

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer or the Joint Bookrunners (as defined below) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your representation: In order to be eligible to view the attached Prospectus or make an investment decision with respect to the securities being offered, prospective investors must be non-U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) located outside the United States. This Prospectus is being sent to you at your request, and by accessing this Prospectus you shall be deemed to have represented to Fastighets AB Balder (the "**Issuer**"), Deutsche Bank AG, London Branch, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ) (together the "**Joint Bookrunners**"), that (1) you are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S) and the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia, and (2) you consent to delivery of such Prospectus by electronic transmission.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus to any other person. This Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Prospectus may only be distributed to, and is directed at, (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), or (b) high-net-worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents.

The attached Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Bookrunners or any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.

Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this email is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PROSPECTUS DATED 5 SEPTEMBER 2017

FASTIGHETS AB BALDER

*(incorporated with limited liability under
the laws of Kingdom of Sweden)*

EUR 500,000,000
1.875 per cent. Notes due 2026

The issue price of the EUR 500,000,000 1.875 per cent. Notes due 2026 (the "**Notes**") of Fastighets AB Balder (the "**Issuer**") is 99.399 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount, together with accrued interest, on 23 January 2026 (the "**Maturity Date**"). The Notes are subject to redemption in whole at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxation in the Kingdom of Sweden. The Notes may also be redeemed at the option of the Issuer, in whole but not in part: (i) in the case of an Optional Redemption Notice (as defined below) which is dated before the date falling three (3) months prior to the Maturity Date of the Notes, at the Make-Whole Redemption Amount (as defined below) or; (ii) in the case of an Optional Redemption Notice which is dated on or after the date falling three (3) months prior to the Maturity Date, at 100 per cent. of their principal amount. In addition, the holder of a Note may, by the exercise of the relevant option, require the Issuer to redeem such Note at a price equal to 101 per cent. of its principal amount, together with accrued interest, on the relevant Put Option Redemption Date upon the occurrence of a Change of Control Event. See "*Terms and Conditions of the Notes—Redemption and Purchase*".

The Notes will bear interest from 7 September 2017 at the rate of 1.875 per cent. per annum payable annually in arrear on 23 January each year commencing on 23 January 2018 (the "**First Interest Payment Date**"). There will be a short first coupon payable on the First Interest Payment Date. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Sweden to the extent described under "*Terms and Conditions of the Notes—Taxation*".

This Prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as the competent authority under Directive 2003/71/EC (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to its official list (the "**Official List**") and to trading on its regulated market (the "**Main Securities Market**"). References in this Prospectus to the Notes being "**listed**" (and all related references) will mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Bookrunners (as defined in "**Subscription and Sale**") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in the denomination of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around 7 September 2017 (the "**Closing Date**") with a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to

non-U.S. beneficial ownership. Interest payments in respect of the Temporary Global Note cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of EUR 100,000 each and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes will be rated BBB (stable) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and Baa3 (positive) by Moody's Investors Service Ltd ("**Moody's**").

Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Ltd are established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and are included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on their website.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

GLOBAL COORDINATOR

DEUTSCHE BANK

JOINT BOOKRUNNERS

DEUTSCHE BANK

NORDEA

**HANDELSBANKEN
CAPITAL MARKETS**

SEB

5 September 2017

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

Information contained in this Prospectus under the headings "*Property Market Overview*" and "*Group Property Portfolio*" relating to, inter alia, the Nordic property market is derived from the sources set out therein. The Issuer does not accept any responsibility for the accuracy of such information, nor has the Issuer independently verified any such information. The Issuer confirms that this information has been accurately reproduced, and so far as the Issuer is aware and is able to ascertain from information available from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer has confirmed to the Joint Bookrunners named under "*Subscription and Sale*" below (the "**Joint Bookrunners**") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Bookrunners.

Neither the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes and should not be considered as a recommendation by the Issuer, the Joint Bookrunners or any of them that any recipient of this Prospectus should subscribe for or purchase any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**SEK**" or "**Swedish krona**" are to the lawful currency of the Kingdom of Sweden. References to "**billions**" are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of the Notes, Deutsche Bank AG, London Branch (the "Stabilising Manager(s)") (or persons acting on behalf of the Stabilising Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.

NON-IFRS MEASURES

In this Prospectus, the Issuer presents certain financial data and measures which are not calculated in accordance with IFRS, such as return on equity, ordinary share, net debt to total assets, and return on total assets. As used in the Prospectus, the following terms (together, the "**Non-IFRS Measures**") have the following meanings:

- "**Return on equity, ordinary share**" refers to profit after tax reduced by the 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**" refers to profit before tax with addition of net financial items in relation to the 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**" refers to 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 total assets**" refers to interest-bearing liabilities less cash and cash equivalents and financial investments in relation to total assets and cash equivalents and financial investments.
- "**Interest coverage ratio (times)**" refers to 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)**" refers to interest-bearing liabilities in relation to shareholders' equity.
- "**Equity/assets ratio (times)**" refers to shareholders' equity including minority in relation to the balance sheet total assets at the end of the period.

The Non-IFRS Measures are supplemental measures of the Issuer's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, the Non-IFRS Measures should not be considered as an alternative to income after taxes, income before taxes or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles, as an alternative to cash flow from operating, investing or financing activities or as a measure of liquidity.

The Issuer presents these Non-IFRS Measures mainly because it believes that, when considered in conjunction with related IFRS financial measures, these measures provide investors with important additional information to evaluate operating performance. The Issuer believes that the Non-IFRS Measures are useful to investors because these measures (i) provide investors with financial measures on which management bases financial, operational, compensation and planning decisions; and (ii) present measurements that investors and other interested parties in the industry have indicated to management are useful to them in assessing a company and its results of operations.

The Non-IFRS Measures presented in this Prospectus may not be comparable to other similarly titled measures of other companies. Non-IFRS Measures have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of the Issuer's results as reported under IFRS or pursuant to an IAS Limited Review as set out in the financial statements of the Issuer and no undue reliance should be placed on these Non-IFRS Measures. Some of these limitations related to Non-IFRS Measures are:

- they do not reflect the Issuer's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Issuer's working capital needs;

- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on the Issuer's debt;
- they do not reflect gains or losses in hedging or foreign exchange contracts;
- they do not reflect any cash income taxes that the Issuer may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in the Issuer's statements of cash flows;
- they do not reflect the impact of earnings or charges resulting from certain matters that the Issuer considers not to be indicative of its ongoing operations;
- assets are depreciated or amortised over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in the Issuer's industry may calculate these measures differently than it does, limiting their usefulness as comparative measures.

Because of these limitations, the Issuer's Non-IFRS Measures should not be considered as measures of discretionary cash available to the Issuer to invest in the growth of its business or as measures of cash that will be available to the Issuer to meet its obligations. You should compensate for these limitations by relying primarily on the Issuer's IFRS and IAS Limited Review results and using these Non-IFRS Measures only as supplemental means for evaluating its performance. Please see "*Financial Statements And Auditors' Reports*".

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OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the Financial Statements and Auditors' reports.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	Fastighets AB Balder
Joint Bookrunners:	Deutsche Bank AG, London Branch, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ)
Trustee:	Citicorp Trustee Company Limited
Principal Paying Agent:	Citibank, N.A., London Branch
The Notes:	EUR 500,000,000 1.875 per cent. Notes due 2026
Issue Price:	99.399 per cent. of the principal amount of the Notes.
Issue Date:	Expected to be on or about 7 September 2017
Maturity Date:	23 January 2026
Use of Proceeds:	The net proceeds of the Notes shall be used for the Issuer's general corporate purposes, including debt refinancing.
Interest:	The Notes will bear interest from 7 September 2017 at a rate of 1.875 per cent. per annum payable annually in arrear on 23 January in each year commencing 23 January 2018. There will be a short first coupon payable on the First Interest Payment Date.
Withholding Taxes:	All payment of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction has been required, in accordance with the Conditions.
Status:	The Notes are senior, unsubordinated, unconditional and unsecured obligations of the Issuer.
Form and Denomination:	The Notes will be issued in bearer form in the denomination of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof. The Notes will initially be represented by beneficial interests in the Temporary Global Note exchangeable for the Permanent Global Note which is exchanged for Definitive Notes in the limited circumstances specified in the Permanent Global Note.

The Temporary Global Note and the Permanent Global Note are

to be issued in new global note form.

Cross Default:	The Notes will have the benefit of a cross default clause. See Condition 9(e) (<i>Cross default</i>).
Covenants:	The Notes will have the benefit of a negative pledge and certain other covenants. See Condition 3 (<i>Covenants</i>).
Optional Redemption by Noteholders:	The Notes may be redeemed at the option of Noteholders if a Change of Control Event (as defined in the Conditions) occurs. See Condition 6(c) (<i>Redemption at the option of Noteholders (Put Option - Change of Control)</i>).
Issuer Call:	The Notes may be redeemed at the option of the Issuer, in whole but not in part: (i) in the case of an Optional Redemption Notice (as defined below) which is dated before the date falling three (3) months prior to the Maturity Date of the Notes at the Make-Whole Redemption Amount (as defined below), or (ii) in the case of an Optional Redemption Notice which is dated on or after the date falling three (3) months prior to the Maturity Date, at 100 per cent. of their principal amount. See Condition 6(d) (<i>Redemption at the option of the Issuer (Issuer Call)</i>).
Tax Redemption:	The Issuer may at its option redeem the Notes, in whole, but not in part, at their principal amount plus accrued interest in the event of certain changes affecting taxation in the Kingdom of Sweden.
Rating:	The Notes are expected to be rated Baa3 (positive) by Moody's and BBB (stable) by S&P.
Governing Law:	The Notes, the Trust Deed, the Agency Agreement and the Subscription Agreement will be governed by English law.
Listing and Trading:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to listing on the Official List and to trading on the Main Securities Market.
Clearing Systems:	Euroclear and Clearstream, Luxembourg
Selling Restrictions:	The offering and sale of Notes is subject to applicable laws and regulations involving, without limitation, those of the United States, the United Kingdom and the Kingdom of Sweden. See " <i>Subscription and Sale</i> ".
Risk Factors:	Investing in the Notes involves risks. See " <i>Risk Factors</i> ".
Financial Information:	See " <i>Description of the Issuer—Selected Financial Information</i> " and " <i>Financial Statements And Auditors' Reports</i> ".

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

Risks Relating to Macroeconomic Conditions

The on-going uncertainty and volatility in the financial markets and the state of the global economic recovery may adversely affect Balder's operations

Global financial markets continue to experience disruptions, including increased volatility and diminished liquidity and credit availability. Concerns about credit risk (including that of sovereigns) and the Eurozone crisis have increased recently, especially with the presence of significant sovereign debts and/or fiscal deficits in a number of European countries and the United States. This has raised concerns regarding the financial condition of financial institutions and other corporates located in these countries, having direct or indirect exposure to these countries, and/or whose banks, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which Balder operates and the businesses and economic condition and prospects of Balder's counterparties or customers, directly or indirectly, in ways which it is difficult to predict. The impact of these conditions could be detrimental to Balder and could adversely affect its business, results of operations, financial condition and/or prospects; its solvency and the solvency of its counterparties and customers; the value and liquidity of its assets and liabilities; the value and liquidity of the Notes and/or the ability of the Issuer to meet its obligations under the Notes and under its debt obligations more generally.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on European and global economic conditions, financial markets and our business

On 23 June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last up to two years after the United Kingdom government formally initiates a withdrawal process. The timing of this process has not yet been determined. The effects of the referendum will depend in part on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. The referendum has created significant uncertainty about the political and economic circumstances of the United Kingdom and the European Union. These developments have had and may continue to have an adverse effect on European and global economic or market conditions and the stability of European, foreign exchange and global financial markets, including the European markets served by Balder. Any of these factors, and others that cannot be anticipated, could depress economic activity and restrict Balder's access to capital, which could have a material adverse effect on its business, financial condition and results of operations, and reduce the price of its securities.

Negative economic developments and conditions in Scandinavia may affect Balder's operations and customers, as well as the prices of Balder's real property and tenant-owned apartments

The Swedish, Danish, Norwegian and Finnish economies have been adversely affected by the uncertain global economic and financial market conditions. An economic slowdown or a recession, regardless of its

depth, or any other negative economic developments in these principal countries of operation and involvement may affect Balder's business in a number of ways, including, among other things, the income, wealth, liquidity, business and/or financial condition of Balder, its customers and other business partners. Balder may not be able to utilise the opportunities created by the economic fluctuations, the value of the real property owned by Balder may decrease, and Balder may not be able to adapt to a long-term economic recession or stagnation. In particular, negative economic development may adversely affect the sales prices of Balder's tenant-owned apartments. Further, although historically economic slowdowns and recessions have increased the demand for rental apartments in these countries, there can be no assurance that Balder will not experience declines in the demand for rental apartments during periods of economic slowdown or recession. Balder may also experience increased defaults on rent payments as a result of negative economic developments in Sweden, Denmark, Norway and Finland. Materialisation of any of the above risks could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Risks Relating to Balder's Business Operations

Property valuation is subjective and uncertain to a certain extent

Although Balder's properties are internally revalued each calendar quarter based on methods that Balder's management believes to be generally accepted and used throughout the housing industry in Sweden, Denmark, Norway and Finland, and although Balder regularly allows parts of the portfolio to be externally valued, the appropriateness of sources of information used and the credibility of the valuations are, to a certain extent, subjective and, thus, subject to uncertainty. The three possible valuation methods that can be used are the sales comparison method, the acquisition cost method and the yield method. For valuations in Finland, all three methods are used, whereas in Denmark, Norway and Sweden, the yield method is used. Rental prices in the property portfolio are expected to follow inflation over time. Commercial leases include indexation, which means that rent increases at the same rate as the Consumer Price Index (the "CPI") during the leasing period. Residential properties have historically developed slightly above the CPI, but in its valuations, Balder has assumed that the rent develops in line with inflation.

Assumptions have also been made regarding future operating and maintenance payments. These assumptions are based on historic outcomes and future projections as well as estimated standardised costs. Operating and maintenance costs are adjusted upwards each year by inflation. Yield requirements and the cost of capital used in the valuation model 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. Housing valuations are based on historical Swedish, Danish and Finnish housing purchase price data and certain assumptions at a specified date. In the event of significant and rapid market changes, such historical data may not accurately reflect the current market value of Balder's properties. Furthermore, the assumptions may prove to be inaccurate, and adverse market changes since the date when such assumptions were made may cause significant declines in the value of Balder's properties. In addition, the use of different assumptions or valuation models would likely produce different valuation results.

As a result of the factors above, there can be no assurance that the valuations accurately reflect the current market value of Balder's properties and property-related assets as at the date of valuation or any other date. Incorrect assumptions or flawed assessments underlying the valuations, or materialisation of any of the above risks, could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Decreases in the occupancy rate and increases in the tenant turnover may weaken Balder's results

Balder's occupancy rate and tenant turnover depend on general economic factors and the level of new-build construction activity. The occupancy rate of Balder's properties has a significant impact on Balder's business. Balder aims to secure a high occupancy rate by, among other things, actively developing its property portfolio to meet the demand for residential and commercial premises. If the vacancy rate increases, Balder will lose rental income while having to cover the maintenance costs.

Tenant turnover is an integral part of the housing investment business, and results in costs to Balder, for example, related to the signing of rental agreements and minor renovations typically made in connection with a tenant moving out of the apartment. In recent years, Balder has tried to reduce tenant turnover in

Sweden, Denmark, Norway and Finland through, for example, repairs enhancing the attractiveness of the apartments that it owns.

