normally passed by simple majority. In certain questions, the Swedish Companies Act prescribes that proposals must be approved by a larger proportion of the shares represented and cast at the meeting.

Annual General Meeting 2017

At the AGM on 11 May 2017 at the Radisson BLU Scandinavia Hotel in Gothenburg, 360 shareholders were represented, holding about 79 % of the total number of votes. All Board members and the company's auditor were present at the general meeting. The AGM adopted the financial statements for 2016 and discharged the Board and CEO from liability for the financial year 2016.

The following resolutions were passed by the AGM on 11 May 2017;

- not to declare any dividend to ordinary shareholders and to declare a quarterly dividend to preference shareholders of SEK 5 per share, however, a maximum of SEK 20,
- the Board shall, during the period until the next AGM has been held, be composed of five ordinary members without deputies,
- directors' fees of a fixed amount of SEK 560,000 should be paid to the Board, of which SEK 200,000 to the Chairman of the Board and SEK 120,000 to the other Board members who are not permanently employed by the company. The amount includes remuneration for committee work,
- re-election of the Board members Christina Rogestam, Erik Selin, Fredrik Svensson, Sten Dunér and Anders Wennergren. All members are elected until the AGM 2018. Christina Rogestam was re-elected as Chairman of the Board,
- approval of the Board's proposed guidelines for remuneration to senior executives,
- mandate for the Board to decide on new issue of not more than 5,000,000 preference shares and/or shares of Class B corresponding to not more than 10 % of the existing share capital. The new issue shall be used by the company for payment of acquisitions of properties or acquisition of shares or participations in legal entities that own property or in order to capitalise the company ahead of such acquisitions or to capitalise the company in other respects,
- mandate for the Board to decide on repurchase and transfer of the company's

own shares for the purpose of adjusting the company's capital structure and for transferring own shares as payment or for financing of property investments.

Minutes taken at the AGM on 11 May 2017 are available on the company's website. The Annual General Meeting 2018 will take place on 8 May 2018 at 4.00 p.m. at the Radisson BLU Scandinavia Hotel, Södra Hamngatan 59 in Gothenburg. Information concerning the annual general meeting is published on www.balder.se.

Shares and owners

The Balder share is listed on Nasdaq Stockholm, Large Cap. At year-end, the number of shareholders amounted to about 14,000. After the resolution of the Extraordinary General Meeting on 25 September, the redemption of all 10,000,000 outstanding preference shares was completed on 12 October. The redemption was carried out at an amount of SEK 350 per preference share and implied a reduction in the company's share capital of SEK 10,000,000. Balder's share capital after the redemption of the preference shares and as of 31 December 2017 amounted to SEK 180,000,000 distributed among 180,000,000 shares. Every share has a quota value of SEK 1.00, of which 11,229,432 shares are of Class A and 168,770,568 shares are of Class B. Each Class A share carries one vote, and each Class B share carries one tenth of one vote. Each shareholder at the general meeting is entitled to vote for the number of shares held and represented by him/her. Further information regarding shares and share capital is found on pages 9-11, The share and owners.

Board of Directors

The Board of Directors is elected by the AGM and according to the articles of association shall consist of at least three and at most seven members. The members are elected at the AGM for the period until the end of the first AGM that is held after the members were elected. During 2017, the Board was composed of five members and is responsible for the company's organisation and administration (more information about the company's Board is available on www.balder.se). The Board works according to an established formal work plan with instructions concerning division of responsibilities between the Board and

the CEO.

New Board members receive an introduction to the company and its operations and participate in the stock exchange's training according to the stock exchange agreement. The Board subsequently receives continual information, including about regulatory changes and such issues concerning the operations and the Board's responsibility in a listed company.

The rules of the Swedish Companies Act apply to resolutions in the Board, to the effect that more than half of the members present and more than one third of the total number of members must vote for resolutions. The Chairman has the casting vote in the event of the same number of votes.

The Board work is governed by the Swedish Companies Act, the articles of association, the Code and the formal work plan that the Board has adopted for its work.

Balder's Board of Directors is composed of persons who possess broad experience and competence from the real estate sector, business development, sustainability issues and financing. Most of the Board members have experience of board work from other listed companies.

Both of the major owners Erik Selin Fastigheter AB and Arvid Svensson Invest AB are represented on the Board through Erik Selin and Fredrik Svensson.

Balder's signatories, apart from the Board, are any two jointly of Chairman Christina Rogestam, CEO Erik Selin and CFO Magnus Björndahl.

The Board's duties and responsibilities

The Board's overriding duty is to manage the affairs of the company on behalf of the owners so that the owners' interest in a good long-term return on capital is satisfied in the best possible way.

The Board has responsibility for ensuring that the company's organisation is appropriate and that the operations are conducted in accordance with the articles of association, the Companies Act and other applicable laws and regulations and the formal work plan of the Board. The Board shall perform the Board work collectively under the leadership of the Chairman.

The Board shall also ensure that the CEO fulfils his duties in accordance with the Board's guidelines and directions. These are found in the instructions to the CEO drawn

up by the Board. The Board members shall not be responsible for different lines of business or functions. Compensation and remuneration questions for the CEO are prepared by the Chairman and presented to the rest of the Board prior to decision. The Board's duties include, but are not limited to the following:

- establishing business plans, strategies, significant policies and goals for the company and the Group that the company is parent company of,
- determining the company's and Group's overall organisation,
- choosing and dismissing the CEO,
- ensuring that there is a functioning reporting system,
- ensuring that there is satisfactory control of the company's and Group's compliance with laws and other regulations that apply to the operations,
- approving a new formal work plan and instruction to the CEO annually,
- approving financial reporting in the form of interim reports, year-end reports and annual accounts that that company shall publish,
- ensuring that the company has a functioning approvals list and approvals process,
- approving necessary guidelines for the company's conduct in society with the aim of ensuring long-term value creation and a sustainability perspective,
- ensuring that the company has an appropriate system for follow up and control of the risks associated with the company and its operations.

The formal work plan of the Board of Directors

The Board adopts a formal work plan for the board work each year. This formal work plan describes the duties of the Board and the division of responsibilities between the Board and the CEO. The formal work plan also describes what matters shall be dealt with at each board meeting and instructions regarding the financial reporting to the Board. The formal work plan also prescribes that the Board shall have an audit committee and a remuneration committee. The Chairman of the Board shall serve as the chairman of the committees.

Board meetings

The Board shall, in addition to the statutory meeting, hold Board meetings on at least four occasions annually. The CEO and/or

CFO shall as a general rule present a report to the Board. The company's employees, auditor or other external consultants shall be called in to board meetings in order to participate and report on matters as required.

The Board constitutes a quorum if more than half of its members are present. The Chairman has the casting vote in the event of the same number of votes.

