

# *Fastighets AB Balder*

## *Year-end report*

*January-December 2016*

- Profit from property management before tax attributable to parent company shareholders amounted to SEK 2,265m (1,780), corresponding to an increase per ordinary share by 22 % to SEK 11.89 (9.71)
- Rental income amounted to SEK 5,373m (2,711)
- Profit after tax attributable to parent company shareholders amounted to SEK 5,474m (4,916) corresponding to SEK 30.38 per ordinary share (28.98)
- Net asset value amounted to SEK 198.49 per ordinary share (159.14) and shareholders' equity (including listed associated companies at market value) amounted to SEK 157.63 per ordinary share (128.03)

Fastighets AB Balder is a listed property company which shall meet the needs of different customer groups for premises and housing based on local support. Balder's real estate portfolio had a value of SEK 86.2 billion (68.5) as of 31 December 2016. The Balder share is listed on Nasdaq Stockholm, Large Cap



Hedin Bil, AMG Center, Gothenburg

# The period in brief

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

## October-December 2016

- Rental income amounted to SEK 1,427m (680).
- Net operating income amounted to SEK 1,002m (508).
- Profit from property management attributable to parent company shareholders increased by 35 % to SEK 650m (482), which corresponds to an increase by 28 % per ordinary share to SEK 3.39 (2.64).
- Changes in value in respect of investment properties amounted to SEK 2,211m (2,017). The average yield requirement amounted to 5.3 % (5.4).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK 312m (197).
- Net profit after tax for the period amounted to SEK 2,704m (2,506).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 2,536m (2,506) which corresponds to SEK 14.05 per ordinary share (14.99).
- 51 properties (712 refers to Sato Oyj) has been acquired at a property value of SEK 4,632m (26,477).
- 22 properties (1) were divested at a property value of SEK 681m (3).
- A set off issue of 4,602,515 ordinary shares at a value of SEK 1,099m after issue costs has been conducted.
- Balder has taken possession of all properties in the group I.A. Hedin Fastighet AB from Anders Hedin Invest AB. The possession took place on 30 November 2016. The number of acquired properties amounts to 43.
- Balder has received an investment grade rating from Moody's of Baa3 with a stable outlook.

## January-December 2016

- Sato Oyj's income statement is consolidated for the first time from 1 January 2016.
- Rental income amounted to SEK 5,373m (2,711).
- Net operating income amounted to SEK 3,679m (1,944).
- Profit from property management attributable to parent company shareholders increased by 27 % to SEK 2,265m (1,780), which corresponds to an increase per ordinary share by 22 % to SEK 11.89 (9.71).
- Changes in value in respect of investment properties amounted to SEK 4,932m (3,388). The average yield requirement amounted to 5.3 % (5.4).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK -114m (227).
- Net profit after tax for the year amounted to SEK 6,093m (4,916).
- Net profit after tax for the year attributable to parent company shareholders amounted to SEK 5,474m (4,916) which corresponds to SEK 30.38 per ordinary share (28.98).
- 116 properties (723 including Sato Oyj) has been acquired at a property value of SEK 11,342m (28,660).
- 71 properties (23) were divested at a property value of SEK 1,990m (1,613).
- A directed new issue of 3,000,633 ordinary shares and a set off issue of 4,602,515 ordinary shares at a total value of SEK 1,780m after issue costs have been conducted.
- The associated company Brinova Fastigheter AB (publ) was listed on 30 September 2016.

	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec	2011 Jan-Dec	2010 Jan-Dec	2009 Jan-Dec
Rental income, SEKm	1,427	680	5,373	2,711	2,525	1,884	1,701	1,466	1,333	854
Profit from property management before tax, SEKm <sup>1)</sup>	650	482	2,265	1,780	1,275	854	691	516	417	315
Changes in value of properties, SEKm	2,211	2,017	4,932	3,388	3,050	854	812	990	1,047	4
Changes in value of derivatives, SEKm	312	197	-114	227	-624	433	-71	-520	148	-23
Profit after tax, SEKm <sup>1)</sup>	2,536	2,506	5,474	4,916	3,128	1,738	1,162	812	1,338	248
Carrying amount of properties, SEKm	86,177	68,456	86,177	68,456	37,382	27,532	22,278	17,556	14,389	12,669

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

Average number of shares, thousands	176,965	163,825	173,598	162,753	161,786	159,537	159,537	158,656	149,487	112,902
Profit after tax, SEK	14.05	14.99	30.38	28.98	18.10	10.11	6.69	4.87	8.95	2.20
Profit from property management before tax, SEK	3.39	2.64	11.89	9.71	6.64	4.57	3.73	3.00	2.79	2.79
Outstanding number of shares, thousands	180,000	172,397	180,000	172,397	162,397	159,537	159,537	159,537	149,487	149,487
Shareholders' equity, SEK	157.63	128.03	157.63	128.03	70.10	52.14	42.15	35.57	31.13	22.19
Long-term net asset value (EPRA NAV), SEK	198.49	159.14	198.49	159.14	86.33	60.50	50.37	41.83	32.89	22.16
Share price on the closing date, SEK	184.10	208.70	184.10	208.70	110.25	66.00	37.30	25.30	29.40	12.50

1) Attributable to parent company shareholders.

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

# Comments by the CEO

## Dear shareholders

Profit from property management per ordinary share increased by 22 % during the year and amounted to SEK 11.89. The equivalent result for Q4 was SEK 3.39 per ordinary share, an increase of 28 % compared to the same period last year.

Net asset value per ordinary share increased by 25 % during the year and amounted to SEK 198.49.

Current earning capacity per ordinary share increased by 27 % from SEK 10.64 to SEK 13.52.

In Collector, our largest associated company in terms of value, earnings per share increased by 34 % and equity per share increased by 41 %.

We can thus state that 2016 was a year of great improvements in key ratios per share in both Balder and Collector.

For the long-term shareholder, it is most important to have a belief about how future earnings will develop over time (obvious don't you think?) and after that an opinion about the present value of future earnings (so-called discounting factor). However, small changes in these two key ratios, have a large effect on the value and both Balder and Collector were examples of this during 2016.

Balder's share price fell by 12 % during the year even though key ratios per share improved by about 25 %, in other words, the share price should have been about 40 % higher on 31 December 2016 if the estimates relating to earnings and present value were equivalent to 31 December 2015.

In Collector, the value of the share was 19 % lower despite an improvement of almost 40 % in key ratios per share. Using the same estimates as the previous year-end, the share price should thus have been about 70 % higher.

The fact that stock market expectations can vary so much creates opportunities for both the short-term and long-term investor and I personally think it is fascinating, interesting and fun to follow the changes over the years.

## Operationally

Apart from financial key ratios, 2016 was a year when we performed positively on many fronts. Balder invests in many countries, property categories and projects and also through complete- and part-ownership. I personally believe that all parts of the company improved and this is also generating more business opportunities.

It is a privilege for me to work with all of you!

## 2017 and beyond

My guess is that 2017 will also be a year with strong demand for both commercial premises and residential properties in our markets.

The financing opportunities also seem favourable and our financing base has been broadened further as we now have an official rating.

We have now supplemented our financial goals as follows – an equity/assets ratio (min. 35 %) and a net debt to assets ratio (max. 55 %). These key ratios are obviously much alike, but the net debt to assets key ratio is increasingly used, which means that it is good for us to clarify our goal in relation to this.

The future is bright and despite intense competition among investors, I feel optimistic as usual regarding the potential to find reasonably good investments over time.