The risk of large fluctuations in vacancies and loss of rental income increases in line with the number of large individual tenants a property company has. Balder's ten largest leases represent 5.6 per cent. of total rental income and their average lease term amounts to 11.5 years. No individual lease accounts for more than 0.8 per cent. of Balder's total rental income and no individual customer accounts for more than 4.4 per cent. of total rental income. However, 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. If Balder fails to maintain the occupancy rate at a satisfactory level or the tenant turnover of its apartments increases significantly, it could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Increasing refurbishment and maintenance costs may result in a decreased profit margin or increased rents and thus decreased demand for properties

Balder continuously carries out refurbishment and maintenance repairs in its properties, which mainly result from their condition and regulatory requirements for energy-efficiency. The costs related to the refurbishment and maintenance of properties are significant and relate mainly to plumbing, external walls and roofs, window and balcony renovations. Residential buildings must typically have their plumbing refurbished within certain time intervals, which usually covers renewal of both water and sewage pipes. External walls, roofs and balconies must also be renovated periodically.

Balder expects the cost for refurbishment and maintenance repairs in the future to remain at the present level in proportion to the size of Balder's property portfolio. However, increasing refurbishment and maintenance repair costs may arise, for example, from increasing legal requirements for energy-efficiency, and there can, therefore, be no assurance that the amount spent on refurbishment and maintenance repair by Balder could not significantly increase from the level currently expected by Balder.

If such risk materialises, the profit margin of Balder's properties may decrease or Balder may be required to increase rents, which may, in turn, result in a decreased demand for Balder's properties. As a result, Balder may not be able to fully pass on the costs of refurbishment and maintenance to its customers and Balder's investments in refurbishment and maintenance may not generate the expected return. Any of these risks could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Balder's property development and sales of tenant-owned apartments may give rise to liabilities that can have significant effects,

Balder's property development and sales of tenant-owned apartments may expose it to potential liabilities based on defects in the buildings, materials, design or the quality of the work. Standard form contracts that are used by construction designers limit the designer's liability to the value of the properties constructed, so Balder is liable for defects that exceed this amount. As a rule, standard terms are used also in the building agreements with construction companies, so Balder is liable to homebuyers for the defects caused by the construction companies if the construction companies are incapable of meeting their obligations, for example, due to insolvency. Materialisation of Balder's liabilities for construction defects, based on its own actions or based on the actions of the external designers or construction companies, could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Balder could fail in the management of its brand

Balder's success is partially dependent on the value of the Balder brand. Balder's brand holds a great significance for both its business operations and implementation of its strategies. The integrity of the Balder brand is important in all parts of the business (both for residential and commercial properties) and to Balder's business partners, such as municipalities, construction companies and lenders. In addition, corporate social responsibility is part of Balder's customary long-term activities. Negative publicity or negative customer experience could have an adverse effect on Balder's brand and its development. Should the Balder brand lose value, regaining any lost brand value might prove impossible or require incurrence of significant costs. This, in turn, could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

The Issuer is a holding company; it is reliant on dividend upstreaming

The Issuer is a holding company. As is common with property groups, its material assets are its shareholdings in its subsidiaries and its associated companies. The Issuer will use some of the proceeds of the sale of the Notes to repay certain of its own debts, and may on-lend proceeds under intercompany loans to its subsidiaries for them to repay or refinance certain of their indebtedness. Other than the receivables under intercompany loans and any other intra-group loans of proceeds made in connection with other financing transactions, the Issuer depends on distribution of dividends and other payments from its subsidiaries. In meeting its payment obligations under the Notes, the Issuer is dependent on the profitability and cash flow of its subsidiaries, whose ability to make dividend distributions may be subject to restrictions as a result of factors such as low profitability, restrictive covenants contained in loan agreements, foreign exchange limitations, regulatory, fiscal or other restrictions.

Loss of key personnel or failure in recruiting new key personnel may undermine Balder's operations

As at 30 June 2017, Balder employed 592 people. Balder's financial performance is dependent on the contribution of its key personnel. Key personnel include Balder's senior management and a number of other employees in key positions. Balder's success is, to a large extent, dependent on its ability to recruit, motivate and retain highly skilled staff at every level of its organisation. Balder may fail in retaining key personnel and recruiting skilled staff. Any loss of senior management or other employees with special expertise could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Erik Selin

The principal shareholder of Fastighets AB Balder is Erik Selin Fastigheter AB, which owns 34.5 per cent of the capital and 48.2 per cent. of votes. Erik Selin is the founder and CEO of Balder and controls 100 per cent. of Erik Selin Fastigheter AB. Erik Selin Fastigheter AB may, therefore, be able to prevent or delay a change of control, or take other actions that may be contrary to the interests of Balder's other shareholders. Further, the personal connections and business relationships of Erik Selin are important to the conduct of Balder's business. While Balder has an employment contract with Erik Selin, no assurance can be given that he will continue to make his services available to Balder indefinitely. The Issuer does not maintain any 'key-man' insurance on Erik Selin.

Variations in supply and demand on the housing market and the market for commercial premises may affect the value of properties and rental levels

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

The housing market is sensitive to fluctuations in supply and demand. Housing prices in Scandinavia have historically followed macroeconomic development in a cyclical manner, while the demand for rental apartments has historically been countercyclical. The value of properties and rental levels are affected by a number of factors, including events related to domestic and international politics, interest rates, economic growth, the availability of credit and taxation. Changes in supply and demand on the property market of specific areas in Sweden, Denmark, Norway and Finland, resulting from new construction, investor supply and demand and other factors, may also materially affect the values of properties regardless of the overall development in the Swedish, Danish, Norwegian and Finnish housing markets.

In addition, an oversupply of rental apartments or commercial premises could lead to rent decreases, which could have an adverse effect on Balder's rental income. A decrease in the prices of apartments and commercial properties is likely to have a direct impact on the fair value of Balder's property portfolio. The required return may increase in the future, which could lead to a reduction in the value of Balder's property portfolio.

Materialisation of any of the above risks could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Decrease in fair value of Balder's properties may result in revaluation losses

Any change in the fair value of Balder's properties is recorded in the income statement for the period during which the revaluation of Balder's properties occurs. Fair value of investment properties represents the price in local primary market taking into account the condition and location of the property. Decreases in the fair value of Balder's properties could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects. In addition, decreases in the fair value of Balder's properties would have negative effects on Balder's performance indicators, particularly the net asset value, which could have a negative influence on the rating of the Issuer.

Changes in legislation may adversely affect the value of Balder's properties or results, increase its expenses and/or slow or halt the development of investments

Balder must comply with a wide variety of laws, regulations and provisions, including urban planning regulations, construction and operating permits, health, safety, environmental, competition and labour laws, laws relating to rent levels and the rights of tenants as well as corporate, accounting and tax laws. Changes in such laws, regulations and provisions or their interpretations could require Balder to adapt its business operations, assets or strategy, potentially leading to a negative impact on the value of its properties or its results, an increase in its expenses and/or slowing or even halting of the development of certain investments. In particular, requirements for energy efficiency have become more stringent in recent years, which results, among other things, in increased construction prices.

Further, in the case of properties in Finland, if the Finnish housing allowance paid by the Social Insurance Institute of Finland (KELA) was decreased or removed entirely, this would adversely affect, among other things, the liquidity of approximately one-third of Balder's tenants and, as a result, may decrease Balder's rental income.

Materialisation of any of the above risks could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Balder is subject to possible future changes in tax laws and regulations

Tax laws and regulations or their interpretation and application practices may be subject to change in the countries in which Balder operates, namely, Sweden, Denmark, Norway and Finland. Historically, Balder has used tax optimisation arrangements, such as utilising tax losses from companies it purchases for this purpose, to reduce its tax burden; however there can be no assurance that Balder will continue to rely on tax losses carried forward as there can be changes in tax laws and regulation. This would mean that Balder would be liable to pay tax which could have a material adverse effect on Balder's business, financial condition and cash flow.

The current Swedish rules on deductibility of interest expenses are under review and future deductibility is uncertain. In June 2017, the government presented a proposal including two possible methods to limit interest deductions, either an EBIT-rule (35 per cent. limit) or an EBITDA-rule (25 per cent. limit). The government also proposed that corporate income tax should be lowered from the current rate of 22 per cent. to 20 per cent.. Furthermore, a temporary limitation in the deduction of losses carried forward was proposed. The proposal will most likely be referred to the parliament for approval later this year. If new rules are introduced, they may limit Balder's ability to obtain tax deductions in this respect.

Furthermore, in March 2017, a governmental committee presented a proposal regarding a new system of taxation of real estate in Sweden. According to the proposal, the real estate sector may have to pay corporate income tax (corporate tax is currently 22 per cent.) from 1 July 2018 (pending approval by the Swedish parliament) and stamp duty of approximately 2.0 per cent. on the sale of shares in companies holding real estate (which is tax exempt according to existing rules). However, the proposal has been subject to significant criticism and it is uncertain whether the proposal will be referred to the parliament in its current form.

Materialisation of any of the above risks could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Legal or regulatory proceedings or claims could have a material adverse effect on Balder

Balder may become involved in, or a subject of, legal or regulatory proceedings or claims relating to its operations. It is inherently difficult to predict the outcome of legal, regulatory and other adversarial

proceedings or claims, and there can be no assurance as to the outcome of such proceedings or claims, whether existing or arising in the future. In the normal course of its business operations, Balder could be involved in legal proceedings relating, for example, to alleged breaches of contract by Balder and employers' liabilities and be subject to tax and administrative audits. Any unfavourable judgment against Balder in relation to any legal or regulatory proceedings or claims, or the settlement thereof, could have a material adverse effect on its business, financial condition, results of operations and future prospects. For information on Balder's ongoing legal proceedings, see "*Litigation*".

State subsidies in Finland result in extensive regulation and supervision, and new or stricter restrictions may be imposed

Approximately 7.1 per cent. (measured by value) of Balder's property portfolio is held by Balder's indirect subsidiaries in Finland (via SATO Corporation) in so-called Generally Non-profit Companies or Financially Non-profit Companies and, therefore, subject to extensive regulation and supervision by the Finnish housing authorities. Due to numerous amendments, the Finnish legislation regarding state-subsidised properties has become very complex and, therefore, difficult to manage, and it often allows for various interpretations. Balder is subject to the risk that new laws or regulations will be adopted, which could, for example, increase or tighten the restrictions on the appropriation of profits and/or ownership applicable to such properties. Furthermore, amendments to the legislation governing state-subsidised loans may be enacted retro-actively and may affect such loans that have already been granted and affect the operations of the owner-entity. Materialisation of any of the above risks could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Apartment renting and construction are highly competitive businesses

Renting apartments and constructing tenant-owned apartments is a highly competitive business in Sweden, Denmark, Norway and Finland. Balder's main competitors in the rental apartments business are private households, municipalities, parishes, foundations and corporate investors. In the construction of tenant-owned apartments, Balder's main competitors are construction firms and other property development companies. The competition for attractive plots has led to a steep increase in plot prices. Furthermore, an upward trend in construction usually increases construction prices, which, in turn, decreases the profitability of construction projects and delays the commencement of new projects. There can be no assurance that Balder can meet the intensifying competition on the apartment renting and the tenant-owned apartment markets. Increasing competition could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Balder's operations may contaminate the environment

Balder must comply with all local regulations in relation to the environment and health and safety in respect of its properties. The main environmental impacts caused by Balder's operations relate to contaminated soil. Soil contamination can cause substantial delays and increase the cost of construction projects (including new construction as well as conversions and extensions).

As the owner of the properties and land, Balder can be held liable for deterioration, damage, encumbrance or other hazardous causes originating from the operation of the properties. Any such event or material decrease in the value of the properties not known or not recognisable at the time of the purchase or occurring at a later date, could have a material adverse effect on Balder.

Balder has established an environmental policy and works actively to address environmental issues. Under Swedish, Danish, Norwegian and Finnish legislation, the party conducting an activity which has contributed to pollution is also responsible for treating it. If the party conducting the activity cannot carry out or pay for the treatment of a property, and the party acquiring the property was aware of, or should have discovered the pollution, then the acquirer is responsible. The costs of any removal or clean up that may be necessary of any deterioration, contamination, damage, encumbrance or hazardous materials may be higher than anticipated by Balder. Failure to comply with environmental regulations, or the need to comply with stricter new environmental regulations that may be introduced, could lead to higher costs or hinder the development of Balder's operations. There can be no assurance that Balder could not become liable for material environmental damage or other environmental liabilities in the future. Materialisation of any of the above risks could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Potential illiquidity of the property market could make it difficult for Balder to dispose of properties

In accordance with its strategy, Balder makes selective divestments of properties. Such divestments may be affected by many factors beyond Balder's control, such as the availability of bank financing to potential buyers, interest rates and the supply of and demand for properties. A possible lack of liquidity in the property market may limit Balder's ability to sell its properties or modify its property portfolio in a timely manner in response to changes in economic or other conditions. Should Balder be required to divest part of its properties due to, for example, its inability to obtain financing, there can be no assurance that such divestments will be profitable or that such divestments will be possible at all, if the market functions inadequately or is illiquid. Unsuccessful divestments of properties could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

System malfunctions in Balder's operations may decrease the efficiency and/or profitability of Balder's operations

Balder's operations are dependent on information systems and on its ability to operate such information systems efficiently and to introduce new technologies, systems and safety and back-up systems. Such information systems include telecommunication systems as well as software applications that Balder uses to control business operations, manage its property portfolio and risks, prepare operating and financial reports and to execute treasury operations. The operation of Balder's information systems may be interrupted due to, among other things, power cuts, computer or telecommunication malfunctions, computer viruses, defaults by IT suppliers, crime targeted at information systems, such as security breaches and cyber-attacks from unauthorised persons outside and inside Balder, or major disasters, such as fires or natural disasters, as well as human error by Balder's own staff. Material interruptions or serious malfunctions in the operation of the information systems may impair and weaken Balder's business, financial condition and the profitability of its operations. Balder may also face difficulties when developing new systems and maintaining or updating current systems in order to maintain its competitiveness. In particular, malfunctions in its IT systems could delay Balder in issuing rental invoices to its customers and/or prevent Balder from renting available apartments. Materialisation of any of the above risks could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Balder could incur losses not covered by, or exceeding the coverage limits of, its insurance

Actual losses suffered by Balder could exceed its insurance coverage and could be material. The realisation of one or more damaging events for which Balder has no insurance coverage or for which Balder's insurance coverage is insufficient could have a material adverse effect on Balder's business, financial condition and results of operations.

Interests of the Issuer's shareholders may conflict with those of the holders of the Notes

The interests of the Issuer's shareholders, in certain circumstances, may conflict with those of the holders of the Notes (the "Noteholders"), particularly if the Issuer encounters financial difficulties or is unable to pay its debts when due. In addition, the Issuer's shareholders may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to the Noteholders. Any of these actions could have an adverse effect on Balder's business, financial condition, results of operations and future prospects.

Financial Risks

Balder may not receive financing at competitive terms or at all and may fail in repaying/refinancing its existing debt

Uncertainty in the financial markets or tightening regulation of banks could mean that the price of financing needed to carry out Balder's business, in particular its growth strategy, will increase and that such financing will be less readily available. As a result of Balder's intentions to raise additional debt from the capital markets, Balder is exposed to future adverse changes in those markets. The level of Balder's leverage may also affect its ability to refinance its existing debt, which, in turn, could also affect its competitiveness and limit its ability to react to market conditions and economic downturns.