The work of the Board

Balder's Board held 10 board meetings during 2017, of which one was the statutory meeting. Under the current formal work plan, the Board shall hold at least four ordinary Board meetings, excluding the statutory meeting, per calendar year. The Board meetings are held in connection with the company's reporting. Matters of significant importance to the company are dealt with at each ordinary board meeting such as acquisition and divestment of properties, investments in existing properties and financing questions. In addition, the Board is informed about the current business situation in the rental, property and credit markets. Among the regular matters dealt with by the Board in 2017, included acquisition strategies, capital structure and financing position, the sustainability work, common corporate policies and formal work plan for the Board. At the extra Board meetings, decisions were taken about the redemption of the preference shares.

Composition of the Board of Directors

The Board, for its work in Balder's Board of Directors, shall have appropriate experience and competencies for the operations being conducted in order to be able to identify and understand the risks that can arise in the operations and the rules and regulations governing the operations being conducted.

The composition of the Board shall be characterised by diversity and breadth in terms of the chosen members' competencies, experience, age, gender, sexual orientation or ethnic background. It is the duty of the nomination committee to consider the policy, with the objective of achieving an appropriate composition in the Board. During election of new Board members, the suitability of the individual members shall be examined with the aim of achieving a Board with a combined level of expertise that is sufficient for ensuring

The composition of the Board of Directors, number of meetings and attendance

Name	Elected	Independent ¹⁾	Attendance at meetings		
			Board meetings	Audit committee	Remuneration committee
Christina Rogestam	2006	Yes	10/10	1/1	1/1
Erik Selin	2005	No	10/10	—	—
Fredrik Svensson	2005	No	7/10	1/1	1/1
Sten Dunér	2007	Yes	10/10	1/1	1/1
Anders Wennergren	2009	Yes	10/10	1/1	1/1

1) The independence is based on both independence in relation to the company and the company management as well as to the larger shareholders (>10 %).

appropriate governance of the company.

The composition of the Board provides a good basis for well-functioning board work with a good spread among individual members, thus representing diversity according to the Board's diversity policy.

Evaluation of the Board's work

The intention of the evaluation is to further improve the Board's working methods and efficiency, and to clarify the main direction of the Board's future work. The evaluation also serves as a tool for ensuring the right competencies and knowledge in the Board. During the completion of the annual evaluation, Board members were asked, based on their own perspective, to discuss various areas relating to the Board's work with other Board members. These conclusions have been documented in a report. The areas discussed and evaluated in 2017, related to the Board's composition, competencies, efficiency and focus areas going forward. The areas covered by the Board evaluation may vary from one year to another to reflect the development of the Board's work.

Remuneration Committee

The remuneration committee has a preparatory function in relation to the Board in questions regarding principles for remuneration and other terms of employment for the CEO and other senior executives. The remuneration committee shall monitor and evaluate the application of the guidelines for remuneration and levels of compensation to senior executives that the AGM has determined and shall also draw up proposals for new guidelines for principles of remuneration and other terms of employment. Before the resolution of the AGM, the Board shall propose principles for remuneration and other terms of employment for the CEO

and other senior executives. Based on the resolution of the AGM, it is the duty of the remuneration committee to decide on remuneration to the CEO and other officers. The remuneration committee is composed of all independent Board members and should meet at least once every year. For further information see Note 4, Employees and personnel expenses.

Audit Committee

The audit committee shall be responsible for preparing the Board's work by quality-assuring the company's financial reporting, assisting the nomination committee in drawing up proposals for auditors and their fees and ensuring a qualified independent audit of the company. The audit committee shall meet the company's auditor at least once per calendar year. During 2017, the audit committee, which was composed of all independent Board members, met the company's auditor on one occasion and received a report on the performed audit.

Disqualification

Board members or the CEO may not deal with issues concerning agreements between themselves and the company or Group. Nor may they deal with issues regarding agreements between the company and a third party, if they have a material interest that can conflict with that of the company. Lawsuits or other actions are on a par with the agreements referred to above. Where applicable, it is incumbent on the Board member or CEO to disclose if a disqualification situation would arise.

Nomination Committee

The AGM resolves on the procedure for election of the Board, and when applicable, auditors. The AGM 2017 resolved that a nomination committee should be esta-

blished before the 2018 AGM in order to submit proposals on the number of Board members, election of Board members including the Chairman of the Board and remuneration for Board members as well as for auditors.

The nomination committee's proposals shall be announced no later than in conjunction with the notice convening the AGM. All shareholders are given the opportunity to submit nomination proposals to the nomination committee.

The AGM 2017 adopted the nomination committee's proposal that the nomination committee should 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 chairman of the nomination committee shall be Lars Rasin. The names of the other two members and the owners they represent shall be announced not later than six months before the AGM. The nomination committee's term of office extends until a new nomination committee has been appointed. If Lars Rasin resigns as chairman of the nomination committee, the company's Chairman shall appoint a new chairman of the nomination committee until the next general meeting of the company.

The nomination committee ahead of the AGM 2018 is composed of Jesper Mårtensson, representing Erik Selin Fastigheter AB, Rikard Svensson, representing Arvid Svensson Invest AB, and chairman Lars Rasin.

The nomination committee has decided to propose the re-election of the current Board members Christina Rogestam, Fredrik Svensson, Sten Dunér, Anders Wennergren and Erik Selin. It is proposed to re-elect Christina Rogestam as Chairman of the Board.

CEO and Management

The CEO is responsible for the day-to-day administration pursuant to the guidelines and policies determined by the Board. The CEO shall report on Balder's development to the Board and prepare the order of business at Board meetings according to an approved agenda. The CEO shall ensure that the required material is compiled and distributed to the Board members prior to Board meetings.

The Management normally meets once every month with a standing agenda, including property transactions, finance

and overall management issues. The Group Management consists of six persons and includes resources such as the CEO, accounting, finance, management, property transactions and HR. More information about the company's CEO and Management is found on page 107.

Audit

The company's annual accounts and the administration of the CEO and Board are reviewed by the company's auditor who submits an audit report for the financial year to the AGM.

The auditor reports to the Board on his audit plan for the year and his views on the accounts and annual accounts.

Öhrlings PriceWaterhouseCoopers AB was elected at the AGM on 11 May 2017 as auditor for a period of two years until the AGM 2019. The auditor in charge is Bengt Kron.

Ahead of the Annual General Meeting 2018

Ahead of the AGM on 8 May 2018, the Board of Directors proposes:

- no share dividend to be declared,
- guidelines for remuneration to senior executives,
- mandate for the Board until the next annual general meeting, to repurchase and transfer B shares in Balder equivalent to not more than 10 % of all shares in the company,
- a renewed mandate for the Board until the next annual general meeting, on one or more occasions, to resolve on new issue of shares of Class B corresponding to not more than 10 % of the existing share capital. It shall be possible to subscribe for the shares in cash, in kind or through right of set-off

Ahead of the AGM on 8 May 2018, the nomination committee proposes:

- re-election of the current Board members Christina Rogestam, Fredrik Svensson, Sten Dunér, Anders Wennergren and Erik Selin. It is proposed to re-elect Christina Rogestam as Chairman of the Board,
- it is proposed to pay directors' fees of SEK 200,000 to the Chairman of the Board and SEK 120,000 to the other Board members who are not permanently employed by the company. Amounts include remuneration for committee work,

- that the general meeting resolves 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 chairman of the nomination committee shall be Lars Rasin. The names of the other two members and the owners they represent shall be announced not later than six months before the AGM. The nomination committee's term of office extends until a new nomination committee has been appointed.