Erik Selin  
Chief Executive Officer

## Current earning capacity

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

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

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

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

## Current earning capacity on a twelve-months basis

SEKm	2016 31 Dec	2016 30 Sep	2016 30 June	2016 31 Mar	2015 31 Dec	2015 30 Sep	2015 30 June	2015 31 Mar	2014 31 Dec	2014 30 Sep	2014 30 June
Rental income	5,800	5,470	5,325	5,135	5,045	2,725	2,650	2,745	2,730	2,650	2,600
Property costs	-1,695	-1,690	-1,685	-1,670	-1,635	-775	-760	-800	-800	-795	-785
<b>Net operating income</b>	<b>4,105</b>	<b>3,780</b>	<b>3,640</b>	<b>3,465</b>	<b>3,410</b>	<b>1,950</b>	<b>1,890</b>	<b>1,945</b>	<b>1,930</b>	<b>1,855</b>	<b>1,815</b>
Management and administrative costs	-490	-490	-480	-440	-425	-175	-175	-170	-165	-165	-165
Profit from property management from associated companies	505	470	420	355	340	560	500	410	220	200	180
<b>Operating profit</b>	<b>4,120</b>	<b>3,760</b>	<b>3,580</b>	<b>3,380</b>	<b>3,325</b>	<b>2,335</b>	<b>2,215</b>	<b>2,185</b>	<b>1,985</b>	<b>1,890</b>	<b>1,830</b>
Net financial items	-1,040	-1,025	-1,010	-930	-880	-530	-575	-575	-585	-580	-580
Of which non-controlling interests	-445	-445	-380	-400	-410	-	-	-	-	-	-
<b>Profit from property management</b>	<b>2,635</b>	<b>2,290</b>	<b>2,190</b>	<b>2,050</b>	<b>2,035</b>	<b>1,805</b>	<b>1,640</b>	<b>1,610</b>	<b>1,400</b>	<b>1,310</b>	<b>1,250</b>
Taxes	-570	-490	-470	-440	-439	-397	-361	-354	-308	-288	-275
<b>Profit after tax</b>	<b>2,065</b>	<b>1,800</b>	<b>1,720</b>	<b>1,610</b>	<b>1,596</b>	<b>1,408</b>	<b>1,279</b>	<b>1,256</b>	<b>1,092</b>	<b>1,021</b>	<b>975</b>
<b>Profit after tax attributable to</b>											
Ordinary shareholders	1,865	1,600	1,520	1,410	1,396	1,208	1,079	1,056	892	821	775
Preference shareholders	200	200	200	200	200	200	200	200	200	200	200
<b>Profit from property management before tax according to current earning capacity per ordinary share, SEK</b>	<b>13.52</b>	<b>11.92</b>	<b>11.55</b>	<b>10.73</b>	<b>10.64</b>	<b>9.88</b>	<b>8.87</b>	<b>8.68</b>	<b>7.39</b>	<b>6.83</b>	<b>6.47</b>



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

Under IFRS, Collector AB (publ) and Brinova Fastigheter AB (publ) should not be recognised at market value when Balder reports its participation in the profit from associated companies from these companies. In order to clarify the listed associated companies at market value, Collector and Brinova is reported below at the share price as of 31 December. Brinova Fastigheter AB (publ) is included from 30 September 2016, when the company was listed.

SEKm	2016 31 Dec	2015 31 Dec
<b>Assets</b>		
Investment properties	86,177	68,456
Other fixed assets	136	122
Participations in associated companies <sup>1,2)</sup>	6,673	6,549
Other receivables	1,357	1,497
Cash and cash equivalents and financial investments	1,592	1,025
<b>Total assets</b>	<b>95,935</b>	<b>77,649</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity <sup>3)</sup>	36,791	29,325
Deferred tax liability	5,808	4,071
Interest-bearing liabilities	49,580	41,063
Derivatives	1,547	1,294
Other liabilities	2,209	1,896
<b>Total equity and liabilities</b>	<b>95,935</b>	<b>77,649</b>
1) Including Balder's market value of Collector AB (publ) Collector's share price (SEK)	4,661 103.00	5,224 127.00
2) Including Balder's market value of Brinova Fastigheter AB (publ) Brinova's share price (SEK)	282 15.30	— —
3) Of which non-controlling interests	5,540	4,377

## Consolidated statement of changes in equity

SEKm	2016 31 Dec	2015 31 Dec
<b>Opening equity</b>	<b>29,325</b>	<b>14,261</b>
Total comprehensive income for the period/year	6,507	4,909
Dividend preference shares, approved and entered as a liability	-200	-200
Share issue, after issue costs	1,780	1,705
Transactions with non-controlling interests	-107	—
Dividend to non-controlling interests	-107	—
Non-controlling interests, arising on the acquisitions of subsidiary	—	4,377
Non-controlling interests, arising on share issue in subsidiary	554	—
The change during the period of listed associated companies at market value	-962	4,273
<b>Closing equity</b>	<b>36,791</b>	<b>29,325</b>

# Results, income and costs

## Profit from property management

Profit from property management for the year amounted to SEK 2,653m (1,780). Profit from property management attributable to parent company shareholders increased by 27 % and amounted to SEK 2,265m (1,780), which corresponds to an increase per ordinary share by 22 % to SEK 11.89 (9.71). Profit from property management includes SEK 419m (457) in respect of associated companies.

## Net profit after tax

Net profit after tax for the year amounted to SEK 6,093m (4,916). Net profit after tax for the period attributable to parent company shareholders amounted to SEK 5,474m (4,916), corresponding to SEK 30.38 per ordinary share (28.98). Profit before tax was affected by changes in value in respect of properties of SEK 4,932m (3,388), changes in value of interest rate derivatives of SEK –114m (227) and profit from participations in associated companies of SEK 590m (831).

## Rental income

Rental income increased by 98 % to SEK 5,373m (2,711). The increase was primarily due to Sato Oyj, whose income statement was consolidated for the first time from January 1, 2016. The leasing portfolio was estimated to have a rental value on 31 December of SEK 6,089m (5,257). The average rental level for the entire real estate portfolio amounted to SEK 1,583/sq.m. (1,508) excl. project properties.

Rental income shows a considerable diversification of risks as regards tenants, sectors and locations. The economic occupancy rate amounted to 95 % (96) on 31 December. The total rental value of unlet areas at the end of the year amounted to SEK 289m (182) on an annual basis.

## Property costs

Property costs amounted to SEK 1,693m (767) during the year. The increase in property costs was mainly due to the consolidation of Sato Oyj.

Net operating income increased by 89 % to SEK 3,679m (1,944), which implies a surplus ratio of 68 % (72). Operating costs normally vary with the seasons. The first and fourth quarters have higher costs than the other quarters, while the third quarter usually has the lowest cost level.

## Changes in value of investment properties

Balder carried out an individual valuation on 31 December of the entire real estate portfolio (see page 9). Unrealised changes in value during the year amounted to SEK 4,847m (3,323). Realised changes in value amounted to SEK 85m (65).

The average yield requirement as of 31 December amounted to 5.3 % (5.4). The change in value during the year was attributable to improved net operating income and a slightly reduced yield requirement.

## Management and administrative costs

Management and administrative costs amounted to SEK 488m (185) during the year. The increase was mainly due to the consolidation of Sato Oyj.

## Participations in the profits of associated companies

Balder owns property managing and project developing associated companies and 44.1 % in Collector AB (publ) which is listed. During September was Balders associated company Brinova Fastigheter AB (publ) listed, Balder's share amounts to 25.5 % as of 31 December.

In order to clarify these associated companies value in Balder, Balder also reports a consolidated statement of financial position including listed associated companies at market value (see page 5).

During the year 49 % of the shares in Sjaelsö Management ApS were acquired. Sjaelsö Management is one of the major actors in project development and construction management in Denmark.

Profit from participations in associated companies amounted to SEK 590m (831) and Balder's participation in the associated companies profit from property management amounted to SEK 419m (457).

Profit before tax was impacted by unrealised changes in value in respect of properties and interest rate derivatives of SEK 343m (410).

## Net financial items and changes in value of derivatives

Net financial items amounted to SEK –973m (–437) and changes in value of interest rate derivatives amounted to SEK –114m (227). The negative change in value of derivatives during the year is due to the fact that the interest rates have fallen during the year. Unrealised changes in value do not affect the cash flow.

Net financial items are equivalent to borrowing at an average interest rate of 2.1 % (1.8) during the year, including the effect of accrued interest from interest rate derivatives.

## Taxes

Balder's tax cost for the year amounted to SEK –1,550m (–862) of which SEK –226m (4) is current tax for the year, mainly attributable to the consolidation of Sato Oyj, and also a deferred tax expense of SEK –1,325m (–866). Current tax attributable to parent company shareholders amounted to SEK –135m (4).

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 5,808m (4,071).

#### Fourth quarter 2016

Profit from property management for the fourth quarter of 2016 increased by 54 % and amounted to SEK 742m (482). Profit from property management attributable to parent company shareholders for the fourth quarter of 2016 increased by 35 % and amounted to SEK 650m (482) which corresponds to an increase per ordinary share of 28 % to SEK 3.39 (2.64).