Balder's target equity/assets ratio is at least 35 per cent. calculated on the basis of the fair value of its properties. As at 30 June 2017, Balder's equity ratio was approximately 40 per cent. based on the fair value of the properties. Balder conducts continual discussions with banks and credit institutions aimed at securing its long-term financing. Balder cooperates closely with a handful of lenders in order to secure the company's long-term capital requirements. However, no assurance can be given that Balder may not have difficulty in raising new debt, repaying its existing debt or fulfilling its equity ratio target in the future. Any failure to repay the principal or pay interest in respect of Balder's existing debt, the inability to refinance existing debt, or to raise new debt at corresponding or more favourable financial and other terms than currently in force, could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Balder is dependent on its current long-term credit rating to pursue its financing strategy

Balder intends to raise additional debt from the capital markets in the future. To facilitate the issuance of unsecured bonds and notes, the Issuer sought and obtained a long-term issuer credit rating of "Baa3" from Moody's and a long-term issuer credit rating of "BBB" from S&P. If the Issuer's long-term credit ratings were to be downgraded, future issuances of unsecured bonds and notes may become significantly more expensive or may not be possible in the targeted amounts. Moody's and/or S&P could downgrade the Issuer's long-term issuer credit rating if, for example, the value of the Issuer's unencumbered assets were not to reach certain levels, or the Issuer's effective leverage (adjusted total debt divided by total assets) or fixed charge cover ratios were to exceed certain levels, both on a sustainable basis, or the Issuer was unable to maintain an adequate liquidity profile at all times. If any of the risks described above were to materialise, it would be more difficult for Balder to pursue its current financing strategy, which could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Balder's financings/insurance arrangements involve counterparty risk

Nordic financial institutions are counterparties to Balder's long-term bank loans and insurance arrangements. During the financial crisis, many banks and insurance companies in the United States and Europe experienced financial difficulties, resulting in numerous mergers, acquisitions and bankruptcies among financial institutions, including the government takeover of certain financial institutions. Balder's principal counterparties in financing transactions are Nordic financial institutions which have avoided serious financial problems. However, there is no assurance that Balder's financing or insurance counterparties will not experience any financial difficulties in the future. If Balder's counterparties were to experience financial difficulties it could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Fluctuations in interest rates may adversely affect Balder's business

Interest rate fluctuations affect Balder's profit through changes in interest expenses and the market values of interest rate hedging. As at 30 June 2017, approximately 64 per cent. of Balder's loans were fixed interest rate loans or floating rate loans hedged with interest rate derivatives. Despite the relatively high hedging level, the positions are not completely hedged. Further, fluctuations in interest rates may affect the rental apartment business and the valuation of properties. Although a significant increase in interest rates may considerably affect house owners' ability to pay interest on housing loans, it may also affect private consumption and decrease the value of properties. In addition, an increase in the interest rates could have a material adverse effect on the cost of financing and Balder's current financing expenses. There can be no assurance that Balder could not fail in managing its interest rate risk properly. This could, in turn, have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Fluctuations in currency exchange rates may adversely affect Balder's profit and property value

Balder is exposed to indirect foreign exchange translation risk due to its investment in Denmark, Norway and Finland through SATO (and more indirectly through the valuation of SATO's Russian properties). Balder's most significant exchange rate risk relates currently to euro-denominated rental income, maintenance costs and property valuation. Balder's reporting currency is Swedish Krona, and all balance sheet items for foreign properties as well as all income and expenses generated by them are converted to Swedish Krona. Materialisation of the translation risk could have a material adverse effect on Balder's business, financial condition, results of operations and future prospects.

Balder's historical earnings and other historical financial data are not necessarily predictive of earnings or other key financial figures of Balder going forward

The financial information provided for and discussed in this Prospectus and the financial statements of Balder included in this Prospectus relate to its past performance of the Issuer and the Group. The future development of Balder could deviate significantly from past results due to a large number of internal and external factors. The historical earnings, historical dividends and other historical financial data of the Group are, therefore, not necessarily predictive of earnings or other key financial figures for Balder going forward.

Risk Relating to the Notes

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (iv) understand thoroughly the terms of the Notes; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The claims of holders of the Notes are structurally subordinated

As is usual for property companies, Balder's operations are principally conducted through subsidiaries. Accordingly, Balder is, and will be, dependent on its subsidiaries' operations to service its payment obligations in respect of the Notes. The Notes are structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of Balder's subsidiaries (for example, holders of SATO's EUR 300,000,000 2.375 per cent. guaranteed Notes due 2021), and structurally and/or effectively subordinated to the extent of the value of collateral to all Balder's and its subsidiaries' secured creditors. The Notes are not guaranteed by any of Balder's subsidiaries or any other company or person. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any of the Issuer's subsidiaries, unsecured creditors of such subsidiaries, secured creditors and obligations that may be preferred by provisions of law that are mandatory and of general application generally will have the right to be paid in full before any distribution is made to Balder. As at 30 June 2017, the book value of interest-bearing debt of the Group was SEK 50,904 million of which SEK 31,371 million represents interest-bearing liabilities of the Issuer's subsidiaries which corresponds to 62 per cent. of the Group's total interest-bearing liabilities.

The Notes will be effectively subordinated to any of the Issuer's existing secured and future secured indebtedness

The Notes are unsecured obligations of the Issuer. As at 30 June 2017, the Issuer had approximately SEK 28,400 million of secured external interest-bearing indebtedness outstanding at book value, representing 56 per cent. of their total external interest-bearing liabilities. The Notes are, therefore, effectively

subordinated to the Issuer's existing secured indebtedness and future secured indebtedness. Accordingly, holders of the Issuer's secured indebtedness will have claims that are superior to the claims of Noteholders to the extent of the value of the assets securing such other indebtedness. In the event of a bankruptcy, liquidation or dissolution of the Issuer, the assets that serve as collateral for any secured indebtedness of the Issuer would be available to satisfy the obligations under the secured indebtedness before any payments are made on the Notes. Other than as set out in Condition 3(a) (*Negative Pledge*) and Condition 3(b)(i) (*Limitations on the Incurrence of Financial Indebtedness*), the Conditions do not prohibit the Issuer from incurring and securing future indebtedness. To the extent that the Issuer were to secure any of its or their future indebtedness, to the extent not required to secure the Notes in accordance with the terms of the Trust Deed governing the Notes, the Issuer's obligations, in respect of the Notes, would be effectively subordinated to such secured indebtedness to the extent of the value of the security securing such indebtedness.

Modification, waivers, substitution of Issuer

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed or determine, without the consent of the Noteholders, that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such in the circumstances described in Condition 13 (*Meetings of Noteholders; Modification and Waiver; Substitution*) of the Notes. The Conditions provide that the Trustee may, without the consent of the Noteholders agree to the substitution of any Subsidiary of the Issuer as the principal debtor in relation to the Trust Deed and the Notes, all in the circumstances described in the Trust Deed and the Conditions of the Notes.

An active trading market for the Notes may not develop

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes. Application has been made for the listing of the Notes on the Official List and for their admission to trading on the regulated market of the Irish Stock Exchange. There can be no assurance that either such listing or admission to trading will be obtained or, if such listing or admission to trading is obtained, that an active trading market will develop or be sustained. In addition, the liquidity of any market for the Notes will depend on the number of Noteholders, the interest of securities dealers in making a market in the Notes and other factors. Accordingly, there can be no assurance as to the development or liquidity of any market for the Notes.

Redemption prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes as a result of any change in, or amendment to, the laws or regulations of Sweden or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 5 September 2017 (as more fully set out in Condition 6(b) (*Redemption for Taxation Reasons*)), the Issuer may redeem all outstanding Notes in accordance with the Conditions.

The Notes are also redeemable at the Issuer's option (as more fully set out in Condition 6(d) (*Redemption at the option of the Issuer (Issuer Call)*)), and the Issuer may choose to redeem the Notes at a time when the prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

In addition, the Notes are redeemable in certain other circumstances by Noteholders, such as on the occurrence of a Change of Control Event (as more fully set out in Condition 6(c) (*Redemption at the option of the Noteholders (Put Option – Change of Control)*)). Exercise of such an applicable put option may affect the liquidity of such Notes in respect of which such option is not exercised. Depending on the

number of Notes in respect of which the put option is exercised, any trading market for the Notes in respect of which such put option is not exercised may become illiquid. In addition, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Global Notes. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Notes, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Notes by making payments to the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the Notes, but will have to rely upon their rights under the Trust Deed.

Minimum Denomination

As the Notes have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of EUR 100,000 (or its equivalent) that are not integral multiples of EUR 100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination.

Changes in laws or administrative practices could entail risks.

The Notes are governed by the laws of England in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or administrative practice after the date of this Prospectus. Furthermore, the Issuer and the Group operate in a heavily regulated environment and have to comply with regulations in a number of jurisdictions including Sweden, Denmark, Norway and Finland. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices of Sweden, Denmark, Norway or Finland after the date of this Prospectus.

Compliance with sanctions may prevent the Issuer from performing its obligations under the Notes.

The Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Departments of State or Commerce, the EU, Her Majesty's Treasury and/or other governmental, regulatory or law enforcement agency have imposed or may impose economic sanctions against governments, governmental authorities, other legal entities or private individuals. Any sanctioned persons, including holders of the Notes (if any), may not have the benefit of legal protections that would be available to non-sanctioned persons.

The Notes bear a fixed interest rate.

The Notes bear interest on their outstanding principal amount at a fixed interest rate. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security could fall as a result of changes in the market interest rate. While the nominal compensation rate of a security with a fixed

interest rate is fixed during the life of such security or during a certain period of time, current interest rates on capital markets (market interest rates) typically change continuously. In case market interest rates increase, the market price of such a security typically falls until the yield of such security is approximately equal to the market interest rates. If market interest rates fall, the price of a security with a fixed interest rate typically increases until the yield of such a security is approximately equal to market interest rates. Consequently, the Noteholders should be aware that movements of market interest rates may result in a material decline in the market price of the Notes and may lead to losses for the Noteholders if they sell the Notes.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of the Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's results of operations, prospects or financial condition. Factors including increased competition or the Issuer's operating results, the regulatory environment, general market conditions, natural disasters, terrorist attacks and war may have an adverse effect on the market price of the Notes.

Risks Related to the Market Generally

Established trading market for the Notes may not develop

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls exist to the extent payments in respect of the Notes are made in a currency other than the currency in which an investor's activities are denominated.

The Issuer will pay principal and interest on the Notes in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than in euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euros or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euros would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. Changes in market interest rates may adversely affect the value of the Notes. Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes, since the Notes have a fixed rate of interest and prevailing interest rates in the future may be higher than that fixed rate of interest.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

The Issuer's credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market

value of the Notes. One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure and marketing of the Notes and additional factors discussed in this Prospectus or any other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be reduced, suspended or withdrawn by the rating agency at any time. See also "*Financial Risks—The Issuer is dependent on its current long-term credit rating to pursue its financing strategy*" above. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Note in definitive form (if issued):

The EUR 500,000,000 1.875 per cent. Notes due 2026 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (*Further issues*) and forming a single series therewith) of Fastighets AB Balder (the "**Issuer**") are subject to, and have the benefit of, a trust deed dated 7 September 2017 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of a paying agency agreement dated 7 September 2017 (as amended or supplemented from time to time, the "**Paying Agency Agreement**") between the Issuer, Citibank, N.A., London Branch, as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and the Trustee. Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the Specified Office (as defined in the Paying Agency Agreement) of the Principal Paying Agent. Any capitalised terms not defined herein shall be given the meaning attributed in the Trust Deed.

1. **Form, Denomination and Title**

The Notes are serially numbered and in bearer form in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

2. **Status**

The Notes constitute direct, general, unsecured (subject to Condition 3(a) (*Negative Pledge*)), unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. **Covenants**

(a) ***Negative Pledge***

So long as any Note remains outstanding (as defined in the Trust Deed) the Issuer shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

(b) ***Financial Covenants***

(i) ***Limitations on the Incurrence of Financial Indebtedness:*** So long as any Note remains outstanding the Issuer will not, and will not permit any Subsidiary to

incur directly or indirectly, any Financial Indebtedness or any Guarantee of any Financial Indebtedness (excluding for the purposes of this Condition 3(b)(i) (*Limitations on the Incurrence of Financial Indebtedness*) Permitted Refinancing Indebtedness) if, on the date of such incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds) the Consolidated Solvency Ratio would exceed 65 per cent.;

- (ii) *Maintenance of the Consolidated Coverage Ratio*: So long as any Note remains outstanding the Issuer undertakes that on each Testing Date the Consolidated Coverage Ratio is not less than 1.8:1; and
- (iii) *Limitations on the Incurrence of Secured Indebtedness*: So long as any Note remains outstanding the Issuer will not, and will not permit any Subsidiary to incur directly or indirectly, any Secured Indebtedness (excluding for the purposes of this Condition 3(b) any Permitted Refinancing Indebtedness relating to the same previously secured assets) if, on the date of such incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds) the total value of Secured Indebtedness would exceed 45 per cent. of Consolidated Total Assets.

The Issuer will promptly notify the Trustee in accordance with the Trust Deed in the event that any of the covenants in this Condition 3(b) are breached at any time.

(c) ***Certificates:***

So long as any Note remains outstanding the Issuer will deliver a certificate to the Trustee within three days of each Reporting Date signed by two Authorised Signatories of the Issuer certifying that as at the most recent Testing Date the Issuer was in compliance with the undertakings set out in Condition 3(b) (*Financial Covenants*).

Any certificate addressed to the Trustee by two Authorised Signatories of the Issuer as to any of the amounts of any defined term or figure referred to in Condition 3(b) (*Financial Covenants*) (unless expressly stated otherwise) may, in the absence of manifest error, be relied upon by the Trustee, and shall be conclusive and binding on the Issuer and Noteholders.

- (d) ***Insurance:*** So long as any Note remains outstanding the Issuer shall, and shall procure that each member of the Group shall, maintain insurance with insurers of good standing on and in relation to its business and assets against those risks and to the extent as is prudent for companies located in the same or similar locations carrying on the same or substantially the same business carried on by it.
- (e) ***Notification of Default:*** So long as any Note remains outstanding the Issuer shall notify the Trustee in writing of any Event of Default or Potential Event of Default (as defined in the Trust Deed) (and the steps, if any, being taken to remedy it) forthwith upon becoming aware of its occurrence.