Information to the stock market

Balder issues interim reports for the operations three times per year; on 31 March, on 30 June and on 30 September. In addition to this, Balder's reports its full-year accounts on 31 December in its year-end report and publishes its annual accounts in good time before the AGM.

The annual accounts for 2017 are now available for distribution and on Balder's website. All documents as well as press releases and presentations in connection with reports are available on balder.se.

Internal control over financial reporting

The Board is responsible for the internal control under the Swedish Companies Act and under the Code. This account has been prepared in accordance with the Swedish Annual Accounts Act and the Code and is thus limited to internal control in respect of the financial reporting. Financial reporting refers to interim reports, year-end reports and annual accounts. This report does not constitute a part of the formal annual accounts.

Balder's internal control follows an established framework, Internal Control – Integrated Framework, which consists of five components. The components are control environment, risk assessment, control activities, information and communication as well as monitoring.

Control environment

The control environment constitutes the basis for the internal control over financial reporting. A good control environment is built on clearly defined and communicated decision-making procedures and guidelines between different levels of the organisation, which together with the corporate culture and shared values establish the

basis for managing Balder in a professional manner. Balder's internal control is based on a decentralised organisation with 1,148 properties, each with its own profit centre, which is administered from regional offices. To support the control environment and provide necessary guidance to different officers, there are a number of documented governing documents such as internal policies, guidelines, manuals, the formal work plan of the Board, decision-making procedures, rules for approvals as well as accounting and reporting instructions. Governing documents are updated as required in order to always reflect applicable laws and rules.

Risk assessment

The focus is on identifying the risks that are considered most significant in Balder's profit/loss and balance sheet items in the financial reporting and what measures can reduce these risks. The risk management is built into the above mentioned document for the control environment.

Different methods are used to measure and minimise risks and to ensure that the risks that the company is exposed to are handled according to Balder's current policies and rules. The Board conducts an annual review of the internal control in accordance with the formal work plan of the Board. The risk assessment is continually updated to cover changes that have a material impact on the internal control over financial reporting.

The most significant risks that have been identified in connection with the financial reporting are errors in the accounts and in the valuation of the property portfolio, deferred tax, interest-bearing liabilities, refinancing, tax and value added tax as well as the risk of fraud, loss or embezzlement of assets.

Control activities

A number of control activities are built-in

to ensure that the financial reporting provides a true and fair view at each point of time. These activities involve different levels in the organisation, from the Board and company management to other employees. The control activities are aimed at preventing, discovering and correcting errors and deviations. The activities consist of approval and reporting of commercial transactions, follow up of decisions and approved policies of the Board, general and application-specific IT controls, checking of external counterparties and follow up of results at various levels in the organisation. Other activities are follow up of the reporting procedures including the annual accounts and consolidated accounts and their conformity with applicable rules and regulations, approval of reporting tools, accounting and valuation principles as well as power of attorney and authority structures.

Balder's regional offices participate in the basic control, follow up and analysis in each region. In order to ensure the quality of the regions' financial reporting, an evaluation is made in conjunction with the Group's controllers.

The follow up at a regional level combined with the controls and analyses at a Group level are an important part of the internal control, to ensure that the financial reporting essentially does not contain any errors.

Information and communication

Balder has determined how information and communication in respect of the financial reporting should occur so that the company's information disclosure should take place in an effective and correct manner. Balder has guidelines for how the financial information should be communicated between the Management and other employees. Guidelines, updates and changes are made available and known to the employees concerned by means of oral

and written information and on Balder's Intranet. The Board receives further information about risk management, internal control and financial reporting from meetings and reports from the company's auditors.

Monitoring

There is an appropriate process for continual follow up and annual evaluation of the observance of internal policies, guidelines, manuals and codes and of the appropriateness and functionality of the established control activities. Different methods are used to measure and minimise risks and to ensure that the risks that the company is exposed to are handled according to Balder's current policies and rules. The Group's accounting and controller function has the day-to-day responsibility in order to follow up and reporting to the company management with regard to possible shortcomings. Follow-up occurs on both a property level and a Group level.

The Board regularly evaluates the information submitted by the company management and the auditors. The company's auditors report on at least one occasion per year their observations from the audit and their opinion about the internal control over the financial reporting.

Need of internal audit

Balder has a decentralised organisation that manages 1,148 properties from regional offices. Financial operations and the finance function for the entire Group are conducted in the parent company.

There is a controller function in the parent company which monitors the administration of the regional offices and the financial operations in the parent company. Balder's size and decentralised organisation together with the controller function in the parent company mean that a special internal audit function is not motivated at present.

Gothenburg, 28 March 2018

Christina Rogestam
Chairman of the Board

Sten Dunér
Board member

Fredrik Svensson
Board member

Anders Wennnergren
Board member

Erik Selin
Board member and CEO

Auditor's statement regarding the Corporate Governance Report

To the Annual General Meeting of
Fastighets AB Balder (publ) Corporate
identity no. 556525-6905

Engagement and allocation of responsibility

The Board of Directors is responsible for the corporate governance report for 2017 on pages 100-104 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Scope and focus of the review

Our examination has been conducted in accordance with FAR's auditing standard

RevU 16 The auditor's examination of the corporate governance statement. This means that our review of the corporate governance report has another aim and direction, and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

Opinion

A corporate governance Statement has been prepared. Disclosures according to

Chapter 6 Section 6, second paragraph, items 2–6 of the Annual Accounts Act and Chapter 7 Section 31, second paragraph of the same Act are consistent with the annual accounts and consolidated financial statements and are in compliance with the Annual Accounts Act.

Gothenburg, 29 March 2018

Öhrlings PricewaterhouseCoopers AB

Bengt Kron

*Authorised Public Accountant
Auditor in charge*

Helén Olsson Svärdröm

Authorised Public Accountant

Board of Directors



Christina Rogestam

Born 1943.
Chairman of the Board since 2006.

Education and experience

Bachelor of Arts, Social studies.
Previously President and CEO of Akademiska Hus AB, board member of Fastighets AB Stenvalvet.

Shareholding in Balder

32,000 B shares and 3,000 B shares via company.



Anders Wennergren

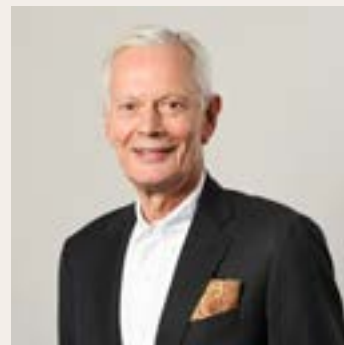
Born 1956.
Board member since 2009.