Profit from property management included SEK 125m (128) in respect of associated companies. Rental income amounted to SEK 1,427m (680) and property costs amounted to SEK 425m (172), which meant that net operating income increased by 97 % to SEK 1,002m (508). The increase compared to the same period last year is mainly due to the consolidation of Sato Oyj from 1 January 2016. The surplus ratio amounted to 70 % (75). The decline in the surplus ratio is due to the consolidation of Sato Oyj, which primarily owns residential properties, with generally higher property costs compared to commercial properties.

Net profit after tax for the period amounted to SEK 2,704m (2,506). Profit after tax attributable to parent company shareholders amounted to SEK 2,536 (2,506) corresponding to SEK 14.05 per ordinary share (14.99). The result was affected by changes in value in respect of properties of SEK 2,211m (2,017), changes in value of interest rate derivatives of SEK 312m (197) and profit from participations in associated companies of SEK 236m (359). The average yield requirement on 31 December amounted to 5.3 % which is unchanged compared to September 2016.

#### Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 2,135m (1,193). Investing activities have burdened the cash flow by SEK 8,401m (5,635).

During the year, acquisition of properties of SEK 7,648m (2,097), investments in existing properties and projects of SEK 1,843m (791), investments in property, plant and equipment, financial investments and associated companies and transactions with non-controlling interests SEK 785m (4,857), dividends paid preference shares of SEK 200m (200) and dividends paid to non-controlling interests SEK 107m (–) adds up to SEK 10,583m (7,945).

These have been financed through cash flow from operating activities of SEK 2,891m (762), by property divestments of SEK 1,651m (1,606), financial investments of SEK 225m (504), new issue of SEK 1,780m (1,705), new issue in the subsidiary Sato Oyj of SEK 420m (–), and net borrowings of SEK 5,382m (3,788), which adds up to SEK 11,250m (8,365).

Total cash flow for the year amounted to SEK 667m (421). In addition to unutilised credit facilities of SEK 4,827m (4,545), the group's cash and cash equivalents, financial investments and unutilised credit facilities amounted to SEK 1,942m (1,339) on 31 December.

#### Employees and organisation

The number of employees on 31 December amounted to 546 persons (522), of whom 255 were women (234). Balder is, after the acquisition of Sato Oyj, organised into six regions with 17 areas in total. The head office with group-wide functions is located in Gothenburg.

#### Parent Company

The parent company's operations mainly consist of performing group-wide services but an important part relates to sales of services, principally to associated companies. Sales in the parent company amounted to SEK 209m (147) during the year.

Net profit after tax amounted to SEK 1,311m (1,061). Dividend from subsidiary were included with SEK 1,430m (800), and unrealised changes in value of interest rate derivatives amounted to SEK –151m (199) and group contributions paid amounted to –568m (–340).

#### Proposed dividend

The board intends propose to the annual general meeting that no dividend shall be declared for ordinary shares (–) and that a dividend of SEK 20 per share (20) shall be paid for preference shares.

#### Annual Report and Annual General Meeting

The annual report for 2016 will be available on Balder's website, [www.balder.se](http://www.balder.se), from week 14, 2017.

Fastighets AB Balder's annual general meeting will take place on Thursday, 11 May 2017 at 4.00 p.m. at Radisson BLU Scandinavia Hotel, Södra Hamngatan 59, in Gothenburg.

# Real estate holdings

On 31 December Balder owned 1,220 properties (1,177) with a lettable area of 3,806 sq.m. (3,430) and a value of SEK 86,177m (68,456), including project properties. Balder's total rental value excluding project properties amounted to SEK 6,025m (5,173). Balder's commercial properties are

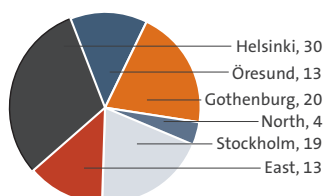
mainly located in the central parts of large cities. Balder's residential properties are located in metropolitan areas and places that are growing and developing positively. Balder's ambition is to continue growing in selected markets.

## Balder's real estate holdings on 2016-12-31<sup>1)</sup>

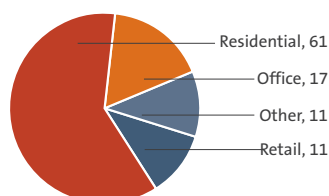
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
<b>Distributed by region</b>								
Helsinki	501	1,010,505	2,122	2,100	2,025	95	24,393	28
Stockholm	61	533,904	927	1,736	867	94	15,797	18
Gothenburg	194	903,206	1,150	1,274	1,108	96	17,053	20
Öresund	71	418,022	624	1,493	580	93	10,368	12
East	314	758,121	992	1,309	949	96	11,021	13
North	79	181,755	209	1,150	206	99	3,086	4
<b>Total</b>	<b>1,220</b>	<b>3,805,512</b>	<b>6,025</b>	<b>1,583</b>	<b>5,736</b>	<b>95</b>	<b>81,718</b>	<b>95</b>
Project			64		64		4,459	5
<b>Total</b>	<b>1,220</b>	<b>3,805,512</b>	<b>6,089</b>	<b>1,583</b>	<b>5,800</b>	<b>95</b>	<b>86,177</b>	<b>100</b>
<b>Distributed by property category</b>								
Residential	1,020	2,531,547	3,973	1,569	3,819	96	48,775	57
Office	68	432,228	865	2,002	783	90	14,139	16
Retail	89	499,778	598	1,197	569	95	9,154	11
Other	43	341,960	588	1,718	565	96	9,650	11
<b>Total</b>	<b>1,220</b>	<b>3,805,512</b>	<b>6,025</b>	<b>1,583</b>	<b>5,736</b>	<b>95</b>	<b>81,718</b>	<b>95</b>
Project			64		64		4,459	5
<b>Total</b>	<b>1,220</b>	<b>3,805,512</b>	<b>6,089</b>	<b>1,583</b>	<b>5,800</b>	<b>95</b>	<b>86,177</b>	<b>100</b>

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

**Distributed by region including projects, %**



**Distributed by property category including projects, %**





## Changes in real estate portfolio

The value of Balder's real estate portfolio is based on internal valuations. The properties in Sweden, Denmark and Norway have been valued using the cash flow based method. In Finland, in addition to the cash flow based method, the sales comparison method and valuation at acquisition cost are used. On 31 December, Balder's average yield requirement amounted to 5.3 % (5.4) excluding project and development properties.

In order to quality-assure its internal valuations, Balder regularly allows parts of its portfolio to be externally valued during the period or at each year-end. During the year, Balder has externally valued approximately 40 % of the properties, including Sato's property portfolio. The external valuation was less than 1 per cent higher than Balder's internal valuation at year-end. Historically, deviations between external and internal valuations have been insignificant.

### Project real estate

On 31 December, Balder had ongoing residential projects with an expected total investment of SEK 8.0 billion, of which about SEK 4.0 billion was already invested. The most large scale investments are in Copenhagen and Helsinki and mainly relate to condominiums for rent. In Copenhagen, there are currently about 1,400 apartments under construction as well as about 1,300 apartments in Helsinki.

### Unrealised changes in value

The overall carrying amount of Balder's properties amounted to SEK 86,177m (68,456) on 31 December. The unrealised change in value during the period amounted to SEK 4,847m (3,323) and was attributable to improved net operating income and slightly lower yield.

### Investments, acquisitions and divestments

During the year, a total of SEK 13,185m (29,451) was invested, of which SEK 11,342m (28,660) related to acquisitions and SEK 1,843m (791) related to investments in existing properties and projects.

The majority of the acquisitions during the year refers to acquisitions in Sato Oyj and the acquired properties from the group I.A. Hedin Fastighet AB. Properties with a sales value of SEK 1,990m (1,613) were divested during the year. Profit from property sales amounted to SEK 85m (65). The change in the real estate portfolio during the period is presented in the table below.

### Change in carrying amount of properties

	2016		2015	
	SEKm	Number <sup>1)</sup>	SEKm	Number <sup>1)</sup>
<b>Real estate portfolio, 1 January</b>	<b>68,456</b>	<b>1,177</b>	<b>37,382</b>	<b>486</b>
Investments in existing properties and projects	1,843		791	
Acquisitions	11,342	116	28,660	714
Sales/Reclassifications	-1,905	-73	-1,542	-23
Change in value of investment properties, unrealised	4,847		3,323	
Currency changes	1,593		-158	
<b>Real estate portfolio, 31 December</b>	<b>86,177</b>	<b>1,220</b>	<b>68,456</b>	<b>1,177</b>

1) Number of investment properties.