4. **Definitions**

For the purposes of these Conditions:

"**Authorised Signatory**" means any director or any other person or persons notified to the Trustee by any director as being an Authorised Signatory pursuant to Clause 6.16 of the Trust Deed;

"**Change of Control**" occurs when a person or persons, acting together, acquire (i) the beneficial ownership (directly or indirectly) of more than 50 per cent. of the total voting rights represented by shares of the Issuer, or (ii) the power to appoint or remove the majority of the members of the board of directors of the Issuer;

"**Change of Control Event**" has the meaning ascribed to it in Condition 6(c) (*Redemption at the option of Noteholders (Put Option - Change of Control)*);

"**Change of Control Notice**" has the meaning ascribed to it in Condition 6(c) (*Redemption at the option of Noteholders (Put Option - Change of Control)*);

"**Change of Control Period**" means the period (i) commencing on the date that is the earlier of (A) the date of the first public announcement of the relevant Change of Control and (B) the date of the earliest Potential Change of Control Announcement (as defined below), if any, and (ii) ending on the date which is the 120th day after the date of the first public announcement of the relevant Change of Control (such 120th day, the "**Initial Longstop Date**"); **provided that**, unless any other Rating Agency has on or prior to the Initial Longstop Date effected a Rating Downgrade in respect of its rating of the Issuer, if a Rating Agency publicly announces, at any time during the period commencing on the date which is 60 days prior to the Initial Longstop Date and ending on the Initial Longstop Date, that it has placed its rating of the Issuer under consideration for rating review either entirely or partially as a result of the relevant public announcement of the Change of Control or Potential Change of Control Announcement, the Change of Control Period shall be extended to the date which falls 90 days after the date of such public announcement by such Rating Agency;

"**Consolidated Adjusted EBITDA**" means, in respect of any Testing Date, the number set out under the heading "**Profit before Tax**" (or any equivalent line item) in the Consolidated Financial Statements of the Group, from which should be deducted items (a) to (e) below:

- (a) the number set out under the heading "Changes in value of properties, realised" (or any equivalent line item) in the Consolidated Financial Statements of the Group;
- (b) the number set out under the heading "Changes in value of properties, unrealised" (or any equivalent line item) in the Consolidated Financial Statements of the Group;
- (c) the number set out under the heading "Changes in value of derivatives" (or any equivalent line item) in the Consolidated Financial Statements of the Group;
- (d) the number set out under the heading "Participations in the profits of associated companies" (or any equivalent line item) in the Consolidated Financial Statements of the Group;
- (e) the number set out under the heading " Net financial items" (or equivalent line item) in the Consolidated Financial Statements of the Group;

and the following item (f) should be added:

- (f) the amount for "*including profit from property management from Balder's participation in associated companies*" (or any equivalent item) as referred to in the Consolidated Financial Statements of the Group (if any);

"**Consolidated Coverage Ratio**" means, in respect of any Testing Date, the ratio of (i) the aggregate amount of Consolidated Adjusted EBITDA to (ii) the aggregate amount of Net Interest Charges;

"**Consolidated Financial Statements of the Group**" means the consolidated financial statements and notes to those financial statements of the Group prepared in accordance with IFRS and adjusted for Listed Associated Companies to market value as reflected under "*consolidated statement of financial position including listed associated companies at market value*" in the annual or relevant interim reports of the Group;

"**Consolidated Solvency Ratio**" means (i) the Financial Indebtedness (less cash and cash equivalents; divided by (ii) Consolidated Total Assets, in each case as set out in the most recent Consolidated Financial Statements of the Group;

"**Consolidated Total Assets**" means the value of the consolidated total assets of the Group, as reflected in the most recent annual or relevant interim Consolidated Financial Statements of the Group;

"continuing" for the purposes of Condition 9 (*Events of Default*) is an Event of Default that has not been waived or remedied;

"Financial Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (e) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (f) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and
- (g) any amount raised by the issue of redeemable shares (including but not limited to redeemable preference shares), which are classified as borrowings under IFRS;

"Fitch" means Fitch Ratings Ltd;

"Group" means the Issuer and its respective Subsidiaries taken as a whole;

"Guarantee" means, in relation to any Financial Indebtedness of any Person, any obligation of another Person to pay such Financial Indebtedness including (without limitation):

- (a) any obligation to purchase such Financial Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and
- (d) any other agreement to be responsible for such Financial Indebtedness;

"IFRS" means International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time);

"Investment Grade Rating Change" means if any rating previously assigned to the Issuer by any Rating Agency is changed from an investment grade rating (being at least Baa3 by Moody's, BBB- by Fitch or BBB- by S&P) to a non-investment grade rating (being Ba1 or lower by Moody's, or BB+ or lower by Fitch or BB+ or lower by S&P);

"Listed Associated Companies" means the companies in which the Issuer has a minority (less than 50 per cent.) holding that are listed, quoted or traded on a stock exchange, that are identified as "*listed associated companies*" in the annual or relevant interim reports of the Group (if any);

"Maturity Date" means 23 January 2026;

"Moody's" means Moody's Investors Services Ltd;

"Net Interest Charges" means the number set out under the heading "Net financial items" (or any equivalent line item) in the Consolidated Financial Statements of the Group;

"Permitted Refinancing Indebtedness" means any Financial Indebtedness of the Issuer or any of its Subsidiaries raised or issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange or discharge other Financial Indebtedness of the Issuer or any member of the Group (other than intergroup/intercompany Financial Indebtedness (other than the Notes)); **provided that:**

- (a) the aggregate principal amount (or accretable value) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Financial Indebtedness renewed, refunded, refinanced, replaced, exchanged or discharged (plus all accrued interest on the Financial Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (b) such Permitted Refinancing Indebtedness has a final maturity date, or may only be redeemed at the option of the Issuer, either (i) no earlier than the final maturity date of the Financial Indebtedness being renewed, refunded, refinanced, replaced, exchanged or discharged or (ii) after the final maturity date of the Notes;
- (c) if the Financial Indebtedness being renewed, refunded, refinanced, replaced, exchanged or discharged is expressly, contractually subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes; and
- (d) if the Issuer was the obligor on the Financial Indebtedness being renewed, refunded, refinanced, replaced, exchanged or discharged, such Financial Indebtedness is incurred by the Issuer;

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government (or any agency or political subdivision thereof) or other entity;

"Potential Change of Control Announcement" means any public announcement or statement by the Issuer, any actual or potential bidder or any designated advisor thereto relating to any specific and near-term potential Change of Control (where "near-term" shall mean that such potential Change of Control is reasonably likely to occur, or is publicly stated by the Issuer, any such actual or potential bidder or any such designated advisor to be intended to occur, within 120 days of the date of such announcement or statement);

"Quarterly Consolidated Financial Statements" means the financial statements published by the Issuer for the periods ended 31 March, 30 June, 30 September and 31 December of each year;

"Rating Agency" means each of Fitch, Moody's and S&P;

"Rating Downgrade" shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period (i) the rating previously assigned to the Issuer by any Rating Agency is withdrawn and not subsequently reinstated within the Change of Control Period or (ii) the non-investment grade rating previously assigned to the Issuer by any Rating Agency is lowered one rating category (for example, from Ba1/BB+ to Ba2/BB or such similar lower or equivalent rating) and not subsequently upgraded within the Change of Control Period or (iii) an Investment Grade Rating Change occurs and is not subsequently reinstated within the Change of Control Period, **provided that** a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the withdrawal or reduction was the result of the applicable Change of Control;

"Relevant Indebtedness" means any Financial Indebtedness (whether being principal, premium or other amounts) which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over

the counter market) (and includes for the purposes of these Conditions any guarantee or indemnity in respect of any such Financial Indebtedness or any arrangement having a similar effect) but does not include, for the avoidance of doubt, any Security Interests that SATO Oyj provides in respect of its existing Secured Notes in order to meet its obligation to maintain the minimum collateralisation level under the Secured Notes (and including, any replacement of such Security Interests in accordance with the terms and conditions of the Secured Notes);

"**Reporting Date**" means a date falling no later than 30 days after the publication of each of (i) the Issuer's audited annual consolidated financial statements; and (ii) the Issuer's unaudited Quarterly Consolidated Financial Statements;

"**S&P**" means Standard and Poor's Credit Market Services Europe Limited;

"**Secured Indebtedness**" means any Financial Indebtedness, or any guarantee or indemnity in respect of such Financial Indebtedness, secured in whole or in part by any assets of any member of the Group;

"**Secured Notes**" means (i) the EUR 100 million senior secured notes issued by SATO Oyj on 16 April 2012 and (ii) the EUR 100 million, EUR 25 million and EUR 24 million senior secured notes issued by SATO Oyj under its EUR 500,000,000 programme for the issuance of notes under its base prospectus dated 6 March 2013;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**");

- (a) whose affairs and policies the first Person controls or has the power to control (directly or indirectly), whether by ownership of more than 50 per cent. of the share capital, contract, the power to appoint or remove the majority of members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

and includes any Person that is a Subsidiary of a Subsidiary; and

"**Testing Date**" means each of 31 March, 30 June, 30 September and 31 December in each year from the first of such date following the Issue Date to the Maturity Date.

5. **Interest**

- (a) **Interest Accrual:** The Notes bear interest from 7 September 2017 (the "**Issue Date**") at the rate of 1.875 per cent. per annum (the "**Rate of Interest**") payable annually in arrear on 23 January in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 7 (*Payments*). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".
- (b) **Cessation of Interest:** Each Note will cease to bear interest from the due date for final redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment) in accordance with Condition 16 (*Notices*).
- (c) **Calculation of Interest for an Interest Period:** The amount of interest payable on 23 January 2018 (the "**First Interest Payment Date**") shall be EUR 7.09 per Note of

EUR 1,000 denomination. The amount of interest payable in respect of each Note for any Interest Period after the First Interest Payment Date shall be calculated by applying the relevant Rate of Interest to the principal amount of such Note and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

- (d) **Calculation of Interest for any other Period:** The day count fraction applied to determine the amount of interest payable in respect of each Note will be calculated on the following basis:
- (i) if the Accrual Period is equal to or shorter than the Determination Period during which it ends, the day count fraction will be the number of days in the Accrual Period divided by the number of days in such Determination Period; and
 - (ii) if the Accrual Period is longer than one Determination Period, the day count fraction will be the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

Where:

"**Accrual Period**" means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last); and

"**Determination Period**" means the period from and including 23 January in any year to but excluding the next 23 January.

The determination of the amount of interest payable under Conditions 5(c) (*Calculation of Interest for an Interest Period*) and 5(d) (*Calculation of Interest for any other Period*) by the Principal Paying Agent shall, in the absence of manifest error, be binding on all parties.

6. **Redemption and Purchase**

- (a) **Scheduled redemption:** Unless previously redeemed or purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on 23 January 2026, subject as provided in Condition 7 (*Payments*).
- (b) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days notice to the Noteholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable) at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 5 September 2017, and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, (but at no material cost) to mitigate the effects of the occurrence of the relevant events described in (i) above,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (A) a certificate signed by two Authorised Signatories of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 6(b) (*Redemption for Taxation Reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b) (*Redemption for Taxation Reasons*).

- (c) **Redemption at the option of Noteholders (Put Option - Change of Control)**: If after the Issue Date (i) a Change of Control occurs; and (ii) within the Change of Control Period, a Rating Downgrade in respect of that Change of Control occurs (a "**Change of Control Event**") the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving notice to the Issuer as provided in this Condition 6(c) (*Redemption at the option of Noteholders (Put Option - Change of Control)*) at any time during the Put Option Redemption Period, redeem such Note on the Put Option Redemption Date at 101 per cent. of its principal amount together (if applicable) with interest accrued and unpaid to (but excluding) the Put Option Redemption Date.

Immediately upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 16 (*Notices*) specifying the nature of the Change of Control Event and the procedure for exercising the put option contained in this Condition 6(c) (*Redemption at the option of Noteholders (Put Option - Change of Control)*).

To exercise the put option pursuant to this Condition 6(c) (*Redemption at the option of Noteholders (Put Option - Change of Control)*), a holder must deposit the certificate representing the Note(s) to be redeemed with the Principal Paying Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from the Principal Paying Agent within the Put Option Redemption Period. An Exercise Notice, once given, shall be irrevocable.

If 90 per cent. or more in principal amount of the Notes then outstanding has been redeemed pursuant to this Condition 6(c) (*Redemption at the option of Noteholders (Put Option - Change of Control)*), the Issuer may, on not less than 30 or more than 60 days notice to the Noteholders given within 30 days after the Put Option Redemption Date, redeem, at its option, the remaining Notes at 101 per cent. of their principal amount, together with interest accrued and unpaid to (but excluding) the date of such redemption. Such notice to the Noteholders shall specify the date fixed for redemption, the redemption price and the manner in which redemption will be effected.

For the purpose of Condition 6(c) (*Redemption at the option of Noteholders (Put Option - Change of Control)*):

- (i) "**Put Option Event**" means a Change of Control Event;
- (ii) "**Put Option Notice**" means a Change of Control Notice;
- (iii) "**Put Option Redemption Date**" means, in respect of any Note, the date which falls 14 days after the date on which the relevant holder exercises its option in

accordance with Condition 6(c) (*Redemption at the option of Noteholders (Put Option - Change of Control)*);

- (iv) "**Put Option Redemption Period**" means the period from and including the date on which a Put Option Event occurs (whether or not the Issuer has given a Put Option Notice (as applicable) in respect of such event) to and including the date falling 60 days after the date on which such Put Option Notice is given, **provided that** if no Put Option Notice (as applicable) is given, the Put Option Redemption Period shall not terminate.

- (d) **Redemption at the option of the Issuer (Issuer Call)**: The Issuer may, at any time having given, not less than 30 nor more than 60 days notice (an "**Optional Redemption Notice**") to the Trustee, the Principal Paying Agent and to the Noteholders in accordance with Condition 16 (*Notices*), (which notice shall be irrevocable and shall specify the date fixed for redemption and the Make-Whole Redemption Amount, (if applicable)), redeem all, but not part of the aggregate principal amount of the Notes issued on the relevant date (the "**Optional Redemption Date**") specified for redemption in the relevant Optional Redemption Notice at a redemption price equal to:
 - (i) in the case of an Optional Redemption Notice served pursuant to this Condition 6(d) which is dated before the date falling three (3) months prior to the Maturity Date, the Make-Whole Redemption Amount; or
 - (ii) in the case of an Optional Redemption Notice served pursuant to this Condition 6(e) which is dated on or after the date falling three (3) months prior to the Maturity Date, 100 per cent. of their principal amount;

in each case together with accrued but unpaid interest to such date, if any, up to (but excluding) the relevant Optional Redemption Date.

For the purpose of this Condition 6(d) (Redemption at the option of the Issuer (Issuer Call)):

- (i) the "**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer;
- (ii) the "**Make-Whole Redemption Amount**" shall be calculated by the Determination Agent and notified to the Issuer and will be the greater of (x) 100 per cent. of the principal amount of the Notes to be redeemed and (y) the sum of the then present values of each remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding the relevant Optional Redemption Date) discounted to the relevant Optional Redemption Date on an annual basis at the Make-Whole Redemption Rate plus the Make-Whole Redemption Margin;
- (iii) "**Make-Whole Redemption Margin**" means 0.30 per cent.;
- (iv) "**Make-Whole Redemption Rate**" means, with respect to the relevant Optional Redemption Date, the rate per annum equal to the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for the relevant Optional Redemption Date;
- (v) "**Reference Bond**" means the 1 per cent German government bond due August 2025 (or, where the Determination Agent advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such government bond is not appropriate for such purpose, such other German government bond as the Determination Agent may select);
- (vi) "**Reference Bond Price**" means, with respect to the relevant Optional Redemption Date, (A) the arithmetic average of the Reference Government

Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

- (vii) "**Reference Date**" means the date set out in the relevant Optional Redemption Notice;
 - (viii) "**Reference Government Bond Dealer**" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues; and
 - (ix) "**Reference Government Bond Dealer Quotations**" mean, with respect to each Reference Government Bond Dealer and the relevant Optional Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at 11.00 a.m. on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.
- (e) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 6(a) (Scheduled redemption), 6(b) (Redemption for Taxation Reasons), 6(c) (Redemption at the option of the Noteholders (Put Option - Change of Control)) and 6(d) (Redemption at the option of the Issuer) (Issuer Call) above.
- (f) **Purchase:** The Issuer or any of its respective Subsidiaries may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased may be held or resold (**provided that** such resale is outside the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 6(g) (*Cancellation of Notes*) below. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 13 (*Meetings of Noteholders; Modification and Waiver; Substitution*).
- (g) **Cancellation of Notes:** All Notes which are redeemed pursuant to Conditions 6(b) (Redemption for Taxation Reasons), 6(c) (Redemption at the option of the Noteholders (Put Option - Change of Control)) and 6(d) (Redemption at the option of the Issuer (Issuer Call)) or submitted for cancellation pursuant to Condition 6(f) (Purchase) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on the Irish Stock Exchange (the "**Stock Exchange**") and the rules of such exchange so require, the Issuer shall promptly inform the Stock Exchange of the cancellation of any Notes under this Condition 6(g) (Cancellation of Notes).

7. **Payments**

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of the Principal Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.
- (b) **Interest:** Payments of interest shall, subject to paragraph (e) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of the Principal Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

(c) **Interpretation:** In these Conditions:

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

and

"**TARGET System**" means the TARGET2 system.

(d) **Payments on business days:** If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET System is open.