Education and experience

Bachelor of Laws. Lawyer and partner at Advokatfirman Glimstedt. Board member of Serneke Group AB.

Shareholding in Balder

250,000 B shares via company.



Sten Dunér

Born 1951.
Board member since 2007.

Education and experience

Bachelor of Science (Economics). Previously CEO of Länsförsäkringar AB. Board member of Länsförsäkringar Liv. Previously chairman of Länsförsäkringar Bank, Länsförsäkringar Sak and Länsförsäkringar Fondliv. Previously board member of Svensk Försäkring and the Employers' Organisation of the Swedish Insurance Companies.

Shareholding in Balder

No shareholding in Balder.



Fredrik Svensson

Born 1961.
Board member since 2005.

Education and experience

Bachelor of Science (Economics).
CEO AB Arvid Svensson.
Board member of Klövern AB.

Shareholding in Balder

2,915,892 A shares and 13,542,540 B shares, all via company.



Erik Selin

Born 1967.
Board member since 2005.

Education and experience

Business school economist. CEO of Fastighets AB Balder. Chairman of Skandrenting AB, board member and vice chairman of Collector Bank AB (publ), board member of Västsvenska Handelskammaren, Hexatron Scandinavia AB, Hedin Bil AB and Ernström & Co.

Shareholding in Balder

10,500 B shares and 8,309,328 A shares and 57,200,400 B shares via company.

Balder's Board of Directors

Balder's Board of Directors is composed of five people, including the Chairman. Board members are elected annually at the AGM for the period up to the end of the next AGM.

Auditor

Öhrlings PricewaterhouseCoopers AB
Auditor in charge: Bengt Kron, born 1965. Öhrlings PriceWaterhouseCoopers was elected as auditor at the AGM on 11 May 2017 for the period until the end of the Annual General Meeting 2019

Management



Erik Selin

Born 1967.
CEO of Fastighets AB Balder.

Education and experience
Business school economist. Employed since 2005.

Shareholding in Balder
10,500 B shares and 8,309,328 A shares and 57,200,400 B shares via company.



Magnus Björndahl

Born 1957.
CFO.

Education and experience
Bachelor of Science (Economics). Employed since 2008.

Shareholding in Balder
31,000 B shares.



Petra Sprangers

Born 1965.
Head of Personnel and Administration.

Education and experience
Business school economist. Employed since 2007.

Shareholding in Balder
300 B shares.



Benny Ivarsson

Born 1955.
Head of Property.

Education and experience
Bachelor of Science (Economics). Employed since 2006.

Shareholding in Balder
11,474 B shares and 11,720 B shares via company.



Sharam Rahi

Born 1973.
Vice CEO.

Education and experience
Compulsory school. Employed since 2005.

Shareholding in Balder
737,822 B shares and 788,978 B shares via company.



Marcus Hansson

Born 1974.
Head of Finance.

Education and experience
Bachelor of Science (Economics). Employed since 2007.

Shareholding in Balder
156,500 B shares.

Property list

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Total	Tax assessment value, SEKm
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel	Residential	Other	
Region Helsinki													
Fl, Sato Oyj	Several properties			Residential							1,020,755		1,020,755
Total Helsinki											1,020,755		1,020,755
Stockholm region													
Botkyrka	Freja 2	Balders väg 10	1973	Residential							7,060	220	7,280 57
Botkyrka	Freja 3	Balders väg 1	1973	Residential							7,060	220	7,280 55
Botkyrka	Hallunda 4:11	Iduns väg 1-16		Other	Yes								
Botkyrka	Hallunda 4:9	Balders väg 1-16		Other	Yes								
Botkyrka	Idun 2	Iduns väg 10	1972	Residential							7,060	256	7,316 56
Botkyrka	Idun 3	Iduns väg 1	1972	Residential				255			7,060		7,315 57
Huddinge	Björkgården 6	Vårby Allé 32	1973	Residential							14,531		14,531
Huddinge	Bäckgården 8	Vårby Centrum	1974	Office	Yes	2,719	2,550	381				2,238	7,888 56
Huddinge	Krongården 7	Krongårdsvägen 1	1973	Residential							41,359		41,359
● Huddinge	Vinkeln 7	Geometrivägen	1994	Retail			5,391						5,391 61
Järfälla	Säby 3:29	Korpralsvägen 10	2008	Residential		10		372			5,344	8	5,734 90
Karlskoga	Fordonet 1	Tibastvägen 10	1975	Retail	Yes		1,660						1,660 4
Lidingö	Fjällräven 1	Karins Allé 3-7, Vesslevägen 3	1963/1999	Residential				100	4,348		2,561		7,009
Nacka	Sicklaön 354:1	Ektorpsvägen 2	1979	Office		6,058	3,871	1,172	5,726	1,385		320	18,532 69
Nacka	Sicklaön 363:2	Värmdövägen 84	1986	Hotel		2,392		35		8,365			10,792 74
Nacka	Älta 9:130	Ältavägen 170	1992	Retail			960				880		1,840 21
Nynäshamn	Musköten 1	Björn Barkmans väg 1	1968	Residential		206		65			22,494	1,208	23,973 155
Solna	Banken 14	Hotellgatan 11	1965	Hotel		93				11,444			11,537 120
Solna	Puman 1	Bangatan 21	1972	Hotel		340		145		1,664			2,149 18
Stockholm	Alptanäs 1	Haukadalsgatan 3	1981	Retail	Yes	2,222	6,713					859	9,794 54
Stockholm	Berget 2	Västmannagatan 13		Project									34
Stockholm	Doggen 1	Vinhundsvägen 157	1974	Office		1,650							1,650 7
Stockholm	Doggen 2	Vinhundsvägen 159	1984	Office	Yes	4,721							4,721 27
Stockholm	Fiskaren Större 3	Götgatan 21	1929	Residential		235	993				1,375		2,603 66
Stockholm	Gladan 3	Sankt Göransgatan 159		Project	Yes								81
Stockholm	Granen 21	Floragatan 13	1972	Office		4,304							4,304 165
Stockholm	Göta Ark 18	Göta Ark 100	1985	Office	Yes	17,026	320	876				559	18,781 433
Stockholm	Havsfrun 26	Artillerigatan 42	1929	Office		3,267		252					3,519 92
Stockholm	Holar 3	Skalholtsgatan 10	1985	Other		6,135		1,072					7,207 69
Stockholm	Islandet 4	Adolf Fredriks Kyrkogata 13	1908	Office		1,845	245	125					2,215 62
Stockholm	Järnplåten 23	Kungsgatan 37	1937	Office		5,226	440	171	148			2,048	8,033 354
Stockholm	Katthavet 8	Näckströmsgatan 8	1929	Retail						8,022			8,022 212
Stockholm	Kilaberg 1	Kilabergsvägen	1975	Office	Yes	7,893		5,009					12,902 91
Stockholm	Kungsbacken 8	Drottninggatan 108	1929	Office		1,787	563	67				25	2,442 64
Stockholm	Kvasten 8	Mäster Samuelsgatan 10	1929	Office		1,336	614	81				10	2,041 174
Stockholm	Lindansaren 23	Flaggstång, Holländargatan 22	1929	Office		7,103	863	603			293		8,862 213
Stockholm	Luftspringaren 10	Saltmätargatan 10	1931	Office		498		18					516
Stockholm	Luftspringaren 16	Saltmätargatan 19 A	1929	Office		615	372	80			613	794	2,474 43
Stockholm	Lärtet 2	Brommaplan 407	1941	Residential	Yes	204	530	143			895		1,772 26
Stockholm	Magneten 32	Voltavägen 13	1982	Office	Yes	6,539	450	3,118					10,107 84
Stockholm	Meteorologen 4	Finn Malmgrens Väg 9	1991	Residential	Yes		399				725		1,124 19
Stockholm	Meteorologen 5	Finn Malmgrens Väg 11	1991	Residential	Yes		1,090	74			1,235		2,399 38
● Stockholm	Murmästaren 3	Garvargatan 10		Project									
Stockholm	Murmästaren 7	Hantverkargatan 31	1929	Office		2,448	462	89				83	3,082 78
Stockholm	Prästgårdsängen 3	Götalandsvägen 218	1986	Office	Yes	5,385	847	39					6,271 53
Stockholm	Silket 2	Brommabågen 4	1941	Retail	Yes	174	602	94			555	7	1,432 23
Stockholm	Singeln 9	Sorterargatan 8	1970	Office	Yes	5,139		103					5,242 28
Stockholm	Skeppshandeln 1	Hammarby Allé 45	2013	Retail		2,143	3,033	210		8,550			13,936 399
Stockholm	Snöflingan 3	Drottningsholmsvägen 59	2009	Hotel						22,000			22,000 402
Stockholm	Spelbomskan 14	Gyldéngatan 6, Sandåsgatan 2	1939	Other				147	2,553				2,700
Stockholm	Spårvagnen 4	Birger Jarls gatan 57	1995	Office		18,897	3,084	962				191	23,134 840
Stockholm	Tråden 1	Brommaplan 418-420	1941	Retail	Yes	555		41			537		1,133 18
Stockholm	Varmvattnet 3	Esbogatan 8	1977	Retail	Yes		15,000					18,009	33,009 111
Stockholm	Vattenkraften 1	Solkraftsvägen 13	1989	Office	Yes	6,408	734		3,689			4	10,835 36
Stockholm	Vilunda 6:48	Hotellvägen 1	1986	Hotel						6,955			6,955 45
Stockholm	Årstaäng 4 & 6	Fredsborgsgatan 24	1966/2001	Office	Yes	27,922	815	5,417				19	34,173 439
Södertälje	Grävmaskinen 23	Morabergsvägen 1	1973	Retail			2,391						2,391 7
Södertälje	Yxan 8	Täppgatan 15	1975	Hotel						14,115			14,115 86
Uppsala	Berthåga 53:1	Naturstensvägen 101	2007	Residential							3,814		3,814 53