## Property transactions 2016

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
<b>Acquisitions</b>					
One	1	Lorensberg 45:20	Gothenburg	Hotel	3,662
One	1	Sato Oyj	Finland	Residential	1,652
Two	53	Sato Oyj	Finland	Residential	123,089
Two	1	Högskolan Hedmark, Elverum	Norway	Education	16,393
Two	1	Lindholmen 29:1	Gothenburg	Office	12,223
Two	1	Heden 47:3	Gothenburg	Office	7,541
Two	1	Hotel Österport, Köpenhamn	Denmark	Hotel	6,325
Three	6	Sato Oyj	Finland	Residential	27,257
Four	8	Sato Oyj	Finland	Residential	17,249
Four	1	Plutonen 1	Borås	Retail	13,120
Four	1	Gothenburg Tuve 116:6	Gothenburg	Retail	3,213
Four	1	Högsbo 36:8	Gothenburg	Retail	2,448
Four	1	Visionen 4	Jönköping	Retail	22,833
Four	1	Hede 4:14	Kungsbacka	Retail	4,177
Four	1	Kärä 32:22	Gothenburg	Retail	2,800
Four	1	Leoparden 2	Mölnådal	Retail	22,640
Four	1	Pianot 5	Mölnådal	Retail	2,329
Four	1	Högsbo 36:2	Gothenburg	Retail	6,053
Four	1	Kardananen 4	Varberg	Retail	3,847
Four	1	Gaslyktan 2	Mölnådal	Retail	3,564
Four	1	Frölandsgården 2	Uddevalla	Retail	5,651
Four	1	Fullriggaren 1	Trollhättan	Retail	2,200
Four	1	Smedjan 3	Ålingsås	Retail	3,222
Four	1	Presenten 1	Mölnådal	Retail	13,577
Four	1	Kärä 95:3	Gothenburg	Retail	7,209
Four	1	Presenten 2	Mölnådal	Retail	2,325
Four	1	Kärä 73:1-2	Gothenburg	Retail	4,372
Four	1	Varmvattnet 3	Stockholm	Retail	33,009
Four	1	Fordonet 1	Karlskoga	Retail	1,660
Four	1	Alptanäs 1	Stockholm	Retail	9,794
Four	1	Paletten 2	Linköping	Retail	5,757
Four	1	Papegojan 1	Linköping	Retail	7,805
Four	1	Grävmaskinen 23	Södertälje	Retail	2,391
Four	1	Denmarks-Säby 11:1	Uppsala	Retail	21,439
Four	1	Stjärnregnet 1	Örebro	Retail	4,341
Four	1	Stenalyckan 2	Halmstad	Retail	3,750
Four	1	Eketånga 24:47	Halmstad	Retail	3,220
Four	1	Eketånga 24:20	Halmstad	Retail	5,836
Four	1	Hammar 9:184	Kristianstad	Retail	5,135
Four	1	Topplocket 1	Kristianstad	Retail	6,509
Four	1	Hästkälken 3	Malmö	Retail	2,290
Four	1	Sjötungan 1	Värnamo	Retail	5,349
Four	1	Linné 9	Ljungby	Retail	1,975
Four	1	Anderstorp 8:16	Gislaved	Retail	1,500
Four	1	Taktäckaren 6	Ängelholm	Retail	6,760
Four	1	Automobilen 1	Malmö	Retail	8,045

## Cont. Property transactions 2016

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Four	1	Kopparkisen 13	Lund	Retail	4,804
Four	1	Tågarp 16:12	Burlöv	Retail	3,360
Four	1	Huggjärnet 10	Helsingborg	Retail	11,110
Four	1	Skräddaren 5	Ängelholm	Retail	1,172
Four	1	Zirkonen 3	Helsingborg	Retail	5,500
Four	1	Verkstaden 11, Snickeriet 16-17	Trelleborg	Retail	1,820
<b>Total</b>	<b>116</b>				<b>505,302</b>
<b>Divestments</b>					
One	1	Miklaholt 2	Stockholm	Office	1,916
One	1	Backa 170:1	Gothenburg	Other	3,500
One	1	Advokaten 1	Töreboda	Retail	2,128
One	1	Rönnen 11	Töreboda	Residential	1,039
One	1	Sotaren 12	Töreboda	Residential	976
One	1	Byggmästaren 5	Töreboda	Residential	1,381
One	1	Plåtslagaren 9	Töreboda	Residential	1,849
One	1	Rådhuset 40	Skara	Residential	2,103
One	1	Tallen 7	Skara	Residential	852
One	1	Frigga 4	Skara	Residential	824
One	1	Frigga 5	Skara	Residential	828
One	1	Fjärilen 6	Skara	Residential	350
One	1	Svärdet 11	Skara	Residential	412
One	1	Bromsen 5	Skara	Residential	534
One	1	Bisittaren 6	Skara	Residential	300
One	1	Bisittaren 2	Skara	Residential	354
One	1	Smörberget 2	Skara	Residential	410
One	1	Almen 4	Skara	Residential	709
One	1	Sländan 1	Skara	Residential	1,434
One	1	Plymen 4, 5	Skara	Residential	705
One	1	Tor 6	Skara	Residential	1,141
One	1	Heimdal 1	Skara	Residential	682
One	1	Heimdal 4	Skara	Residential	672
One	1	Tyr 1	Skara	Residential	680
One	1	Boken 38	Skara	Residential	967
One	1	Aspen 1	Skara	Residential	1,465
One	1	Tor 10	Skara	Residential	689
One	6	Sato Oyj	Finland	Residential	2,946
Two	4	Sato Oyj	Finland	Residential	2,169
Three	1	Mjälaryd 3:300	Jönköping	Residential	2,948
Three	1	Hålan 6:2	Jönköping	Residential	10,280
Three	1	Lejoninnan 10	Jönköping	Residential	11,161
Three	1	Björnen 6	Jönköping	Office	949
Three	1	Tigern 7	Jönköping	Residential	6,001
Three	7	Sato Oyj	Finland	Residential	28,458
Four	1	Resedan 15	Vänersborg	Residential	2,406
Four	21	Sato Oyj	Finland	Residential	36,004
<b>Total</b>	<b>71</b>				<b>132,222</b>

# Associated companies

Balder owns 50 % of a number of companies where Balder handles the management and administration, for further information, see page 50-52 in Balder's Annual Report for 2015. In addition during the year, Trenum AB has become an associated company. In Trenum AB Balder is a 50 %-owner together with the Third Swedish National Pension Fund. Balder's 50 %-owned associated companies are shown in

the table below. Apart from the 50 %-owned associated companies, Balder owns 44.1 % (44.1) in Collector AB (publ), 31 % (31) of Tornet Bostadsproduktion AB, 25.5 % (35) of Brinova Fastigheter AB (publ) and 49 % (-) in Sjaelsö Management ApS. For more information about these associated companies, see each company's website: Collector.se, Tornet.se, Brinova.se and Sjaelsömanagement.dk.

## Balder's participation in the 50 %-owned associated companies' real estate holdings on 2016-12-31<sup>1)</sup>

	Number of properties <sup>2)</sup>	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
<b>Distributed by region</b>								
Stockholm	45	108,794	164	1,508	160	98	2,649	44
Gothenburg	11	47,506	58	1,213	54	93	892	15
Öresund	25	62,536	91	1,455	89	98	1,344	22
<b>Total</b>	<b>81</b>	<b>218,836</b>	<b>313</b>	<b>1,429</b>	<b>303</b>	<b>97</b>	<b>4,885</b>	<b>82</b>
Project			21		21		1,106	18
<b>Total</b>	<b>81</b>	<b>218,836</b>	<b>333</b>	<b>1,429</b>	<b>324</b>	<b>97</b>	<b>5,991</b>	<b>100</b>

### Distributed by property category

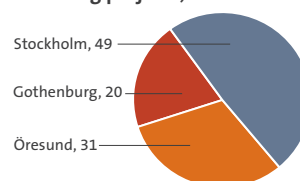
Residential	27	45,453	69	1,524	68	98	1,329	22
Office	11	29,315	55	1,871	50	91	900	15
Retail	34	94,964	105	1,111	103	98	1,512	25
Other	9	49,104	83	1,692	83	99	1,145	19
<b>Total</b>	<b>81</b>	<b>218,836</b>	<b>313</b>	<b>1,429</b>	<b>303</b>	<b>97</b>	<b>4,885</b>	<b>82</b>
Project			21		21		1,106	18
<b>Total</b>	<b>81</b>	<b>218,836</b>	<b>333</b>	<b>1,429</b>	<b>324</b>	<b>97</b>	<b>5,991</b>	<b>100</b>