(e) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(f) **Deduction for unmatured Coupons:** If a Note is presented without all unmatured Coupons relating thereto, then:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph 7(a) (*Principal*) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void Coupons.

- (g) **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of the Principal Paying Agent outside the United States.
- (h) **Partial payments:** If the Principal Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, the Principal Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

8. **Taxation**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Sweden or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Kingdom of Sweden other than the mere holding of the Note or Coupon; or
- (b) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 8 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Sweden, references in these Conditions to the Kingdom of Sweden shall be construed as references to the Kingdom of Sweden and/or such other jurisdiction.

9. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or prefunded and/or secured to its satisfaction) shall, give notice to the Issuer that the Notes are and they shall immediately become due and repayable in each case at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs and is continuing:

- (a) **Non payment of principal:** The Issuer fails to pay any amount of principal payable in respect of any of the Notes when due and such default continues for a period of seven days; or
- (b) **Non-payment of interest:** The Issuer fails to pay any amount of interest payable in respect of any of the Notes when due and such default continues for a period of 14 days; or
- (c) **Breach of covenants:** The Issuer fails to meet the Consolidated Coverage Ratio set out in Condition 3(b)(ii) (*Financial Covenants - Maintenance of the Consolidated Coverage Ratio*) for 90 days;
- (d) **Breach of other obligations:** The Issuer defaults in the performance or observance of any of its other obligations under the Notes or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereafter mentioned will be required) such default continues unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer requiring the same to be remedied; or
- (e) **Cross default:**
 - (i) any Financial Indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period and remains unpaid; or
 - (ii) any such Financial Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of:
 - (A) the Issuer;
 - (B) the Noteholders (pursuant to Conditions 6(c) (*Redemption at the option of the Noteholders (Put Option - Change of Control)*));
 - (C) the relevant Subsidiary; or
 - (D) **(provided that** no event of default, howsoever described has occurred) any Person entitled to such Financial Indebtedness; or
 - (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee of Financial Indebtedness (including any indemnity of such Financial Indebtedness or any arrangement having a similar effect) and remains unpaid,

provided that the amount of Financial Indebtedness referred to in Condition 9(e)(i) and (ii) above and/or the amount payable under any guarantee or indemnity referred to in Condition 9(e)(iii) above individually or in the aggregate exceeds EUR 30,000,000 (or its equivalent in any other currency or currencies) and **provided further that** no default shall occur under this Condition 9(e)(ii) where such where such default occurs as a direct result of a change in legislation or regulations in Finland, whereby the Issuer or any of its Subsidiaries are prohibited from holding state subsidised loans and the Issuer and/or any Subsidiary (as applicable) therefore is required to redeem such loans prior to their original maturity as a result thereof; or
- (f) **Judgment default:** One or more final judgments or orders or arbitration awards for the payment of an amount in excess of EUR 30,000,000 or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered or granted against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment; or

- (g) **Security Enforced:** A secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of any member of the Group; or
- (h) **Insolvency, etc.:**
 - (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due save for any proceedings or actions which are contested in good faith and discharged, stayed or dismissed within twenty-eight (28) days of its commencement;
 - (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Material Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, save for any proceedings or actions which are contested in good faith and discharged, stayed or dismissed within twenty-eight (28) days of its commencement; or
 - (iii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Financial Indebtedness or any guarantee of any Financial Indebtedness given by it.

In this Condition 9(h), "**Material Subsidiary**" means, at any particular time, a Subsidiary of the Issuer whose consolidated total assets or consolidated pre-tax profits as shown in the most recent consolidated audited financial statements represent 5 per cent. or more of the consolidated total assets or consolidated pre-tax profits of the Issuer as calculated by reference to the most recent consolidated audited financial statements of the Issuer.

- (i) **Invalidity or unenforceability:**
 - (i) any action, condition or thing (including any consent approvals, registration or filing) at any time required to be taken, fulfilled, obtained or done in order (A) to enable the Issuer lawfully to enter into, exercise its respective rights and perform and comply with its respective obligations under and in respect of the Notes or the Trust Deed or the Paying Agency Agreement, (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) to make the Notes, the Trust Deed and the Paying Agency Agreement admissible as evidence in the courts of England or Sweden is not taken, fulfilled or done; or
 - (ii) it is or will become unlawful for the Issuer to perform or comply with any of its respective obligations under or in respect of the Notes, the Trust Deed or the Paying Agency Agreement; or
- (j) **Substantial Change in Business:** The Issuer or any of the members of the Group ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent by the Group).

10. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

11. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange

requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. **Trustee and Paying Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Paying Agency Agreement and in connection with the Notes and the Coupons, the Principal Paying Agent acts solely as agent of the Issuer and (to the extent provided therein) the Trustee and does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Principal Paying Agent and its initial Specified Office is listed in the Paying Agency Agreement. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint a successor principal paying agent; **provided, however, that** the Issuer shall at all times maintain a principal paying agent.

Notice of any change in the Principal Paying Agent or in its Specified Office shall promptly be given to the Noteholders.

13. **Meetings of Noteholders; Modification and Waiver; Substitution**

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Paying Agency Agreement or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** certain proposals (including any proposal: to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment; to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds, or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under Clause 7.3 of the Trust Deed); to change the currency of payments under the Notes; or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing and electronic consent signed by or on behalf of not less than three-quarters of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification and waiver:** The Trustee may, without the consent of the Noteholders or the Couponholders, agree to any modification of these Conditions, the Paying Agency Agreement or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee not materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Paying Agency Agreement or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders or the Couponholders, authorise or waive any proposed breach or breach of any Condition of the Notes, the Paying Agency Agreement or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) or determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such authorisation, waiver or modification shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable thereafter unless the Trustee agrees otherwise. With respect to any such waiver, the Trustee shall not exercise any powers conferred upon it in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the holders of not less than 25 per cent. in aggregate principal amount of the Notes then outstanding.
- (c) **Substitution.** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trust Deed sets out but without the consent of the Noteholders (and subject to prior notification to, and confirmation from, any relevant Rating Agency that there is no adverse change to the credit rating granted by such Rating Agency in respect of the Notes) to the substitution of any Subsidiary of the Issuer in place of the Issuer, or of any previous substitute under Clause 7.3 of the Trust Deed, as principal debtor under the Trust Deed and the Notes. No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders, except to the extent provided in Condition 8 (*Taxation*) (or any undertaking given in addition to or substitution of it pursuant to the provisions of the Trust Deed).

14. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one-fifth of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

15. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest)

so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

16. **Notices**

Notices to the Noteholders shall be valid if published in a leading newspaper having general circulation in the Republic of Ireland (which is expected to be the *Irish Times* or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

So long as any of the Notes are represented by a Global Note, notices required to be published in accordance with Condition 16 (Notices) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the Irish Stock Exchange; and (ii) so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in the Republic of Ireland (which is expected to be the Irish Times). Any such notice shall be deemed to be given on the date of delivery to the relevant clearing system.

17. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes or the Issuer, shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer, or to the Specified Office of the Principal Paying Agent with its Specified Office in London against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof, on the date of such receipt. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

18. **Governing Law and Jurisdiction**

- (a) **Governing law:** The Trust Deed, the Paying Agency Agreement and the Notes, and any non-contractual obligations arising out of or in connection with any of them, are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Issuer has irrevocably agreed for the benefit of the Trustee and the Noteholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and/or the Notes or any non-contractual obligation arising out of or in connection with them and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and the Noteholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed and the Notes against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions if and to the extent permitted by law.

- (c) **Appointment of process agent:** The Issuer appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of

process, and undertakes that, in the event of such agent ceasing so to act, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note ("NGN") form. On 13 June 2006 the European Central Bank (the "ECB") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "Eurosystème"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystème operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystème eligibility - that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystème monetary policy and intra-day credit operations by the Eurosystème either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystème eligibility criteria.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes while they are represented by the Temporary Global Note cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 9 (*Events of Default*) occurs.

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of EUR 100,000 and higher integral multiples of EUR 1,000, notwithstanding that no Definitive Notes will be issued with a denomination above EUR 199,000.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note "**business day**" means any day on which the TARGET System is open.

Exercise of put option: In order to exercise the option contained in Condition 6(c) (*Redemption at the option of Noteholders (Put Option - Change of Control)*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to EUR 495,720,000 after deduction of the combined management and underwriting commission and the other expenses incurred in connection with the issue of the Notes, shall be used for general corporate purposes, including debt refinancing.

DESCRIPTION OF THE ISSUER

General

Fastighets AB Balder (publ) (the “**Issuer**” or the “**Company**”) is a public limited company incorporated under the Swedish Companies Act of the Kingdom of Sweden (“**Sweden**”) and registered in Sweden with registration number 556525-6905. Its registered address is Box 531 21, 400 15 Göteborg, Sweden, and its telephone number is +46 31 109 570. The Issuer was formed on 15 June 1995 and registered with the Swedish Companies Registration Office on 7 December 1995. The Issuer has been listed on Nasdaq Stockholm, Large cap, since 1 January 2015.

The Issuer, along with its subsidiaries (together referred to as “**Balder**” or the “**Group**”) owns and manages a diversified property portfolio in Sweden, Denmark, Norway and Finland (in Finland through a 53.8 per cent. equity stake in SATO Oyj (“**SATO**”). The Group portfolio generated a rental income of SEK 2,882 billion for the period ending 30 June 2017, and had an estimated fair value of SEK 89.0 billion and a lettable area of 3,622,104 square metres as of 30 June 2017. As of 30 June 2017, residential properties generated around 65 per cent. of the rental income of the Group, and commercial properties generated 35 per cent. (comprising offices at 14 per cent., retail at 11 per cent. and other properties including hotels at 10 per cent.).

Balder’s residential portfolio comprises approximately 11,000 apartments in Sweden, 1,000 apartments in Denmark, and 25,500 apartments in Finland. The commercial portfolio is mainly concentrated in Sweden’s largest cities in the central business district areas and comprises 65 office properties, 95 retail properties, and 41 other properties, including 27 hotel properties.

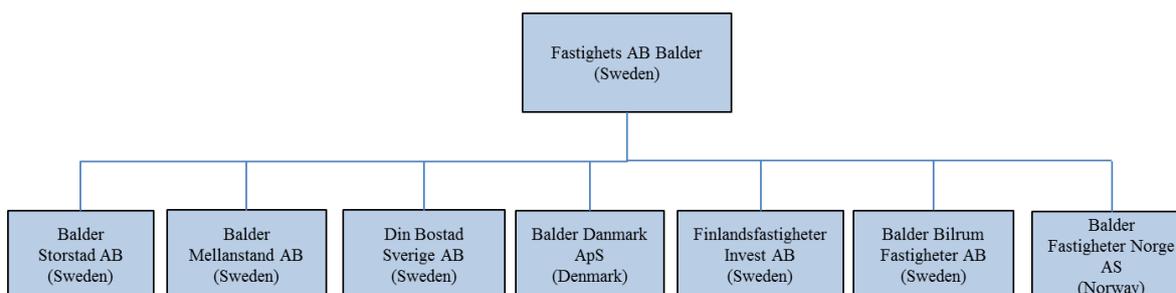
Apart from Balder’s direct real estate holdings it also has minority holdings in several property management companies (the “**Real Estate Companies**”) and certain investment assets, including 44 per cent. of the listed niche bank Collector AB (publ) (“**Collector**”, and together with the other investment assets and the Real Estate Companies, the “**Associated Companies**”). The Associated Companies are not consolidated in Balder’s annual financial statements, as Balder’s holding in each one is 50 per cent. or less. The Real Estate Companies together own 88 properties and Balder’s ownership stake equates to a lettable area of 280,390 square metres and an estimated fair value of SEK 6.9 billion as at 30 June 2017. Balder’s equity holdings in the Associated Companies equates to a rental income of SEK 0.4 billion as at 30 June 2017, a profit from property management of SEK 0.4 billion and a profit after tax of SEK 0.6 billion for 2016 and SEK 0.6 billion for the six month period ending 30 June 2017. The whole Group, including the Issuer and the relevant Associated Companies, generated a gross profit from property management activities of SEK 2.7 billion and a net profit after tax of SEK 6.1 billion for 2016 and a gross profit from property management activities of SEK 1.5 billion and a net profit after tax of SEK 4.0 billion for the period six month period ending 30 June 2017.

Balder has its head office in Gothenburg, Sweden and several regional offices in Sweden, Finland and Copenhagen. This decentralised geographic presence enables it to build up relationships with many of its customers.

Group Structure

The legal structure of the Group is typical of property companies. Most properties are owned by special purpose vehicle (“**SPV**”) companies, which are in turn owned by the Issuer. The Issuer has over 250 companies that are directly and indirectly 100 per cent. owned by it.

The chart below shows the simplified legal structure for the Issuer and its directly owned subsidiaries.



History of Balder

2005-2008

Balder was first established and listed on Nasdaq Stockholm in 2005. During this period, the organisation established itself in Gothenburg, Stockholm and Malmö. The Company's focus was to develop a presence in growth regions in Sweden where there was a long-term demand for commercial properties. By the end of 2008, Balder owned 122 properties with a fair value of SEK 7.1 billion.

2009

Balder acquired Din Bostad Sverige AB ("**Din Bostad**"), a listed residential company. The acquisition of Din Bostad transformed Balder from being solely a commercial property company to having an equal split in its portfolio between residential and commercial properties. By the end of 2009, Balder owned 419 properties with a fair value of SEK 12.7 billion.

2010-2012

Balder made its first acquisition in Denmark in 2010 and also invested in wind power turbines. The Company decided to exit the industrial property market and as a result, sold all of its warehouse properties. In 2011, the Company issued 4,000,000 Preference shares (see "*Share Structure and Shareholders*" below). By the end of 2012, Balder owned 432 properties with a fair value of SEK 22.3 billion.

2013-2015

During 2013 and 2014, Balder continued to grow its property portfolio in Denmark and Sweden. By the end of 2015, Balder owned 1,177 properties with a fair value of SEK 68.5 billion in Denmark and Sweden. In 2015 Balder also acquired 53.3 per cent. of SATO, which at the time owned over 24,000 apartments in Finland.

2016

In 2016 Balder acquired its first property in Norway. In December 2016, Balder obtained a credit rating of 'Baa3' from Moody's Investors Service Limited ("**Moody's**"). In 2016, Balder also acquired a portfolio of properties for SEK 4.2 billion, the main tenant of which is Hedin Bil (a Swedish automobile company, offering car sales, servicing and other supplementary services and with a group turnover of SEK 11 billion). The average length of the leases contained in this portfolio is over 11 years. Balder completed a directed issue of Ordinary Shares of SEK 1.7 billion to partly finance the deal. See '*Share Structure and Shareholders*' below.

2017

During the first quarter of 2017, Balder obtained a credit rating of 'BBB' from S&P and issued its first bonds into the European capital markets with a total principal amount of EUR 1 billion. Since the beginning of the year Balder has also acquired four hotels in Copenhagen as well as one hotel in Helsinki.