● Acquisitions during 2017.

			Lettable area, sq.m.											Tax assessment value, SEKm
Municipality	Name of property	Address	Year of construc- tion	Property category	Site leasehold right	Office	Retail	Industrial/ Ware- house	Education/ Care	Hotel	Residen- tial	Other	Total	
cont. Gothenburg region														
Trollhättan	Hoppet 1	Drottningg 13, Staveredsg 19	1992	Residential		295					2,341	265	2,901	26
Trollhättan	Plogen 1	Lantmannavägen	1969	Residential	Yes	32		316			11,156		11,504	50
Trollhättan	Plogen 2	Lantmannavägen	1967	Residential	Yes						10,387	168	10,555	37
Trollhättan	Propellern 7	Saabvägen 1	1992	Office		4,759						9	4,768	18
Trollhättan	Sjöfrun 5	Magasinsg 4A-4B, Storgatan 35	1936	Residential			193				1,367	161	1,721	14
Trollhättan	Strandpiparen 12	Slättbergsvägen 22	1952	Residential				14			640	110	764	8
Trollhättan	Svan 7	Storgatan 47	1989	Hotel						11,632			11,632	45
Trollhättan	Venus 9	Föreningsg 10A-10C, Österlångg 44-46	1989	Residential		1,250	475				1,594		3,319	25
Uddevalla	Bagge 7	Kungsgatan 10	1968	Retail		1,050	1,569	103					2,722	22
Uddevalla	Frölandsgärdet 2	Brunevärdsvägen 5	1989	Retail				5,516				136	5,652	1
Uddevalla	Kålgården 51	Kyrkogårdsgatan 1, 3, 5	1930	Hotel		1,189	590	500	294	6,500		10	9,083	45
Uddevalla	Sälghugget 1	Lillbräckeagatan	1972	Residential	Yes	243	239	206			14,420		15,108	113
Varberg	Kardanen 4	Kardanvägen 6A	1991	Retail				3,847					3,847	11
Total Gothenburg						147,733	230,577	45,380	19,580	100,833	300,677	40,993	885,773	8,113
Öresund region														
Burlöv	Tågarp 16:12	Testvägen 4	1990	Retail			3,360						3,360	13
DK, Copen- hagen	Matr.nr. 60s	Ventrupparken 6	2010	Retail				4,723					4,723	
DK, Copen- hagen	Matr.nr 1002 d Sundby Overdrev	Hannemanns Allé		Project										
DK, Copen- hagen	Matr.nr 1034, 1035, 955a Sundby Overdrev	Else Alfelts Vej 85-89, 95-101, Richard Mortensens Vej 84-88	2016	Residential							18,234		18,234	
DK, Copen- hagen	Matr.nr 1041 Sundby øster	Lergårvsvej nr. 64- 76, Øresundsvej 145-159	2017	Residential							18,599		18,599	
DK, Copen- hagen	Matr.nr 1041 Sundby øster	Strandlodsvej 63-67		Project										
DK, Copen- hagen	Matr.nr 130 & 158 Vestervold Kvarter	Colbjørnsensgade 13	1889	Hotel						6,708			6,708	
DK, Copen- hagen	Matr.nr 1565 Uden- bys Vester	Havneholmen 12 B-G, 14 B-G	2016	Residential							17,451		17,451	
DK, Copen- hagen	Matr.nr 2406 Udenbys Klædebo Kvarter	Marksens Gade 1-35, Borgm. Jensens Allé 11-41, Serridslevvej 4-22	1996	Residential							43,609		43,609	
DK, Copen- hagen	Matr.nr 274 Vester- vold kvarter	Jernbanegade 8	1912	Other								5,300	5,300	
DK, Copen- hagen	Matr.nr 329 Vester- vold Kvarter	Bernstorffsgade 4	1913	Hotel						5,310			5,310	
DK, Copen- hagen	Matr.nr 371 Vester- vold Kvarter	Vester Farimagsgade 33	1950	Hotel						6,308			6,308	
DK, Copen- hagen	Matr.nr 378 Vester- vold Kvarter	Vester Farimagsgade 17	1957	Hotel						5,181			5,181	
DK, Copen- hagen	Matr.nr 938 Øster- vold Kvarter	Oslo Plads 5	1958	Hotel						7,453			7,453	
DK, Copen- hagen	Matr.nr 952 g Sundby Overdrev	Else Alfelts Vej 52 - 58		Project										
DK, Copen- hagen	Matr.nr 954 b, Sundby Overdrev	Else Alfelts Vej 80	2017	Residential							14,991		14,991	
DK, Copen- hagen	Matr.nr 957 og 980A Sundby Overdrev	Richard Mortensens vej 60		Project										
DK, Copen- hagen	Matr.nr 964 a, Sundby Overdrev	Robert Jacobsens Vej 50		Project										
DK, Copen- hagen	Matr.nr 966 Sundby Overdrev	Robert Jacobsens vej 93-101	2009	Residential							6,807		6,807	
DK, Copen- hagen	Matr.nr Vestervold kvarter 0273	Niels Brocks Gade 1	2017	Hotel						5,300			5,300	
Gislaved	Anderstorp 8:16	Ågatan 35	1970	Retail			1,400					100	1,500	3
Halmstad	Eketånga 24:20	Olofsdalsvägen 33	1973	Retail			5,836						5,836	7
Halmstad	Eketånga 24:47	Olofsdalsvägen 37	2012	Retail			3,220						3,220	21
Halmstad	Stenalyckan 2	Orkangatan 1	1992	Retail			3,750						3,750	15
Helsingborg	Amerika Södra 28	Bryggaregatan 7	1950	Residential		561	501	20			5,094	1,363	7,539	82
Helsingborg	Huggjärnet 10	Garnisonsgatan 5	1971	Retail			11,110						11,110	30
Helsingborg	Skalbaggen 15	Gustav Adolfs Gata 13	1939	Residential							762	19	781	7
Helsingborg	Skalbaggen 16	Gasverksgatan 32 A	1935	Residential			195				2,155	65	2,415	21
Helsingborg	Skalbaggen 17	Gasverksgatan 34	1935	Residential			83				712	32	827	7
Helsingborg	Skalbaggen 18	Gasverksgatan 36	1933	Residential			34				818	66	918	8
Helsingborg	Skalbaggen 19	Gasverksgatan 38	1935	Residential							708	57	765	6
Helsingborg	Skalbaggen 20	Gasverksgatan 40	1935	Residential			83				632	109	824	6
Helsingborg	Skalbaggen 21	Gasverksgatan 42	1935	Residential							711	103	814	7
Helsingborg	Skalbaggen 22	Gasverksgatan 44 A	1930	Residential			143				1,905		2,048	18
Helsingborg	Skalbaggen 23	Gustav Adolfs Gata 17	1967	Residential							3,685	60	3,745	36
Helsingborg	Skalbaggen 24	Gustav Adolfs Gata 15	1983	Residential							2,134		2,134	20
Helsingborg	Skalbaggen 7	Drakegatan 5	1929	Residential							688	111	799	7