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

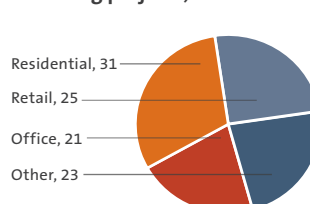
## Balder's participation in the balance sheets of 50 %-owned associated companies

SEKm	2016 31 Dec	2015 31 Dec
<b>Assets</b>		
Properties	5,991	4,414
Other assets	54	247
Cash and cash equivalents	203	61
<b>Total assets</b>	<b>6,248</b>	<b>4,723</b>
<b>Shareholders' equity and liabilities</b>		
Equity/shareholder loan	2,549	1,726
Interest-bearing liabilities	3,319	2,501
Other liabilities	379	496
<b>Total equity and liabilities</b>	<b>6,248</b>	<b>4,723</b>

### Distributed by region including projects, %



### Distributed by property category including projects, %



# Customers

In order to limit the risk of lower rental income and consequently a weakened occupancy rate, Balder strives to develop long-term relationships with the company's existing customers. Balder has a good diversification as regards the distribution between commercial properties and residential properties as well as the geographical distribution. The diversification strengthens the possibilities of maintaining a

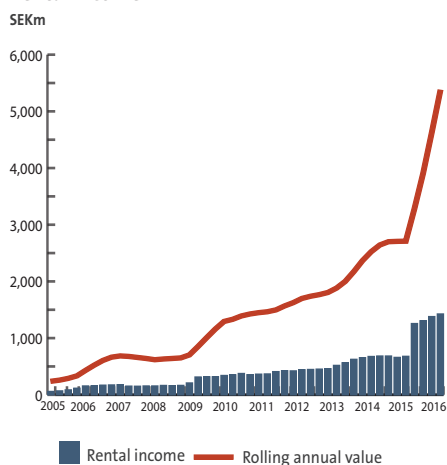
steady and satisfactory occupancy rate. Balder's commercial leases have an average lease term of 7.1 years (6.3). Balder's 10 largest leases represent 5.6 % (6.1) of total rental income and the average lease term amounts to 11.8 years (11.1). No individual lease accounts for more than 0.8 % (0.9) of Balder's total rental income and no individual customer accounts for more than 4.0 % (2.7) of total rental income.

## Lease maturity structure 2016-12-31

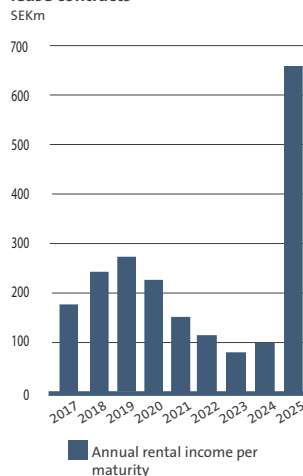
Maturity date	Number of leases	Proportion, %	Contracted rent, SEKm	Proportion, %
2017	1,071	37	176	3
2018	694	24	237	4
2019	491	17	270	5
2020	329	11	222	4
2021–	329	11	1,095	19
<b>Total</b>	<b>2,914</b>	<b>100</b>	<b>2,000</b>	<b>34</b>
Residential <sup>1)</sup>	38,000		3,740	64
Car park <sup>1)</sup>	5,879		17	0
Garage <sup>1)</sup>	4,529		43	1
<b>Total</b>	<b>51,322</b>		<b>5,800</b>	<b>100</b>

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

### Rental income



### Maturity structure of commercial lease contracts



### Balder's 10 largest customers

per 2016-12-31

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



# Financing

## Equity

Consolidated equity, including listed associated companies at market value, amounted to SEK 36,791m (29,325) on 31 December and the equity/assets ratio amounted to 38.3 % (37.8).

During the year, equity increased by comprehensive income for the period of SEK 6,507m (4,909), new issue after issue costs of SEK 1,780m (1,705) and the minoritys part of the new issue in Sato Oyj of SEK 554m (–). Equity decreased by SEK –200m (–200) regarding dividends approved and entered as a liability to the preference shareholders, decreased by SEK –107m (–) regarding dividends to non-controlling interests, the change in market value of the holding in Collector AB (publ) and Brinova Fastigheter AB (publ) SEK –962m (4,273) and decreased by SEK –107m (–) regarding transactions with non-controlling interests.

## Interest-bearing liabilities

The majority of Balder's liabilities are revolving bilateral liabilities with eight different Nordic banks. Apart from bank financing, Balder has outstanding bonds totalling SEK 10,972m (7,865) and outstanding certificates of SEK 3,002m (2,680). The secured liabilities in relation to total assets amounted to 39.6 % (42.2) on 31 December.

## Financial targets

		Target	Outcome <sup>1)</sup>
Equity/assets ratio, %	min.	35.0	38.3
Net debt to assets, %	max.	55.0	50.0
Interest coverage ratio, times	min.	2.0	3.7

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

## Interest maturity structure on 2016-12-31

Year	Fixed interest term		
	SEKm	Interest, %	Proportion, %
Within one year	25,975	1.0	52
1–2 years	4,742	4.6	10
2–3 years	1,959	3.3	4
3–4 years	4,416	2.7	9
4–5 years	7,736	3.0	16
> 5 years	4,752	3.0	10
<b>Total</b>	<b>49,580</b>	<b>2.1</b>	<b>100</b>

## Fixed credit term on 2016-12-31

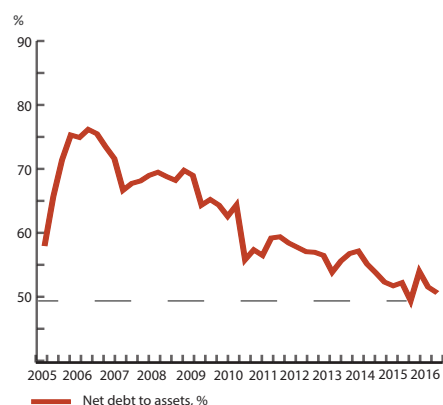
Year	Fixed credit term	
	SEKm	Proportion, %
Within one year	16,174	33
1–2 years	5,115	10
2–3 years	8,677	18
3–4 years	6,199	13
4–5 years	5,268	11
> 5 years	8,147	16
<b>Total</b>	<b>49,580</b>	<b>100</b>

On 31 December, Balder had credit facilities of SEK 4,827m (4,745) of which SEK 4,827m (4,545) were unutilised. Apart from these facilities, Balder had cash and cash equivalents, unutilised overdrafts and financial investments of SEK 1,942m (1,339). Balder also has credit facilities that fully covers future payments for ongoing construction projects. The interest rate refixing period and fixed credit term amounted to 2.4 years (2.9) and 4.2 years (4.4). During December Balder obtained a credit rating of 'Baa3' from Moody's with a stable outlook. The rating primarily reflects the Company's focus on stable rental housing properties in Sweden and Finland as well as the prime locations of its commercial properties in Sweden's largest cities and the company's conservative dividend policy.

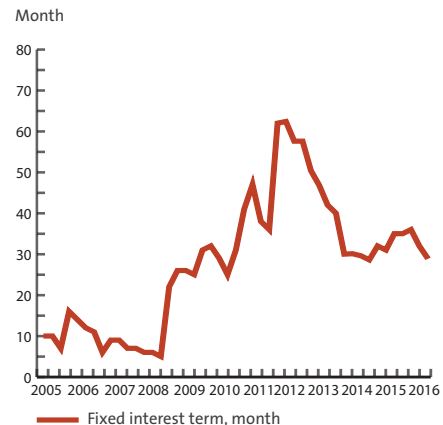
## Financial goals

Balder's financial goals are an equity/assets ratio not less than 35 %, an interest coverage ratio not less than 2.0 times and a net debt to assets ratio of not higher than 55 %. The net debt to assets ratio is calculated as net interest-bearing liabilities divided by total assets including listed associated companies at market value. As of 31 December, the equity/assets ratio was 38.3 % (37.8), the interest coverage ratio was 3.7 times (5.1) and the net debt to assets ratio was 50.0 % (51.6).

## Net debt to assets



## Fixed interest term



## Other disclosures

### Events after the end of the year

Fastighets AB Balder has, in two different transactions, sold all properties in Tranås, Falköping, Arboga and Köping. The lettable area amounts to 221,000 square meters and it has been assigned a property value of just over SEK 2 billion. Balder's sales exceed book values by approximately SEK 130 million, corresponding to 7% and will be recorded in the second quarter 2017. After the end of the reporting period no other significant events has occurred.