SELECTED FINANCIAL INFORMATION AND KEY FINANCIAL RATIOS

Financial Summary 2007-2017⁽¹⁾

SEK (in millions)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 (6 Months)
Rental Income	678	633	854	1,333	1,466	1,701	1,884	2,525	2,711	5,373	2,882
Profit from property management before tax ⁽²⁾	179	174	315	417	516	691	854	1,275	1,780	2,653	1,508
Changes in value of properties	642	-201	4	1,047	990	812	854	3,050	3,388	4,932	2,709
Changes in value of interest rate derivatives	7	-333	-23	148	-520	-71	433	-624	227	-114	132
Net profit for the year	785	-388	248	1,338	812	1,162	1,738	3,128	4,916	6,093	3,966
Carrying amount ⁽³⁾ of properties	6,758	7,086	12,669	14,389	17,556	22,278	27,532	37,382	68,456	86,177	89,047
Key Financial Ratios⁽⁴⁾											
Return on equity Ordinary Share (%)	41.5	-18.7	9.6	33.6	14.3	17.0	21.5	29.7	28.2	20.9	15.8
Interest coverage ratio (times)	1.7	1.6	2.1	2.1	2.1	2.4	2.9	3.4	5.1	3.7	4.2
Equity/assets ratio (%)	30.1	23.3	24.1	30.9	35.2	34.8	37.3	35.5	37.8	38.3	39.9
Debt/equity ratio (times)	2.2	3.0	2.9	2.1	1.6	1.7	1.5	1.6	1.4	1.3	1.3
Net debt to assets (%)	66.5	69.4	68.9	62.3	56.0	57.3	53.3	54.6	51.6	50.0	47.3

Notes:

- (1) Financial information and ratios for the years 2007 to 2016 are for the financial year, and for 2017 are for the six month period ending 30 June 2017.
- (2) The 2017 numbers are for the period ending 30 June 2017 and are reviewed. The 2007-2016 numbers are audited numbers.
- (3) Market value of properties
- (4) Key ratios from 2015 have been calculated using listed associated companies at market value.

SHARE STRUCTURE AND SHAREHOLDERS

The Company has approximately 22,000 shareholders and is listed on Nasdaq Stockholm, Large cap. The Company has three different classes of shares: Ordinary Class A shares, Ordinary Class B shares; and Preference shares.

The Company's overall market capitalisation as of 30 June 2017 amounted to SEK 40,207. As of 30 June 2017, the share capital of the Company amounted to SEK 190,000,000 comprising 190,000,000 shares. Each share has a quota value of SEK 1.00, of which 11,229,432 shares are Ordinary Class A shares, 168,770,568 are Ordinary Class B shares and 10,000,000 are Preference shares. Balder has no repurchased Ordinary shares, which means that the total number of outstanding Ordinary shares amounts to 180,000,000. Each Ordinary Class A share carries one vote, and each Ordinary Class B share and Preference share carries one tenth of one vote.

Ordinary Shares

The Ordinary Class A shares are not listed, but the Ordinary Class B shares are listed on Nasdaq Stockholm, Large Cap. The price of the Ordinary Class B share was SEK 204.00 at 30 June 2017, corresponding to an increase of 11 per cent. during the six month period ending 30 June 2017. At 30 June 2017, the number of Ordinary shareholders totalled 14,000. The proportion of foreign shareholders increased by one percentage point during the six month period ending 30 June 2017 and, at 30 June 2017, amounted to 21 per cent. of the total number of Ordinary shareholders.

Preference Shares

The price of the Preference share was SEK 348.70 at 30 June 2017, corresponding to a total return, including dividend, of 11 per cent since year-end. At 30 June 2017, the number of Preference shareholders totalled approximately 9,300. The annual turnover rate in the Preference share corresponded to 30 per cent. of the total number of Preference shares.

The Preference share carries a preferential right, over the Ordinary share, to an annual dividend of SEK 20 with quarterly dividend of SEK 5. Record days for the dividend are 10 January, 10 April, 10 July and 10 October. If the dividend on the Preference share is not paid in time, or is for a lower amount than expected, the difference is added to the amounts unpaid, together with interest of 14 per cent. on the unpaid amount.

Shareholders

The majority shareholder of the Company is Erik Selin Fastigheter AB, which holds 34.5 per cent. of the capital and controls 48.2 per cent. of the voting rights. Erik Selin Fastigheter AB is the holding company of the CEO, Erik Selin, who is also the founder of the Company.

Other large shareholders include Arvid Svensson Invest AB and Swedbank Robur fonder, and 46.7 per cent. of the capital is also held by the Board and the Senior Management team.

The following table shows the largest shareholders in the Company as at 30 June 2017:

Owner	Class A Ordinary shares	Class B Ordinary shares	Preference shares	Total number of shares	Capital (%)	Votes (%)
Erik Selin Fastigheter AB	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	-	10,514,285	-	10,514,285	5.5	3.6

Owner	Class A Ordinary shares	Class B Ordinary shares	Preference shares	Total number of shares	Capital (%)	Votes (%)
JPM Chase	-	7,548,107	103,409	7,651,516	4.0	2.6
Länsförsäkringar fondförvaltning AB	-	7,425,935	-	7,425,935	3.9	2.6
Handelsbanken Fonder AB	-	6,530,927	-	6,530,927	3.4	2.2
SEB Investment Management	-	4,767,209	-	4,767,209	2.5	1.6
Second Swedish National Pension Fund	-	3,451,035	-	3,451,035	1.8	1.2
Lannebo fonder	-	3,084,391	-	3,084,391	1.6	1.1
Anders Hedin Invest AB	-	2,500,000	-	2,500,000	1.3	0.9
Other	4,212	52,195,239	9,896,091	62,095,542	32.7	21.3
Total	11,229,432	168,770,568	10,000,000	190,000,000	100	100

BUSINESS MODEL AND STRATEGY

Balder's business strategy is to acquire, develop and manage residential and commercial properties in growing and developing locations within major cities in the Nordic region. Over the past few years, the Company has achieved diversification of its portfolio to countries including Denmark, Finland, Norway and Sweden. The focus of the Company has also been on concentrating its residential portfolio in large cities in the region, namely Stockholm, Copenhagen, Helsinki and Gothenburg. The focus on commercial properties, meanwhile, has been more concentrated in Stockholm and Gothenburg, where there is a stronger demand for office space.

Balder's aim is to create value for its owners, employees and the community. Balder attempts to accomplish this by:

- establishing swift decision-making procedures;
- implementing cost-efficient management solutions;
- working actively to acquire properties and land with development potential and creating growth by investing, developing, streamlining and rationalising its business; and
- meeting tenants' needs.

Balder's operations are focused on long-term growth, positive cash flows and increasing profit from its property management activities.

Financial Goals

Balder's financial goals are to achieve:

1. a stable and consistent return on equity;
2. an equity-to-assets ratio of not less than 35 per cent.;
3. a net debt/ total assets ratio of not higher than 55 per cent.; and
4. an interest coverage ratio of not less than 2.0.

See "*Finance and Capital Structure*" for further information.

The financial outcomes for the year ending 31 December 2016 and the six month period ending 30 June 2017 are set out below.

Financial Targets

	<u>Target</u>	<u>31 December</u> <u>2016</u>	<u>30 June 2017</u>
<i>Equity/Total Assets (%)</i>	35	38.3	39.9
<i>Interest Coverage Ratio (times)</i>	2	3.7	4.2
<i>Net Debt/ Total Assets (%)</i>	55	50.0	47.3

Dividend Policy

Balder prioritises growth, capital structure and liquidity in its business, and accordingly, the dividend for Ordinary shareholders is either set at a nominal level or not declared at all in order for funds to be retained within the Company. The Company has not declared a dividend to Ordinary shareholders since 2008 and all profits have been re-invested in the business.

The dividend for each Preference share amounts to SEK 20.00 per year. See "*Share Structure and Shareholders*".

Management Structure

Balder currently has 30 administrative offices, which are divided into six regions. In each region, all aspects of property management are handled in-house by the Company's personnel, who are responsible for letting and operations as well as the environment and maintenance. This facilitates fast decision-making procedures, close proximity to the customer and in-depth local knowledge, which assists

the Company in fostering long-term relationships with its customers. The company offers for rent a wide range of commercial premises and residential housing in a number of locations at varying rates. Property development is undertaken in consultation with customers based on their requirements. The property management teams regularly arrange meetings with tenants in Balder's various locations in order to obtain feedback on the actual state of the properties.

Customer Relationships

The Company continuously looks to improve the Group's service and product offering. The Customer Relations department, which manages relationships with customers, is central in achieving this continuing improvement, and is responsible for a number of initiatives, including conducting a survey to measure individual customers' experiences against a customer satisfaction index ("Nöjd Kund Index" or "NKI").

In January 2017, Balder received the results from its fourth NKI, carried out in collaboration with AktivBo, an organisation which provides companies with performance management systems. The survey was sent out to approximately 50 per cent. of the Company's residential tenants and commercial tenants which equates to nearly 10,000 questionnaires.

The results showed that more than 90 per cent. of Balder's tenants who responded to the 2016/2017 survey were satisfied with their premises and housing and that tenants perceived Balder as accessible and accountable. The number of tenants who found it easy to report faults and who agreed that any repair work was performed in a reasonable time and to a good standard also increased since the last survey.

The majority of the customers surveyed were also satisfied with the equipment provided in their apartments, however many also stated they wished to have the ability to modernise and personally influence the standard of their accommodation. As a result, following the 2016/2017 survey, Balder offered standardised enhancement options in properties in all of its locations.

In order to improve communication between Balder as a landlord and its tenants, Balder has expanded its customer service and error reporting systems by ensuring employees have a broad knowledge of different languages, including English, Swedish and Arabic.

Balder's goal is for its residents to remain long-term customers. In commercial premises, Balder recognises that it is important to work closely with its customers and accommodate their requests in order to satisfy operational needs and improve their potential for increased profitability.

Project Development

In property development transactions, Balder considers it to be important to be able to control the entire value chain, from the acquisition of land to the completion of the project.

Balder has a large number of on-going zoning plans in the existing property portfolio and also works with municipalities to receive land allocations for future residential developments. The Company's aim is to create an extensive portfolio of building rights in order to enable it to continue producing a large number of rental, condominium and tenant-owned apartments annually in Gothenburg, Stockholm, Helsinki and Copenhagen. Tenant-owned apartments are a common form of housing in Sweden. Typically, a housing association will have ownership of an entire apartment building and will then grant its members the right to occupy and use the apartments for an unlimited period of time.

Property development at Balder is mainly limited to residential projects. Commercial property development is usually only undertaken to support housing projects where there is a requirement to do so in the relevant zoning plan.

In locations where Balder owns existing property, the Company is focusing on creating new building rights on the existing land in order to invest further in areas where it already operates, particularly Gothenburg, Stockholm Helsinki and Copenhagen.

Planned Building/Owned Projects

The Group is currently planning a number of projects, including those listed below. However, their development is dependent on a number of variables and there can be no assurance that the projects will be completed on schedule or at all.

Stockholm

In the “Gladan 3” property on Kungsholmen in Stockholm, Balder plans to replace the existing office with 100 new tenant-owned apartments arranged over 11 floors with an inner courtyard on the ground floor. The zoning plan is expected to be adopted in early 2018.

Copenhagen

In Amager Strand, Balder is constructing 450 apartments in the new Öresunds Park district. Construction of the project is underway and, given it is a mixed development, will be completed in phases. The projected completion date is in 2018.

In Örestad Syd, Balder is constructing 223 apartments. Construction has started and the apartments are expected to be ready for occupation in 2019.

In Örestad Arena, Balder has acquired 78 apartments from Bonava. The project is called Faelledsudsigten and the expected completion date is December 2017.

Gothenburg

The City of Gothenburg and its business community are partnering in a collaborative project, “BoStad2021”, to increase the construction rate of properties in Gothenburg, achieve a better mix of properties, help with accessibility and create good value apartments in the city. By 2021, Gothenburg’s 400th anniversary, 7,000 new apartments are expected to be completed (in addition to regular housing construction).

Of these 7,000 apartments (the target number of properties for the initiative), Balder plans to construct around 1,000 apartments, distributed among the following four areas – Södra Bergsjön, Svartedalen, Västra Frölunda and Majorna.

In Södra Bergsjön, Balder will construct around 150 apartments, of which about 75 are terraced houses, aimed at first-time buyers. The zoning plan is expected to be adopted during 2017.

In Svartedalen, along Långströmögatan, Balder is planning to construct around 350 apartments in varied developments. The zoning plan is expected to be adopted during 2017.

In Munspelsgatan, in Västra Frölunda, Balder is planning to construct around 450 apartments, mainly tenant-owned, adjacent to Balder’s existing property holding, “Stjärnhusen” (the star-shaped building). The zoning plan is expected to be adopted during 2017. Stage one of the project consists of 130 apartments with construction expected to begin in autumn 2017.

Finally, near Älvsborgsbron, in Majorna, Balder (in collaboration with HSB, a cooperative owned by its members) is developing the old “Fixfabriken”. The area is included in the Gothenburg Jubilee initiative, with 500 tenant-owned apartments planned for the development (and Balder being responsible for half of these). The zoning plan is expected to be adopted by the end of 2017.

Social Engagement

Balder supports social engagement initiatives both locally and regionally, while striving to ensure that its customers feel comfortable in and around their housing developments. Balder encourages diversity in the belief that it creates economic and social growth in society and therefore works to create socially mixed housing areas, for example, by integrating both rental and tenant-owned apartments in its developments.

Environmental Responsibility

Balder has re-evaluated its green initiatives and policies following the 21st session of the Conference of the Parties in 2015 (“COP21”). In 2016, Balder’s employees participated in environmental and energy training to implement Balder’s environmental management system and emphasised the importance of reducing energy consumption within the organisation.

Energy

During 2016, Balder’s energy consumption was 335 million kWh, with district heating consumption forming the largest proportion of this.

Although Balder properties with heating systems based on fossil fuels represent a small share of this energy consumption in relation to the total consumption figure, Balder's goal is to replace these with sustainable heating systems by the end of 2017.

Balder is also producing its own renewable electricity through its 10 wind turbines that generate a yearly average of 24.2 million kWh which is an additional 1.7 million kWh when compared with the previous year, equivalent to an increase of 8 per cent.

To achieve a reduction in energy consumption, Balder has implemented initiatives at various levels of its organisation. In 2016, Balder drew up an energy policy to outline its aims and objectives in relation to energy consumption. The energy policy emphasises the Company's belief that comfort levels need not be affected in efforts to reduce consumption. Pursuant to the energy policy, some Balder properties feature indoor temperature sensors and an estimated average temperature feature, which regulates how much heat should be pumped into the heating system.

Balder is also working towards the centralisation of all its energy control systems. This means that Balder can control installations remotely and quickly detect alarms in the units, which enables a safer and more energy-efficient operation of Balder's properties.

The final measure Balder has implemented to achieve a high level of operational safety is to install durable and energy efficient fittings in its properties. Balder uses reliable product suppliers in order to ensure that any required parts are readily available.

Waste

Balder's aim is to minimise the quantity of waste going to landfill and maximise recycling. It therefore measures the amount of waste that is sorted and recycled (the "**Sorting Rate**") in its properties. Its long-term goal is to achieve a Sorting Rate of 55 per cent. for commercial properties. The Sorting Rate for 2016 was 74 per cent.

Balder is taking measures to ensure that all refuse rooms in its properties are designed in a way that encourages and facilitates waste sorting and it informs tenants about the waste management options available in each relevant property.

Phase-out Substances

The Swedish Chemicals Agency has defined a 'phase-out substance' as a substance with particularly hazardous properties according to approved criteria regarding environmental and health consequences, for example carcinogens or mutagens. The criteria are in line with the European Union's chemicals legislation, REACH, Substances of Very High Concern (SVHC). Phase-out substances may be prohibited in the future.

Balder avoids introducing phase-out substances into its properties where possible. In day-to-day operations, this means that products are either eco-labelled or checked against an environmental database by a Balder employee.

Skills Development

In order to ensure resource-efficient property management, all property caretakers are required to participate in internal training in basic building technology. The aim is for every employee to get a basic understanding of the buildings' different functions and connections as well as the environmental and cost repercussions of operational errors.