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.							Total	Tax assessment value, SEKm
						Office	Retail	Industrial/ Ware- house	Education/ Care	Hotel	Residen- tial	Other		
cont. Öresund region														
Helsingborg	Verdandi 1	Bifrostgatan 71	2006	Residential			62				3,763		3,825	44
Helsingborg	Württemberg 20	Furutorpsgatan 29	1937	Retail		1,589	6,123	15			4,786	1,314	13,827	118
Helsingborg	Zirkonen 3	Andesitgatan 18	2016	Retail			5,500						5,500	9
Kristianstad	Hammar 9:184	Blekingevägen 104	1989	Retail								5,135	5,135	10
Kristianstad	Hovrätten 41	Västra Storgatan 13	1985	Hotel			380			7,075			7,455	27
Kristianstad	Topplocket 1	Sävevägen 1	1999	Retail			6,509						6,509	22
Kristianstad	Traversen 1	Hedentorpsvägen 14A	1990	Retail			2,088						2,088	7
Ljungby	Linné 9	Fabriksgatan 5	1970	Retail			1,975						1,975	3
Lund	Dioriten 1	Brunnsgård, Råbyvägen 1	2001	Office		3,080							3,080	32
Lund	Jöns Petter Borg 14	Hedvig Möllers gata 2	2013	Hotel						8,462			8,462	96
Lund	Kalkstenen 1	Kalkstensvägen 32	2000	Retail			2,180						2,180	16
Lund	Kopparkisen 13	Porfyrvägen 11	1989	Retail			4,732					72	4,804	21
Lund	Lagfarten 1 & 2	Magistratsvägen 10	1968	Office		3,472	1,005	289					4,766	36
Lund	Porfyren 2	Glimmervägen 3	1991	Hotel						15,711			15,711	92
Lund	Rügen 1	Stralsundsvägen 1-25	2006	Residential							3,083		3,083	46
Lund	Rügen 2	Stralsundsvägen 29	2006	Residential							5,264	528	5,792	81
Malmö	Automobilen 1	Jägersrovägen 100	1985	Retail	Yes		7,218					827	8,045	41
Malmö	Draglädret 1	Jägersrovägen 179	1994	Retail			2,679						2,679	16
Malmö	Hästkälken 3	Jägershillgatan 4	1979	Retail			2,290						2,290	11
Malmö	Ledebur 15	Amiralsgatan 20	1990	Office		6,136						1,300	7,436	67
Malmö	Lejonet 2	Lilla Torg 1	1929	Office		4,770	39	68			314	504	5,695	121
Malmö	Rosen 9	Engelbrektsgratan 2	1960	Hotel			1,430			9,777			11,207	211
Malmö	Spinneriet 8	Baltzarsgatan 20	1957	Office		12,342	2,966	2,219		5,540		1,454	24,521	481
Malmö	Spännbucklan 12 & 13	Agnesfridsvägen 180	1983	Retail	Yes		5,320						5,320	23
Malmö	Von Conow 54	Baltzarsgatan 31	1964	Office		9,731	3,987	491			2,584	4,185	20,978	349
Trelleborg	Lavetten 41	Hedvägen 167-173	1987	Retail			990						990	4
Trelleborg	Phylatterion 6	Bryggaregatan 25-39	1991	Retail			3,520	1,563					5,083	16
Trelleborg	Snickeriet 16-17 och Verkstaden 11	Maskingatan 1	1975	Retail			1,600					220	1,820	0
Värnamo	Sjötungan 1	Margretelundsvägen 2	1973	Retail			4,924					425	5,349	12
Växjö	Elden Södra 17	Biblioteksgatan 7	1985	Hotel			65			6,888		57	7,010	36
Växjö	Kocken 3	Hejaregatan 19	1969	Hotel						3,982			3,982	16
Åstorp	Lärksoppen 10	Ekebrogatan 100	1972	Residential				28			8,050	165	8,243	
Åstorp	Asken 14	Esplanaden 15	1952	Residential		167	239	53			771		1,230	5
Åstorp	Blålockan 9	Fågelsångsgatan 32 A	1966	Residential							808		808	4
Åstorp	Boken 4	Esplanaden 19 A	1945	Residential		243	1,207	154			7,606		9,210	40
Åstorp	Ekorren 27	Skolgatan 7	1929	Residential			162	70			724		956	4
Åstorp	Hyllinge 5:122	Postgatan 12 A	1963	Residential				164	120		7,431	134	7,849	22
Åstorp	Hästhoven 12	Fabriksgatan 19 A	1960	Residential			704	110			2,633		3,447	14
Åstorp	Kastanjen 16	Esplanaden 7	1972	Residential		1,919	833				3,543	156	6,451	27
Åstorp	Linden 11	Nyvängsgatan 1 A	1961	Residential							340		340	2
Åstorp	Lotusblomman 15	Nyvängsgatan 31	1961	Residential							340		340	2
Åstorp	Lungörten 1	Nyvängsgatan 2 A	1961	Residential							792		792	4
Åstorp	Lärkträdet 10	Ekebrogatan 1	1970	Residential				42			5,799	142	5,983	24
Åstorp	Moroten 10	Torggatan 35 A	1954	Residential							776		776	4
Åstorp	Resedan 1	Norra Storgatan 10 A	1964	Residential				20			1,061		1,081	5
Åstorp	Svärdslliljan 7	Östergatan 16 A	1958	Residential		245	457	16			6,457		7,175	31
Åstorp	Tranan 1	Fjällvägen 10 A	1991	Residential							3,820		3,820	22
Ängelholm	Skräddaren 5	Verkstadsgatan 5	1973	Retail			1,180						1,180	4
Ängelholm	Taktäckaren 6	Midgårdsgatan 11	2015	Retail		676	5,655					429	6,760	28
Total Öresund						44,931	107,734	10,045	120	93,695	210,440	24,432	491,397	2,619
East region														
FI, Helsinki	91-20-787-3	Sulhasenkuja 3	2005	Hotel						9,734			9,734	
FI, Keminmaa	241-404-3-79	Joulantie 1-3	2001/2002	Retail			12,337						12,337	
FI, Klaukkala	543-3-336-1	Isoseppäla 14	1966	Retail			3,008						3,008	
FI, Koupio	297-24-1-19, 297-24-50-2	Leväsentie 2B	2006	Retail			20,123						20,123	
FI, Kuusamo	305-411-135-41	Ouluntaival 1	1978	Retail			3,718						3,718	
FI, Kuusamo	305-411-38-1	Loumantie 1-3	1990	Retail			12,617						12,617	
FI, Mäntsälä	505-407-3-47	Mäntsäläntie 1	1989	Retail			3,463						3,463	
FI, Närpes	545-412-4-209	Yhdistyksentie 3	2017	Retail			2,513						2,513	
FI, Raisio	680-3-339-4	Kauppakaju 2	1995	Retail			5,514						5,514	
Gotland	Soldaten 1	Volontärgatan	2005	Residential				29			3,050	50	3,129	43
Linköping	Nöjet 1	Låsbomsgatan 27	2010	Retail			1,380						1,380	6
Linköping	Paletten 2	Ottargatan 1	1972	Retail			5,202					440	5,642	27
Linköping	Papegojan 1	Vigfastgatan 5	1967	Retail			7,775					15	7,790	27
Norrköping	Gärdet 1	Rågången 71	1958	Residential			491	7			4,609		5,107	40
Norrköping	Lammet 2	Kungstorget 2	1939	Residential		173	1,950				2,405	60	4,588	30
Norrköping	Lokatten 12	Trädgårdsgatan 8B	1992	Residential		1,693	380				5,364	539	7,976	80
Norrköping	Planket 20	Bråddgatan 54	1983	Residential							1,139		1,139	11
Norrköping	Planket 23	Plankgatan 46	1940	Residential		25	60				940	600	1,625	10