### Related party transactions

Balder receives fees from associated companies and Erik Selin Fastigheter AB for property and company management services. These fees amounted to SEK 34m (29) during the year and are reported in management and administrative costs. In addition, services are bought from Collector AB (publ).

### Risks and uncertainties

Balder's operations, financial position and results may be affected by a number of risks and uncertainty factors. These are described in the Annual Report for 2015, on pages 53-55. Otherwise, no significant changes has been noted.

### Accounting policies

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

The accounting policies and calculation methods applied are unchanged compared with the Annual Report for 2015. The company has applied the new guidelines for alternative key ratios, "Alternative Performance Measures" (APMs) by ESMA. Definitions of the key ratios are found on page 25.

### The Board's proposal to the Annual General Meeting 2017

Ahead of the annual general meeting on 11 May 2017, the board intends to propose that the meeting should pass resolutions regarding the following matters:

- That no dividend shall be declared for the ordinary share.
- Dividend of SEK 20.00 shall be declared per preference share.
- Authorise the board until the next annual general meeting, to repurchase and transfer B shares and preference shares in Balder equivalent to not more than 10 % of all shares in the company.
- Authorise the board until the next annual general meeting, on one or more occasions, to resolve on new issue of preference- and/or ordinary shares of Class B, corresponding to not more than 10 % of the existing share capital. It shall be possible to subscribe for the shares in cash, in kind or through right of set-off.

This interim report has been subject to review by the company's auditors.

Gothenburg 22 February 2017

Erik Selin  
Chief Executive Officer

**Review report of condensed interim financial information (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.**

**Introduction**

We have reviewed the condensed interim financial information (interim report) for Fastighets AB Balder (publ), corp. id. no. 556525-6905 as of 31 December 2016 and for the twelve-month period that ended on this date. The Board of Directors and the President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**The focus and scope of the review**

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of the interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially smaller in scope than an

audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as a conclusion based on an audit.

**Conclusion**

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

Gothenburg, 22 February 2017  
Öhrlings PricewaterhouseCoopers AB

Helén Olsson Svärdröm  
Authorised Public Accountant

# Consolidated statement of comprehensive income

SEKm	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Rental income	1,427	680	5,373	2,711
Property costs	-425	-172	-1,693	-767
<b>Net operating income</b>	<b>1,002</b>	<b>508</b>	<b>3,679</b>	<b>1,944</b>
Changes in value of properties, realised	23	1	85	65
Changes in value of properties, unrealised	2,188	2,016	4,847	3,323
Other income/costs	10	1	17	2
Non-recurring items	-	9	-	9
Management and administrative costs	-130	-50	-488	-185
Participations in the profits of associated companies	236	359	590	831
<b>Operating profit</b>	<b>3,328</b>	<b>2,844</b>	<b>8,730</b>	<b>5,988</b>
Net financial items	-264	-105	-973	-437
Changes in value of derivatives	312	197	-114	227
<b>Profit before tax</b>	<b>3,376</b>	<b>2,936</b>	<b>7,643</b>	<b>5,778</b>
Tax	-672	-431	-1,550	-862
<b>Net profit for the period/year</b>	<b>2,704</b>	<b>2,506</b>	<b>6,093</b>	<b>4,916</b>
<i>Net profit after tax for the period/year attributable to:</i>				
Parent company shareholders	2,536	2,506	5,474	4,916
Non-controlling interests	168	-	619	-
	<b>2,704</b>	<b>2,506</b>	<b>6,093</b>	<b>4,916</b>
<b>Other comprehensive income - Items that may be subsequently reclassified to profit or loss</b>				
Translation difference relating to foreign operations	-75	-18	438	3
Cash flow hedges after tax	87	-	-26	-
Participation in other comprehensive income of associated companies	0	-7	2	-10
<b>Total comprehensive income for the period/year</b>	<b>2,716</b>	<b>2,482</b>	<b>6,507</b>	<b>4,909</b>
<i>Total comprehensive income for the period/year attributable to:</i>				
Parent company shareholders	2,549	2,482	5,685	4,909
Non-controlling interests	167	-	823	-
	<b>2,716</b>	<b>2,482</b>	<b>6,507</b>	<b>4,909</b>
Profit from property management before tax, SEKm <sup>1)</sup>	742	482	2,653	1,780
Profit from property management before tax, attributable to parent company shareholders, SEKm <sup>1)</sup>	650	482	2,265	1,780
Profit from property management before tax per ordinary share, SEK <sup>2)</sup>	3.39	2.64	11.89	9.71
Profit after tax per ordinary share, SEK <sup>2)</sup>	14.05	14.99	30.38	28.98
1) Including profit from property management from Balder's participation in associated companies.	125	128	419	457

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

There is no dilutive effect as no potential shares arise.

## Consolidated statement of financial position

SEKm	2016 31 Dec	2015 31 Dec
<b>Assets</b>		
Investment properties	86,177	68,456
Other fixed assets	136	122
Participations in associated companies	3,362	2,276
Other receivables	1,357	1,497
Cash and cash equivalents and financial investments	1,592	1,025
<b>Total assets</b>	<b>92,623</b>	<b>73,376</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity <sup>1)</sup>	33,479	25,052
Deferred tax liability	5,808	4,071
Interest-bearing liabilities	49,580	41,063
Derivatives	1,547	1,294
Other liabilities	2,209	1,896
<b>Total equity and liabilities</b>	<b>92,623</b>	<b>73,376</b>
1) Of which non-controlling interests.	5,540	4,377

## Consolidated statement of changes in equity

SEKm	2016 31 Dec	2015 31 Dec
<b>Opening equity</b>	<b>25,052</b>	<b>14,261</b>
Total comprehensive income for the period/year	6,507	4,909
Dividend preference shares, approved and entered as a liability	-200	-200
Share issue, after issue costs	1,780	1,705
Transactions with non-controlling interests	-107	-
Dividend to non-controlling interests	-107	-
Non-controlling interests arising on the acquisition of subsidiary	-	4,377
Non-controlling interests arising on share issue in subsidiary	554	-
<b>Closing equity</b>	<b>33,479</b>	<b>25,052</b>



# Consolidated statement of cash flows

SEKm	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Net operating income	1,002	508	3,679	1,944
Other income/costs	10	1	17	2
Management and administrative costs	-130	-50	-488	-185
Reversal of depreciation	15	4	26	15
Adjustment item	-	4	-	0
Net financial items paid	-258	-154	-939	-586
Taxes paid	-21	6	-160	4
<b>Cash flow from operating activities before change in working capital</b>	<b>618</b>	<b>319</b>	<b>2,135</b>	<b>1,193</b>
Change in operating receivables	161	-126	176	-660
Change in operating liabilities	141	-87	580	228
<b>Cash flow from operating activities</b>	<b>920</b>	<b>107</b>	<b>2,891</b>	<b>762</b>
Acquisition of properties	-3,233	-2	-7,648	-2,097
Acquisition/Divestment of property, plant and equipment	-22	2	-41	-4
Purchase of financial investments	-102	-19	-145	-542
Acquisition of shares in associated companies	-51	-4	-493	-92
Investment in existing properties and projects	-311	-191	-1,843	-791
Acquisition of subsidiary <sup>1)</sup>	-	-1,676	-	-4,219
Transactions with non-controlling interests	-	-	-107	-
Sale of properties	650	3	1,651	1,606
Sale of financial investments	-	11	225	504
<b>Cash flow from investing activities</b>	<b>-3,069</b>	<b>-1,875</b>	<b>-8,401</b>	<b>-5,635</b>
Share issue, after issue costs	-	1,705	682	1,705
Share issue in subsidiary, non-controlling interest's part of the share issue in Sato Oyj	-	-	420	-
Dividend paid for preference shares	-50	-50	-200	-200
Dividend paid to non-controlling interests	-	-	-107	-
Loans raised	3,262	615	10,783	5,209
Amortisation/redemption of loans sold properties/changes in overdraft facilities	-1,403	-446	-5,401	-1,421
<b>Cash flow from financing activities</b>	<b>1,808</b>	<b>1,824</b>	<b>6,177</b>	<b>5,293</b>
<b>Cash flow for the period/year</b>	<b>-341</b>	<b>55</b>	<b>667</b>	<b>421</b>
Cash and cash equivalents at the start of the period/year	1,628	565	620	199
<b>Cash and cash equivalents at the end of the period/year</b>	<b>1,287</b>	<b>620</b>	<b>1,287</b>	<b>620</b>
Unutilised credit facilities	350	314	350	314
Financial investments	305	405	305	405

1) The item in 2015 represents a net outflow of cash for the acquisition of Sato Oyj.