Environmental Requirements during Construction

Each new building Balder constructs gives rise to both short-term and long-term environmental impacts and Balder therefore imposes a number of environmental requirements at an early stage of its project development plans. The following items show some of the environmental aims imposed in all of Balder's new construction projects:

- Properties shall be rated as Energy class B (25 per cent. less than the National Board of Housing's new building standards energy consumption requirements).

- Material and products shall at least meet the criteria “acceptable” in the Swedish Building Materials Assessment or achieve a level “B” with SundaHus, a leading provider of environmentally conscious materials.
- Wood and wood-based products shall be certified as coming from a sustainable resource according to FSC, PEFC or equivalent.
- Effective waste disposal solutions shall be available in every apartment.
- A maximum of 10 per cent. of the weight of building waste from construction shall be put into landfill.
- Water-efficient taps and toilets shall be fitted into all properties.
- Projects shall be designed so that tenants prioritise environmentally friendly transport alternatives, for example by facilitating car pools and making bicycles available for tenants to borrow.

Environmentally Sound Buildings

Balder has a number of environmentally classified buildings in its portfolio which are certified by either Green Building, the Sweden Green Building Council or Leadership in Energy and Environmental Design (“LEED”). Balder’s most recently acquired property is “Park49” (7,500 square metres), which is Balder’s new head office. The property has been constructed in order to achieve certification of “Platinum”, LEED’s highest level for sustainable buildings.

PROPERTY MARKET OVERVIEW

The Swedish Property Market

The continuing low interest environment and gap between property yields and the lending rate mean that the investment climate for properties is favourable and Balder continues to maintain its performance in the Swedish property market.

The economic upturn in Sweden is broad, the performance of the Swedish economy is positive and inflation is now approaching 2 per cent due to Sweden's expansionary monetary policy. Since the increase in inflation has taken time to achieve, Sveriges Riksbank ("Riksbank"), Sweden's central bank, announced in July 2017 that a continued expansionary monetary policy is required and the Executive Board of Riksbank decided to hold the repo rate unchanged at -0.50 per cent. The repo rate has been at -0.50 per cent since February 2016.

The continuing low interest environment is also contributing to a continued rise in prices in the Swedish property market. The existing imbalance between supply and demand and pressed yield requirements are making investments more expensive in metropolitan markets. During 2016 and 2017, Balder has seen increasing interest in investments in Sweden's larger cities. In several sub-markets, the residential segment is dominating investment interest.

According to the IPD Swedish Property index¹ by MSCI Inc., the total yield on property investments in 2016 was significantly higher than the average for the past ten years. Offices and residential properties showed the highest total yields of 16.2 per cent. and 14.7 per cent., respectively, of which the change in value was just over 10 per cent. in both property categories.

According to NAI Svefa, a Swedish property advisory company, the service sector is showing stronger growth than industry, which is creating demand for new office properties, particularly in metropolitan areas. The domestic population increase in Sweden together with the migration of refugees is also creating demand for new housing and is further increasing the housing shortage across the country. The extensive regulation surrounding construction of new properties combined with long lead times required for planning increase the time taken to complete developments and mean that it is difficult to meet demand for new housing in the short-term.

The strong investment interest in recent years has meant that banks continue to be willing to lend to property companies. The opportunities for property companies to attract capital via stock market listings, new issues, preference share issues, bonds and traditional borrowing forms are still considered to be good despite the uncertain stock market climate. The property investment conditions in Sweden remain positive and capital is available for investment in the field.

The Danish Property Market

Denmark, with its stable economy, fixed-exchange rate policy to the Euro and low interest rates, has proved to be an attractive market for both domestic and foreign capital seeking high security and a positive demographic trend in property investments. Copenhagen occupies a very strong position in the Danish property market². The overall property transaction volume in Denmark in 2016 amounted to about DKK 64 billion, of which the Copenhagen area accounted for about 75 per cent.

According to the commercial property adviser Sadolin & Albaek, during 2015, investment interest shifted from the office segment of the market to the residential segment, though this equalised during 2016. During 2015, residential properties accounted for 38 per cent. of total transaction volume and office properties accounted for 27 per cent., however in 2016 both residential and office volumes accounted for 32 per cent. each.

The market for condominiums showed a very strong price trend in Denmark during 2015 and 2016. Prices throughout the country rose by 12 per cent. during 2015 (compared to 2014) and have grown at a similar rate in 2016. This annual price increase is the highest since 2006 and prices have now recovered to the level that prevailed before the sharp fall in prices that began in 2007.

¹ <https://indices.ipd.com/Default.aspx?ReportingService=SEPAS&Frequency=A&Currency=SEK&Culture=en-GB&FileFormat=pdf>

² http://sadolin-albaek.dk/sites/default/files/attachments/copenhagen_property_market_report_2016_web.pdf

The number of newly constructed apartments in Denmark has also increased sharply. Since prices of newly constructed apartments are generally higher than for older buildings this has meant a positive price trend overall for all apartments in Copenhagen.

Århus (Denmark's second-largest city) and Ålborg also showed a positive performance in terms of rising prices and increased construction of new apartments in attractive areas.

The current low interest rates are important for the condominium market and according to Sadolin & Albaek, with expectations of continued low interest rates, the condominium market is expected to remain positive in the next few years, particularly in Copenhagen and Denmark's larger cities.

The Finnish Property Market

The Finnish property market differs from the Swedish one in terms of the ownership structure among the larger private property companies in the industry. In Finland, there are currently three Large cap listed property companies, compared to approximately ten large listed property companies in Sweden. The largest property owners in Finland are domestic pension funds and institutions.

Urbanisation is increasing rapidly in Finland. Relocation, mainly employment-related, is responsible for strong housing demand in Finland's larger cities. In 1990 the proportion of the Finnish population living in urban areas was approximately 60 per cent., and in 2015 the proportion of the population living in the 14 biggest city regions was 69 per cent.³

Rental apartments are a popular form of housing in Finland. In Helsinki, almost half of residents live in rental apartments. Of the 2.6 million permanent dwellings in the whole of Finland⁴, rental apartments account for approximately 840,000⁵ (around 32 per cent.). Of these rental apartments, around half are owned by private investors. SATO Oyj, which is a subsidiary of Balder, owns approximately 7 per cent. of all rental apartments in the capital region.

Prices of apartments and rental rates have increased in recent years. Demand for smaller, good value apartments has increased the most, due to the fact that a large proportion of households in the larger cities only consist of one or two persons. As a result, many housing companies focus mainly on the construction of new, smaller apartments. For example, the average size of SATO's apartments is 57 square metres.

³ <https://kti.fi/wp-content/uploads/page/The-Finnish-Property-Market-2017.pdf>

⁴

<https://kti.fi/wp-content/uploads/page/The-Finnish-Property-Market-2017.pdf>

⁵

<https://kti.fi/wp-content/uploads/page/The-Finnish-Property-Market-2017.pdf>

GROUP PROPERTY PORTFOLIO

As at 30 June 2017, Balder owned 1,132 properties with a lettable area of 3,622,104 square metres and a value of SEK 89,047 million, including property development projects. Balder's total rental value (excluding property development projects) amounted to SEK 5,975 million. This includes properties owned by SATO, which was consolidated with Balder from 1 January 2016.

In the following section, "Öresund" includes Copenhagen and Malmö, "North" includes Norway, Karlstad, Sundsvall and Gävle and "East" includes Finland (excluding Helsinki) and the Eastern part of Sweden.

Balder's real estate holding per region, as at 30 June 2017

REGION	Number of properties	Lettable area (sq.m.)	Rental value (MSEK)	Rental value (SEK/sq.m)	Rental income (MSEK)	Economic occupancy rate (%)	Carrying amount ⁽¹⁾ (MSEK)	Carrying amount (%)
Helsinki	502	1,013,421	2,121	2,092	2,042	96	25,399	29
Stockholm	60	525,733	931	1,771	884	95	16,735	19
Gothenburg	141	841,545	1,110	1,319	1,065	96	17,620	20
Öresund	75	442,863	675	1,524	627	93	11,550	13
East	275	616,899	925	1,500	881	95	10,381	12
North	79	181,643	213	1,171	207	97	3,211	4
Total	1,132	3,622,104	5,975	1,650	5,706	96	84,897	95
Project developments			54		54		4,151	5
Total	1,132	3,622,104	6,029	1,650	5,760	96	89,047	100

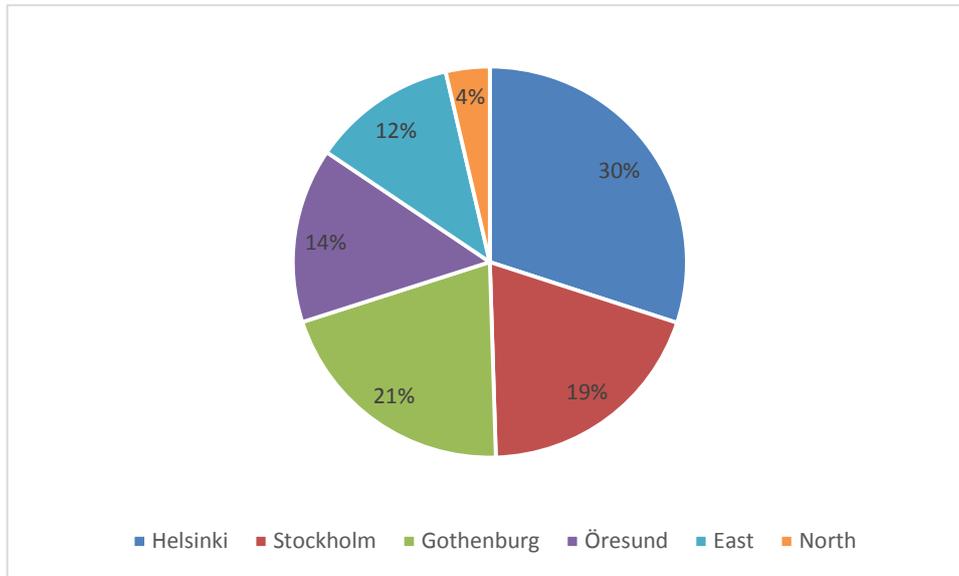
(1) Carrying amount means the market value of the properties

Balder's real estate holding per property category, as at 30 June 2017

PROPERTY CATEGORY	Number of properties	Lettable area (sq.m.)	Rental value (MSEK)	Rental value (SEK/sq.m)	Rental income (MSEK)	Economic occupancy rate (%)	Carrying amount (MSEK)	Carrying amount (%)
Residential	931	2,331,889	3,874	1,661	3,732	96	49,896	56
Office	65	427,728	872	2,039	791	91	15,011	17
Retail	95	521,503	637	1,221	612	96	9,803	11
Other ⁽¹⁾	41	340,984	593	1,739	571	96	10,187	11
Total	1,132	3,622,104	5,975	1,650	5,706	96	84,897	95
Project developments			54		54		4,151	5
Total	1,132	3,622,104	6,029	1,650	5,760	96	89,047	100

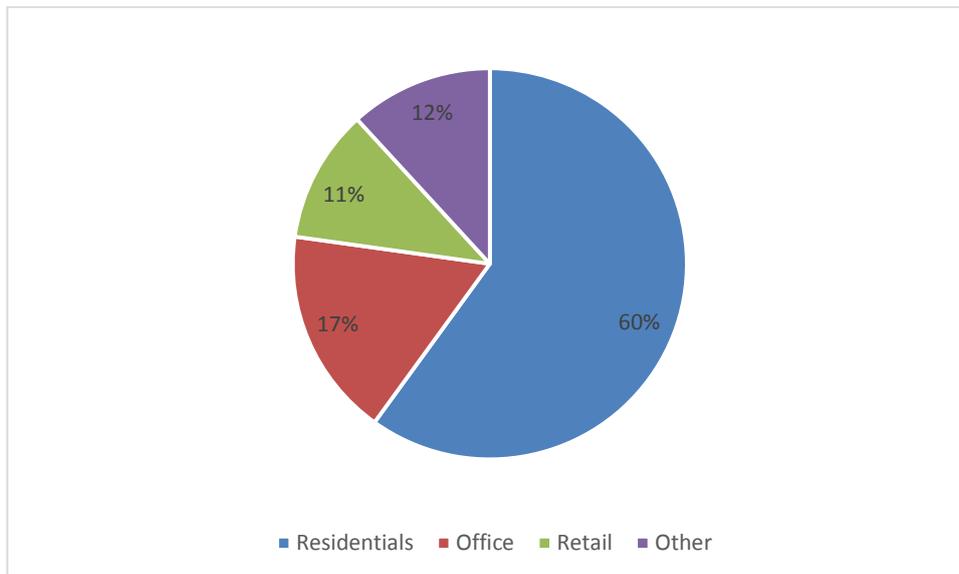
(1) Other property categories include hotels, education, nursing, industry and mixed used properties.

Carrying amount (including projects) per region, as at 30 June 2017



The diagram above illustrates the distribution by region of the market value of the properties Balder owns, including its property development projects.

Carrying amount (including projects) per property category, as at 30 June 2017



The diagram above illustrates the distribution of Balder's properties by property category. 'Other' includes hotels, education, nursing, industry and mixed used properties.

Strategy for Residential Properties

In 2016, residential properties continued to be a popular investment. Residential properties generally have a lower risk profile due to the prevailing housing shortage in most parts of Sweden and the fact that the current level of construction for new apartments is not sufficient for both current and future needs.

The supply of residential properties in metropolitan areas continues to be low, which has meant that some property companies have directed their interest towards properties outside the metropolitan areas of the larger cities or towards residential properties in smaller cities geographically located throughout Sweden. Overall, however, the number of property companies that have chosen residential properties as an investment object has increased during 2016. Foreign buyers have also returned to the Swedish market according to Newsec, a Swedish property advisor⁶.

In view of a shrinking transaction market for residential properties and lower yields⁷, Balder has continued to pursue its strategy, namely, development of existing properties and increased construction of new apartments in the longer term. The Company's goal is to create new property developments with higher values and better yields than the existing transaction market can offer in the residential segment.

In Gothenburg and Stockholm, among other cities in Sweden, work on new zoning plans is on-going, and this will likely result in a broader supply of apartments. Traditional apartment blocks will be mixed with other forms of housing, such as smaller terraced houses and tenant-owned apartments. This will mean a more efficient use of existing land and that these areas become more attractive from a residential perspective.

Key data for Residential properties as at 30 June 2017	
Number of properties	931
Lettable area (sq.m. thousands)	2,331,889
Number of apartments	37,500
Rental value (MSEK)	3,874
Economic occupancy rate (%)	96
Carrying amount (MSEK)	49,896

Residential properties - distribution per region as at 30 June 2017		
Area	Sq.m. thousands	%
Helsinki	1,013	43
East	511	22
Gothenburg	322	14
North	149	6
Öresund	196	8
Stockholm	140	6
Total	2,332	100

⁶ <http://www.newsec.se/insikter--rapporter/newsec-property-outlook/>

⁷ <http://www.newsec.se/insikter--rapporter/newsec-property-outlook/>

Strategy for Commercial Properties

The continuing low interest rate and Riksbank's expected negative repo rate until late 2018⁸ meant that the market for commercial properties in Sweden was strong during 2016. Yield requirements decreased during 2016, particularly in larger cities. The demand for properties was greater than the supply available in the market as a result of a sharp increase in capital inflows from non-European market participants among other factors. The funding opportunities were also good in Sweden, both in terms of traditional bank financing and financing through new issues of bonds.

During 2016 and 2017, Balder has continued its strategy of reducing its property holdings in less central areas in the Stockholm region and in locations where it does not have representation in the form of a local office or in-house property management personnel. For a number of years, the focus instead has been on acquiring and maintaining commercial properties in central parts of Stockholm, Gothenburg and Malmö. The structural refinement of Balder's commercial property portfolio is a deliberate concentration strategy aimed at improving the quality and location of the properties.