● Acquisitions during 2017.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.							Total	Tax assessment value, SEKm
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel	Residential	Other		
cont. East region														
Norrköping	Prinsen 18	Hospitalsgatan 42	1967	Residential			30	99			9,558	11	9,698	91
Norrköping	Sprutan 8	Gamla Rådstugugatan 52	1940	Residential			370	12			1,318	145	1,845	15
Norrköping	Stenhuggaren 25	Sandgatan 28	1960	Residential							2,914		2,914	27
Norrköping	Storgatan 10	Drottninggatan 10	1929	Residential		484					1,213	755	2,452	16
Norrköping	Storgatan 9	Nya Rådstugegatan 2	1985	Residential		252	355	15			5,909	352	6,883	64
Norrköping	Stävan 2	Rösgången 32	1959	Residential	Yes						3,639		3,639	31
Norrköping	Tullhuset 1	Gamla Rådstugugatan 11	1929	Residential			273				1,320		1,593	15
Nyköping	Brandholmen 1:72	Idrottsvägen 12 E	2014	Other								16,324	16,324	
Västerås	Badelundaåsen 3	Stockholmsvägen 144	1987	Retail			2,796						2,796	18
Västerås	Fältmössan 1	Rönnergagatan 1	1963	Residential			150	106			14,331		14,587	221
Västerås	Klockarkärleken 2	Rönnergagatan 4	1962	Residential				260			5,778		6,038	37
Västerås	Rödklinten 2	Bangatan 15	1957	Residential			133	120			7,003	30	7,286	45
Västerås	Sågen 1	Pilgatan 33	1980	Hotel						8,317			8,317	33
Västerås	Vallmon 6	Bangatan 1 A	1968	Residential				84			13,914		13,998	89
Västerås	Vapenrocken 1	Regementsgatan 62	1963	Residential		441		114			19,194	2	19,751	
FI, Sato Oyj	Several properties			Residential							399,961		399,961	
Total East						3,068	84,638	846	0	18,051	503,559	19,323	629,485	976
North region														
Gävle	Holmsund 11:1 etc.	Korsnäs vägen 104 A	1929	Residential							1,200	260	1,460	4
Gävle	Holmsund 7:6	Holmsundsvägen 7, 17-29, (Odd numbers.)	1929	Residential							3,002	8	3,010	11
Gävle	Kastet 8:1, 12:1 etc.	Forskarvägen 27 etc.	1929	Residential		1,014	104	260			12,407	2,114	15,899	51
Gävle	Lillhagen 5:3	Torkarvägen 10	1946	Residential							3,029		3,029	10
Gävle	Norr 18:6	Hattmakargatan 11	1985	Residential		42	408				2,641	385	3,476	31
Gävle	Norr 27:2	Nygatan 40	1929	Residential		127	480				2,185	40	2,832	24
Gävle	Söder 58:7	Kaserngatan 65	1969	Residential			933	205			2,329		3,467	24
Gävle	Sörby 10:9	Falkvägen 5 A	1994	Residential							512		512	5
Gävle	Valbo-Backa 6:12	Johanneslövsvägen 6	1981	Hotel						7,382			7,382	33
Karlstad	Anden 9	Långgatan 65	1983	Residential							1,472	75	1,547	17
Karlstad	Braxen 34	Nygatan 1	1944	Residential			322	27			1,198	521	2,067	16
Karlstad	Druvan 1	Drottninggatan 22	1929	Residential			459			601	1,443	80	2,583	34
Karlstad	Ekorren 9	Sandbäcksg 5/S Klaragatan 1	1929	Residential		715	46				1,811		2,572	23
Karlstad	Furan 5	Gillbergsgatan 3	1951	Residential			119				1,710		1,829	21
Karlstad	Furan 7	Jössegatan 3	1968	Residential							925	97	1,022	12
Karlstad	Granatkastaren 4	Artillerigatan 1	1945	Residential							748		748	6
Karlstad	Gruvan 12	Västra Kanalgratan 3	1991	Residential			126				2,525		2,651	34
Karlstad	Gruvan 2	Östra Kyrkogatan 4	1929	Residential							1,064	102	1,166	14
Karlstad	Grävlingen 3	Herrhagsgatan 43	1929	Residential			138				1,018	32	1,188	13
Karlstad	Höken 1	Hamngatan 16	1929	Hotel						5,890			5,890	43
Karlstad	Pilbågen 1	Sandelsgatan 2 a	1942	Residential							2,184		2,184	18
Karlstad	Registratorn 1	Norra Allén 26 A	1949	Residential							502	56	558	6
Karlstad	Registratorn 8	Norra Allén 30 A	1948	Residential				12			456	61	529	6
Karlstad	Registratorn 9	Norra Allén 28 A	1946	Residential		100					466	29	595	6
Karlstad	Spiran 1-6	Lignellsgatan 1	1939	Residential			95				4,456	145	4,696	52
Karlstad	Trätälja 11	Drottningg 37/Pihlgrensgatan 4	1959	Residential			259				4,567	35	4,861	58
Karlstad	Tusenskönan 1	Älvdalsgatan 8	1950	Residential	Yes		69				1,288		1,357	16
Karlstad	Väduren 3	Rudsvägen 1	1942	Residential							1,344	54	1,398	15
NO, Elverum	13/1059/0/1	Hamarvegen 112	2010	Other					16,393				16,393	
Sundsvall	Aeolus 1	Nybrogatan 19	1944	Residential		89	501				872		1,462	9
Sundsvall	Bredsand 1:3 etc.	Appelbergsvägen 1 a	1950	Residential				118			7,127	119	7,364	25
Sundsvall	Bredsand 1:4 etc.	Appelbergsv. 14, 16, 18	1950	Residential							4,479	3	4,482	16
Sundsvall	Dingersjö 28:27 etc.	Appelbergsvägen 26	1989	Residential				15			9,464	56	9,535	11
Sundsvall	Dingersjö 3:131 etc.	Bergsvägen 3	1964	Residential		16		350			21,176	2,828	24,370	64
Sundsvall	Fliten 10	Skolhusallén 7	1990	Office		3,125		5				36	3,166	26
Sundsvall	Fliten 11	Rådhusgatan 39 a	1992	Residential		272					3,371		3,643	33
Sundsvall	Kvissle 2:53 & 2:43	Affärsgatan 26 A-D	1962	Residential							1,468		1,468	4
Sundsvall	Kvissle 22:2 & 39:1	Affärsgatan 22	1968	Residential		87	137	19			6,416	45	6,704	17
Sundsvall	Lagmannen 10	Esplanaden 18	1962	Residential		757	240				3,985	962	5,944	35
Sundsvall	Nolby 1:48, 40:1, 1:108	Affärsgatan 20	1983	Residential		1,063		39			4,097	748	5,947	18
Sundsvall	Nolby 3:268	Brovägen 9	1988	Residential							997		997	4
Sundsvall	Nolby 40:2	Affärsgatan 18	1964	Residential			901	6			2,243	130	3,280	8
Sundsvall	Nolby 41:3 & 37:1	Affärsgatan 14	1974	Residential			1,006	5			5,328	43	6,381	19
Total North						7,407	6,343	1,061	16,393	13,873	127,503	9,063	181,643	891
Total Fastighets AB Balder						356,634	510,032	78,698	52,557	321,745	2,297,776	121,648	3,739,090	18,972