## Segment information

SEKm	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
<b>Rental income</b>				
Helsinki	506	—	1,901	—
Stockholm	221	202	819	843
Gothenburg	280	241	1,030	938
Öresund	131	108	496	414
East	236	88	933	352
North	52	41	193	164
<b>Total</b>	<b>1,427</b>	<b>680</b>	<b>5,373</b>	<b>2,711</b>
<b>Net operating income</b>				
Helsinki	302	—	1,224	—
Stockholm	167	157	610	643
Gothenburg	223	171	743	650
Öresund	105	88	405	315
East	167	64	566	233
North	37	28	130	103
<b>Total</b>	<b>1,002</b>	<b>508</b>	<b>3,679</b>	<b>1,944</b>

The group's internal reporting of operations is divided into the above segments. Total net operating income corresponds with reported net operating income in the income statement. The difference between net operating income of SEK 3,679m (1,944) and profit before tax of SEK 7,643m (5,778) consists of changes in value of properties of SEK 4,932m (3,388), other income/costs SEK 17m (2), non-recurring items SEK 0m (9), management and administrative costs of SEK –488m (–185), participations in profits of associated companies of SEK 590m (831), net financial items of SEK –973m (–437) and changes in value of derivatives of SEK –114m (227).

SEKm	2016 31 Dec	2015 31 Dec
<b>Investment properties</b>		
Helsinki	24,393	19,595
Stockholm	15,797	13,550
Gothenburg	17,053	12,887
Öresund	10,368	6,581
East	11,021	9,085
North	3,086	2,178
<b>Total carrying amount excluding project</b>	<b>81,718</b>	<b>63,876</b>
Project	4,459	4,581
<b>Total carrying amount including project</b>	<b>86,177</b>	<b>68,456</b>

The carrying amounts of properties has during the year changed by investments, acquisitions, divestments and unrealised changes in value, with SEK 4,798m in Helsinki region, SEK 2,247m in the Stockholm region, SEK 4,166m in the Gothenburg region, SEK 3,787m in the Öresund region, SEK 908m in the North region and by SEK 1,936m in the East region. The group's projects has decreased by SEK 122m. Sato's property portfolio is divided between the regions Helsinki and East. The real estate holdings in Norway is classified in the North region.

## Key ratios including listed associated companies at market value

	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
<b>Share-related, ordinary shares <sup>1)</sup></b>				
Average number of shares, thousands	176,965	163,825	173,598	162,753
Profit after tax, SEK	14.05	14.99	30.38	28.98
Profit after tax excluding unrealised changes in value, SEK	2.68	3.01	9.37	10.00
Profit from property management before tax, SEK	3.39	2.64	11.89	9.71
Net operating income, SEK	4.62	3.10	17.02	11.94
Outstanding number of shares, thousands	180,000	172,397	180,000	172,397
Shareholders' equity, SEK	157.63	128.03	157.63	128.03
Long-term net asset value (EPRA NAV), SEK	198.49	159.14	198.49	159.14
Share price on the closing date, SEK	184.10	208.70	184.10	208.70
<b>Property-related</b>				
Rental value full-year, SEK/sq.m.	1,583	1,508	1,583	1,508
Rental income full-year, SEK/sq.m.	1,507	1,455	1,507	1,455
Economic occupancy rate, %	95	96	95	96
Surplus ratio, %	70	75	68	72
Carrying amount, SEK/sq.m.	21,473	18,622	21,473	18,622
Number of properties	1,220	1,177	1,220	1,177
Lettable area, sq.m. thousands	3,806	3,430	3,806	3,430
Profit from property management before tax, attributable to parent company shareholders, SEKm	650	482	2,265	1,780
<b>Financial</b>				
Return on equity, ordinary share, %	14.4	20.8	20.9	28.2
Return on total assets, %	6.9	7.3	9.9	10.5
Interest coverage ratio, times	3.8	5.6	3.7	5.1
Equity/assets ratio, %	38.3	37.8	38.3	37.8
Debt/equity ratio, times	1.3	1.4	1.3	1.4
Net debt to assets, %	50.0	51.6	50.0	51.6

## Key ratios excluding listed associated companies at market value

	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
<b>Share-related, ordinary shares <sup>1)</sup></b>				
Shareholders' equity, SEK	139.23	103.24	139.23	103.24
<b>Financial</b>				
Return on equity, ordinary share, %	16.8	25.1	24.6	32.3
Return on total assets, %	7.2	7.7	10.4	10.9
Equity/assets ratio, %	36.1	34.1	36.1	34.1
Debt/equity ratio, times	1.5	1.6	1.5	1.6
Net debt to assets, %	51.8	54.6	51.8	54.6

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

## Condensed parent company income statement

SEKm	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Net sales	66	45	209	147
Administrative expenses	-63	-51	-224	-167
<b>Operating profit</b>	<b>3</b>	<b>-6</b>	<b>-14</b>	<b>-20</b>
<b>Profit from financial items</b>				
Dividends from subsidiaries	-	-	1,430	800
Other net financial items	135	136	579	492
Changes in value of derivatives	299	185	-151	199
<b>Profit before appropriations and taxes</b>	<b>437</b>	<b>316</b>	<b>1,843</b>	<b>1,470</b>
<b>Appropriations</b>				
Group contributions paid	-568	-340	-568	-340
<b>Profit before tax</b>	<b>-131</b>	<b>-24</b>	<b>1,275</b>	<b>1,130</b>
Deferred tax	31	9	36	-69
<b>Net profit for the period/year <sup>1)</sup></b>	<b>-101</b>	<b>-16</b>	<b>1,311</b>	<b>1,061</b>

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

## Condensed parent company balance sheet

SEKm	2016 31 Dec	2015 31 Dec
<b>Assets</b>		
Property, plant and equipment	25	20
Financial non-current assets	5,087	3,537
Receivables from group companies	24,629	21,676
Current receivables	15	10
Cash and cash equivalents and financial investments	1,144	394
<b>Total assets</b>	<b>30,900</b>	<b>25,637</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	11,953	9,063
Interest-bearing liabilities	13,170	10,968
Liabilities to group companies	4,440	4,507
Derivatives	888	737
Other liabilities	449	363
<b>Total equity and liabilities</b>	<b>30,900</b>	<b>25,637</b>

# The share and owners

Balder's shares are listed on Nasdaq Stockholm, Large Cap segment. Balder has two listed classes of shares, an ordinary Class B share and a preference share, which pays a dividend of SEK 5 per quarter. The company's market capitalisation as of 31 December amounted to SEK 36,371m (39,099).

The principal owner in Fastighets AB Balder is Erik Selin Fastigheter AB, which owns 34.5 % (35.9) of the capital and 48.2 % (49.5) of the votes. Foreign ownership amounts to approximately 20 % (22) of outstanding ordinary shares.

## Ordinary shares

At the end of the period, approximately 14,000 shareholders (9,300) held ordinary shares. During the period, 90.2 million shares were traded (67.7) which corresponds to an average of about 357,000 shares per trading day (270,000). The annual turnover rate amounted to 52 % (42). The price of the ordinary share was SEK 184.10 (208.70) on 31 December, corresponding to a decrease of 11.8 % since year-end.

## Preference shares

At the end of the period, approximately 9,300 shareholders (8,700) held preference shares. During the year approximately 3.3 million shares were traded (3.3), which cor-

responds to an average of about 13,000 shares per trading day (13,000). The annual turnover rate amounted to 33 % (33). On 31 December, the share price of the preference share was SEK 323.30 (312.00), corresponding to a rise of 3.6 % since year-end and a total return of 10.0 % since year-end.

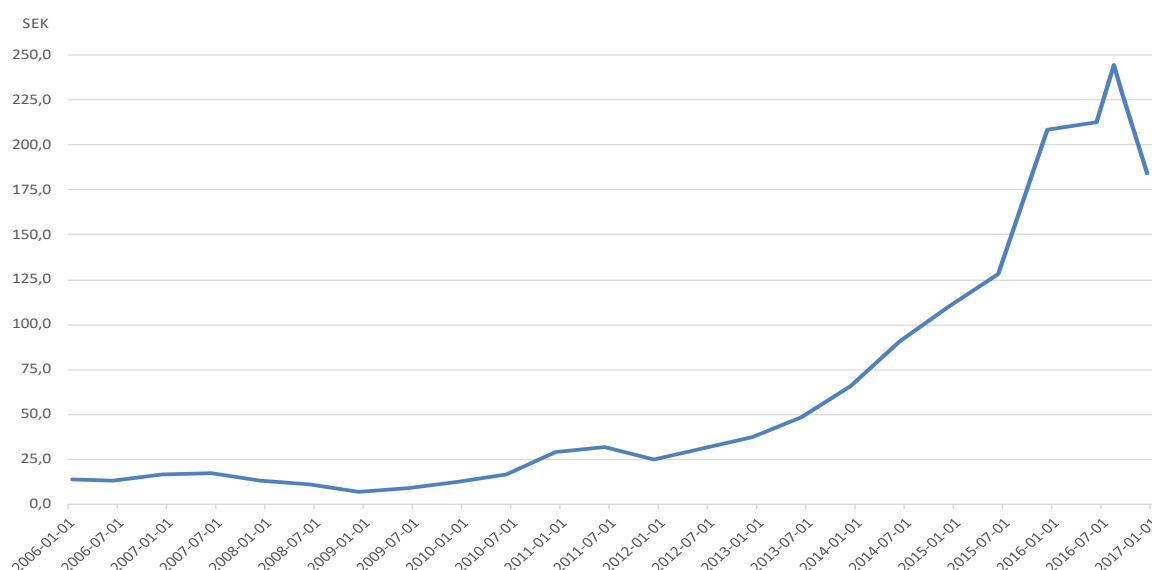
## Share capital

During September, Balder carried out a directed new issue of 3,000,633 ordinary shares, which brought in SEK 681m after issue costs. For existing shareholders, the new issue meant a dilutive effect of 1.7 % of the capital. During December Balder carried out a set off issue of 4,602,515 ordinary shares, which brought in SEK 1,099m after issue costs. For existing shareholders, the new issue meant a dilutive effect of 2.6 % of the capital. After the issues and as of 31 December, the share capital in Balder amounted to SEK 190,000,000 distributed among 190,000,000 shares. Each share has a quota value of SEK 1.00, where of 11,229,432 shares are of Class A, 168,770,568 of Class B and 10,000,000 preference shares. The total number of outstanding shares amounts to 190,000,000. Each Class A share carries one vote and each Class B share and preference share carries one tenth of one vote.

## EPRA key ratios

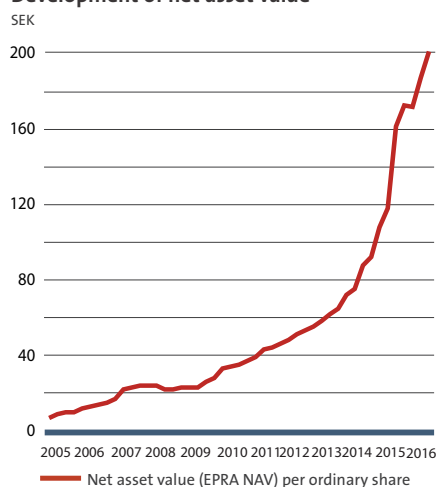
	2016 Jan-Dec	2015 Jan-Dec
EPRA NAV (Long-term net asset value), SEKm	35,728	27,436
EPRA NAV, SEK per share	198.49	159.14
EPRA Vacancy rate	5	4

## Share price

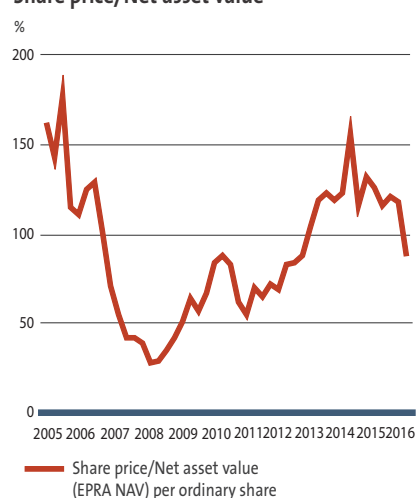




### Development of net asset value



### Share price/Net asset value



### Ownership list as of 2016-12-31

Owner	A ordinary shares	B ordinary shares	Preference shares	Total number of shares	Capital, %	Votes, %
Erik Selin via company	8,309,328	57,210,900	500	65,520,728	34.5	48.2
Arvid Svensson Invest AB	2,915,892	13,542,540	—	16,458,432	8.7	14.7
Swedbank Robur fonder	—	11,707,995	—	11,707,995	6.2	4.0
Länsförsäkringar fondförvaltning AB	—	7,571,909	—	7,571,909	4.0	2.6
JPM Chase	—	6,671,346	80,781	6,752,127	3.6	2.3
Handelsbanken Fonder AB	—	6,343,346	—	6,343,346	3.3	2.2
Anders Hedin Invest AB	—	5,000,000	—	5,000,000	2.6	1.7
SEB Investment Management	—	3,304,313	—	3,304,313	1.7	1.1
Lannebo fonder	—	2,950,000	—	2,950,000	1.6	1.0
CBNY Norges Bank	—	2,614,143	—	2,614,143	1.4	0.9
Other	4,212	51,854,076	9,918,719	61,777,007	32.5	21.2
<b>Total</b>	<b>11,229,432</b>	<b>168,770,568</b>	<b>10,000,000</b>	<b>190,000,000</b>	<b>100</b>	<b>100</b>

### Preference share calendar

Final day of trading incl. right to payment of dividend	6 April 2017
Record day for payment of dividend	10 April 2017
Expected day of payment from Euroclear	13 April 2017
Final day of trading incl. right to payment of dividend	6 July 2017
Record day for payment of dividend	10 July 2017
Expected day of payment from Euroclear	13 July 2017
Final day of trading incl. right to payment of dividend	6 October 2017
Record day for payment of dividend	10 October 2017
Expected day of payment from Euroclear	13 October 2017

# Definitions

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

## Financial

### Return on equity, ordinary share, %

Profit after tax reduced by preference share dividend for the period in relation to average equity after deduction of the preference capital. The values were converted to a full-year basis in the interim accounts without taking account of seasonal variations that normally arise in the operations with the exception of changes in value.

### Return on total assets, %

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

### Profit from property management before tax, SEKm <sup>2)</sup>

Profit before tax with reversal of changes in value and other income/costs. Reversal of changes in value and tax as regards participation in profits of associated companies also takes place.

### Net debt to assets, %

Interest-bearing liabilities less cash and cash equivalents and financial investments in relation to total assets.

### Interest coverage ratio, times

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

### Debt/equity ratio, times

Interest-bearing liabilities in relation to shareholders' equity.

### Equity/assets ratio, %

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

## Share related

### Equity per ordinary share, SEK

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

### Equity per preference share, SEK

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

### Profit from property management per ordinary share, SEK

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

### Average number of shares

The number of outstanding shares at the start of the period, adjusted by the number of shares issued during the period weighted by the number of days that the shares have been outstanding in relation to the total number of days during the year.

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

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

### Profit after tax per ordinary share, SEK

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

## Property related

### Yield, %

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

### Net operating income, SEKm

Rental income less property costs.

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

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

### Property category

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

### Property costs, SEKm

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

### Rental value, SEKm <sup>1)</sup>

Contracted rent and estimated market rent for vacant premises.

### Surplus ratio, %

Net operating income in relation to rental income.

1) The key ratio is operational and is not considered to be an alternative key ratio according to ESMA's guidelines.

2) When calculating profit from property management before tax attributable to parent company shareholders, the profit from property management is also reduced with the non-controlling interests' share.

The information in this report is such that Fastighets AB Balder (publ) is obliged to disclose according to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. This information has been published at 2.00 p.m. on February 22, 2017.

This report is a translation of the Swedish Interim Report January-December 2016. In the event of any disparities between this report and the Swedish version, the latter will have priority.

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### *Financial information*

Overall information about the company's operations, board of directors and management, financial reporting and press releases, may be found on Balder's website, [www.balder.se](http://www.balder.se).

### *Calendar*

Annual report 2016	Week 14, 2017
Annual General meeting	11 May 2017
Interim report Jan-Mar 2017	11 May 2017
Interim report Jan-June 2017	22 August 2017
Interim report Jan-Sep 2017	2 November 2017
Year-end report 2017	22 February 2018

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