Definitions

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

Financial

Return on equity, ordinary share, %

Profit after tax reduced by preference share dividend for the period in relation to average equity after deduction of the preference capital. The profit was 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 the average balance sheet total. The profit was 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. In estimation of the Profit from property management, attributable to the parent company's shareholders, the profit from property management is also reduced by the participation of non-controlling interests.

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 in participations in profits from associated companies, in relation to net financial items.

Debt/equity ratio, times

Interest-bearing liabilities less 50 % of hybrid capital in relation to shareholders' equity.

Equity/assets ratio, %

Shareholders' equity including minority in relation to the balance sheet total at year-end.

Net debt, SEKm

Interest-bearing liabilities less cash and cash equivalents, financial investments and 50 % of the hybrid capital, which is treated by the rating agencies Moody's and S&P as 50 % equity.

Share-related

Equity per ordinary share, SEK

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

Equity per preference share, SEK

Equity per preference share is equivalent to the average issue price of the preference share of SEK 287.70 per share.

Profit from property management per ordinary share, SEK

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

Average number of shares

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

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

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

Profit after tax per ordinary share, SEK

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

Property-related

Yield, %

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

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 year 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, education, 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 costs, media expenses, maintenance, ground rent and property tax.

Rental value, SEKm ¹⁾

Contracted rent and estimated market rent for vacant premises.

Surplus ratio, SEKm %

Net operating income in relation to rental income

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

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Calendar

Annual General Meeting 8 May 2018

Interim report 8 May 2018
Jan–Mar 2018

Interim report 18 July 2018
Jan–Jun 2018

Interim report 6 November 2018
Jan–Sep 2018

Year-end report 27 February 2019
Jan–Dec 2018

Photo: SATO / Tuomas Uusheimo, 3XN, Raul Raschetti, Jonatan Svennered, WEC360, Mikaela Alexandersson, Digitalstudion AB, Thomas Harrysson, Skövde kommun
Graphic design: Business & Emotions
Printing: Billes Tryckeri

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



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