According to Newsec, there is still demand for central office properties as vacancy levels in Stockholm and Gothenburg amount to just below 4 per cent., which is at the same level as during 2014 and 2015. In Malmö, the vacancy rate is higher at around 8.5 per cent, mainly due to new production of office properties in Västra Hamnen.

Balder has an experienced in-house lettings department that lets vacant premises and finds solutions to premises issues for tenants. As a result, Balder's economic occupancy rate for commercial properties was 94 per cent. at 30 June 2017.

The value of Balder's commercial property holdings in Stockholm's inner city at 30 June 2017 amounted to SEK 9.7 billion, which corresponds to 67 per cent. of the total value of its commercial properties in the region. Balder's average value per square metre for centrally located office properties in Stockholm amounts to approximately SEK 61,000. The equivalent figure in Gothenburg is SEK 8.8 billion, and SEK 2.4 billion in Malmö.

Key data for Commercial properties as at 30 June 2017	
Number of properties	201
Lettable area (sq.m. thousands)	1,290,215
Rental value (MSEK)	2,102
Economic occupancy rate (%)	93.9
Carrying amount (MSEK)	35,001

Commercial properties - distribution per region as at 30 June 2017		
Area	Sq.m. thousands	%
Gothenburg	519	40
Stockholm	385	30
Öresund	247	19
East	106	8
North	33	3
Helsinki	0	0

⁸ <http://www.riksbank.se/en/Monetary-policy/Forecasts-and-interest-rate-decisions/Current-forecast-for-the-repo-rate-inflation-and-GDP/>

Commercial properties - distribution per region as at 30 June 2017		
Area	Sq.m. thousands	%
Total	1,290	100

SATO Acquisition

On 1 April 2015, Balder carried out its first acquisition of shares in SATO Oyj (Finland's second largest housing company), equivalent to 21 per cent. of the outstanding shares and voting rights.

Subsequently, Balder gradually acquired more shares in SATO. On 30 December 2015, Balder acquired a further 22.9 per cent. of the outstanding shares and votes, and together with the previous total holdings of shares and votes, which amounted to 30.4 per cent., this meant that Balder owned 53.3 per cent. in total of the outstanding shares and votes. Balder has therefore consolidated SATO in its balance sheet from 31 December 2015, and SATO's earnings during the year are recognised in the Group as profit from participations in Associated Companies.

SATO is also a property company, which has high-quality properties in excellent locations that complement Balder's existing operations and property portfolio. The number of employees of SATO amounted to 175 people as at 30 June 2017, of which 121 were women (69 per cent.). SATO owns just over 25,000 apartments; 80 per cent. of the properties are located in the Helsinki area and the remainder can be found in Tampere, Oulu, Turku, Jyväskylä and St. Petersburg (although the board of SATO have decided not to increase the number of properties it owns in St. Petersburg going forward). The value of SATO's properties has developed positively in recent years through acquisitions and construction under its own brand. SATO has more than 1,212 rental apartments under construction and 628 rental apartments were completed during 2016.

The housing market in Finland consists of 2.6 million apartments, of which two thirds are condominiums and one third are rental apartments (according to Statistics Finland). SATO's share of the rental market is about 3 per cent. The largest owners in the Finnish market are insurance companies, pension funds and municipalities, which usually own apartments for social purposes. Demand for smaller apartments exceeds supply, especially in the Helsinki region. SATO's apartments have an average area of 57 sq. m.

Bovieran

Bovieran AB ("**Bovieran**") is a property company that plans, develops and builds tenant-owned apartments for senior residents. Balder began its collaboration with Bovieran in 2013, and during spring 2015, became the 100 per cent. shareholder. Bovieran has several new developments in progress, including in Helsingborg and Falun.

Associated Companies

In order to boost the volume of newly constructed apartments in the locations in which it operates, Balder, in addition to its own projects, also works with a number of strong partners, both property-related (the Real Estate Companies) and investment related (including Collector).

Trenum AB

Balder has formed Trenum AB in partnership with the Third Swedish National Pension Fund for investment in the construction of new rental properties in three metropolitan regions, Stockholm, Gothenburg and Malmö, and growth areas with a positive population trend.

Brinova Fastigheter AB

In 2015, Balder became a part-owner of Brinova Fastigheter AB (listed on Nasdaq First North since 13 September 2016) together with Backahill AB, among others. Brinova Fastigheter AB had property holdings of about SEK 3 billion as of 30 June 2017. The venture aims to expand its property portfolio in residential, public and commercial properties, particularly in southern Sweden.

Tornet Bostadsproduktion

Balder is also a shareholder of Tornet Bostadsproduktion AB (“**Tornet**”), which concentrates on the construction, ownership and management of residential properties. Other shareholders in Tornet are Peab AB, Folksam and Riksbyggen. At present, the property portfolio includes about 700 apartments and there are ongoing projects and construction plans for approximately 700 additional apartments.

Centur and Tulia

In addition to the Real Estate Companies that focus on residential property, Balder also has two joint ventures which focus mainly on commercial properties in Stockholm, Gothenburg and Malmö: Fastighets AB Centur (with Peab AB, a listed construction company), and Tulia AB (with Andre Åkerlund, a private investor).

Collector

In addition to the Real Estate Companies, Balder has a 44 per cent. share in a listed niche bank called Collector. Collector focuses on financing solutions, credit management, payment solutions, debt collection and the legal industry in particular. Balder’s first acquisition of shares in Collector was completed in 2011. Collector is listed on Nasdaq Stockholm Large cap. Erik Selin, Balder’s CEO, is both on the board of Collector and on its Credit Committee.

Balder’s participation in the Associated Companies’ real estate holdings and balance sheets as of 30 June 2017 are shown in the tables below.

Balder’s participation in the Associated Companies’ real estate holdings, as at 30 June 2017								
Distributed by region	Number of properties*	Lettable area (sq.m.)	Rental value (MSEK)	Rental value (SEK/sq.m)	Rental income (MSEK)	Economic occupancy rate (%)	Carrying amount (MSEK)	Carrying amount (%)
Stockholm	48	130,876	175	1,340	172	98	3,009	44
Gothenburg	15	84,811	89	1,052	83	93	1,157	17
Öresund	25	64,703	91	1,405	90	99	1,465	21
Total	88	280,390	356	1,268	345	97	5,631	82
Project developments			21		21		1,224	18
Total	88	280,390	376	1,268	366	97	6,856	100
Distributed by property category								
Residential	27	45,453	70	1,537	69	99	1,581	23
Office	12	30,395	59	1,945	55	93	990	14
Retail	35	118,240	134	1,137	130	96	1,776	26
Other	14	86,302	92	1,067	92	99	1,284	19
Total	88	280,390	356	1,268	345	97	5,631	82
Project developments			21		21		1,224	18
Total	88	280,390	376	1,268	366	97	6,856	100

(*) Refers to the entire portfolio of the associated companies.

Balder's participation in the balance sheets of Associated Companies, as at 30 June 2017/2016		
MSEK	30 June 2017	30 June 2016
Assets		
Properties	6,856	4,663
Other assets	56	54
Cash and cash equivalents	122	89
Total assets	7,034	4,806
Equity/shareholder loan	2,979	1,948
Interest-bearing liabilities	3,545	2,563
Other liabilities	509	294
Total equity and liabilities	7,034	4,806

Divestments

While Balder has increased its holdings of residential properties through construction, a number of properties are divested every year. Divestments are usually focused on cities where Balder does not have any local management or where the property portfolio is too small to enable efficient management.

Lease Structure

Balder's property portfolio has a diversified structure, with a total of approximately 50,000 contracts that are balanced between commercial and residential tenants as well as having a geographical spread. In order to offset the risk of reduced rental income and a weak occupancy rate, the Company strives for long-term relationships with its existing tenants.

Balder's ten largest individual leases represent 5.6 per cent. of its total rental income and the average lease term amounts to 11.5 years. No individual lease accounts for more than 0.8 per cent. of Balder's total rental income and no individual tenant accounts for more than 4.4 per cent. of total rental income. The average lease term for the entire commercial portfolio is 7.0 years.

The spread of the Company's leases as of 30 June 2017 is shown in the table below. Leases terminated on 30 June 2017 (or where termination will or is expected to take place) are recognised as leases maturing within one year.

Lease maturity structure, as at 30 June 2017

Lease maturity structure as at 30 June 2017				
Maturity date	Number of leases	Proportion (%)	Contracted annual rent (MSEK)	Proportion (%)
2017	602	22	83	1
2018	804	29	275	5
2019	494	18	282	5
2020	402	15	240	4
2021 and beyond	439	16	1,167	20
Total	2,741	100	2,047	36

Lease Property Type as at 30 June 2017				
Property Type	Number of leases	Proportion (%)	Contracted annual rent (MSEK)	Proportion (%)
Residential	35,563		3,655	63
Car park	4,854		16	0
Garage	3,686		42	1
Total	46,844		5,760	100

Tenants

Balder's 10 largest customers as at 30 June 2017 are shown in the table below.

Tenant	Annual rent (MSEK)	Turnover (MSEK)	Number of leases	Proportion (%)
I.A Hedin Bil AB	253.9	8,086	40	4.4
Scandic Hotels AB	146.8	4,660	10	2.5
Winn Hotel Group AB	63.9	628	3	1.1
ProfilHotels	58.2	630	4	1.0
Volvo Personvagnar AB	47	180,672	1	0.8
Stureplansgruppen	33.1	1,160	2	0.6
Norwegian State	28.7	N/A	1	0.5
Stockholm Municipality	25.8	N/A	2	0.4
Kopparbergs Bryggerier AB	25.8	1,972	3	0.4
ICA Sverige AB	21.8	68,498	7	0.4

FINANCIAL AND CAPITAL STRUCTURE

Financial operations at Balder are conducted in accordance with the targets that the Board decides upon annually as the Company's financial policy. The targets are set in order to limit the financial risks that Balder is exposed to, namely interest, refinancing and liquidity risk. The overall goals of Balder's financial policy are:

- to secure the supply of short-term and long-term capital;
- that the equity/assets ratio should not be less than 35 per cent. at any time;
- that the interest coverage ratio should not be less than 2.0 times; and
- that the net debt/total assets ratio should not exceed 55 per cent.

Prior to the issuance of the Notes, 48 per cent. of Balder's funding consists of capital markets financing and the remainder is comprised of bank financing with eight different Nordic and European banks and state-subsidised loans (the latter being raised in Finland by SATO). As of 30 June 2017 Balder had outstanding bonds totalling SEK 20,536 million and outstanding commercial paper totalling SEK 3,906 million.

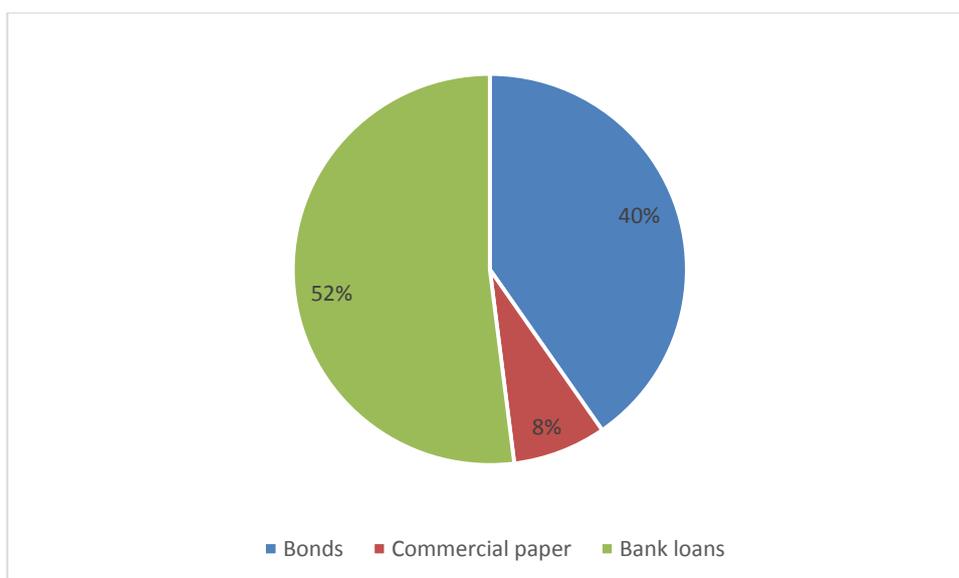
Balder's interest-bearing liabilities amounted to SEK 50,904 million as at 30 June 2017. The secured liabilities in relation to total assets amounted to 28 per cent. as at 30 June 2017. On the same date, the net loan-to-value ratio was 47 per cent (the net loan-to-value ratio is calculated as net interest-bearing liabilities divided by total assets). Balder's fixed credit term amounted to 4.9 years, the fixed interest term was 3.2 years and the average interest rate amounted to 1.9 per cent. (including interest rate derivatives).

Balder's financial goals			
	Goals	Outcome 2016*	Outcome 2015*
Equity/assets (%)	35.0	38.3	37.8
Interest coverage ratio (times)	2.0	3.7	5.1
Net Debt/Total Assets (%)	55.0	50.0	51.6

* Key ratio including listed associated companies at market value.

Key ratios	2016*	2015*
Return on equity Ordinary Share (%)	20.9	28.2
Return on total assets (%)	9.9	10.5
Net debt to total assets (%)	50.0	51.6
Debt/equity ratio (times)	1.3	1.4
Interest coverage ratio (times)	3.7	5.1
Equity/assets ratio (%)	38.3	37.8
Average fixed credit term (years)	4.2	4.4
Average interest rate refixing period (years)	2.4	2.9

* Key ratio including listed associated companies at market value.



Fixed interest term, as at 30 June 2017

Year	MSEK	Interest, %	Proportion, %
Within one year	20,743	1.0	41
1-2 years	1,107	3.2	2
2-3 years	2,026	2.4	4
3-4 years	10,388	2.9	20
4-5 years	6,786	1.8	13
> 5 years	9,853	2.5	19

Fixed credit term, as at 30 June 2017

Year	MSEK	Proportion, %
Within one year	8,637	17
1-2 years	8,392	16
2-3 years	4,920	10
3-4 years	10,789	21
4-6 years	6,124	12
> 5 years	12,042	24

Credit Rating

Balder has a Baa3 long term issuer rating from Moody's and a BBB long term issuer rating from S&P. The ratings primarily reflect the Company's focus on stable rental housing properties in Sweden and

Finland, the diversified property portfolio with properties in the largest cities in the Nordics and the prime locations of its commercial properties in Sweden's largest cities. The rating also positively reflects management's conservative dividend policy, which results in high cash flow retention and the ability to reinvest cash flow generated in the business.

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Board of Directors

The Board of Directors is elected at the annual general meeting (“AGM”) of shareholders and consists of a minimum of three and a maximum of seven members. The rules of the Swedish Companies Act apply to resolutions in the Board, which means that more than half of the members must be present at a meeting and more than one third of the total number of members must vote for resolutions. The Chairperson has the casting vote in the event of the same number of votes.

Both of the major shareholders, Erik Selin Fastigheter AB and Arvid Svensson Invest AB, are represented on the Board through Erik Selin and Fredrik Svensson respectively.

The Board’s duties and responsibilities

The Board’s main duty is to manage the affairs of the Company on behalf of its shareholders. The Board has responsibility for ensuring that the Company’s operations are conducted in accordance with the articles of association, the Swedish Companies Act, any other applicable laws and regulations and the rules of procedure adopted annually by the Board (the “**Rules of Procedures**”). The Board acts collectively under the leadership of the Chairperson. The Board members ensure that the CEO fulfils his duties in accordance with the Board’s guidelines and directions.

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;
- determining the Company’s and Group’s overall organisation;
- electing 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 operations;
- approving the Rules of Procedures and instructions to the CEO annually;
- approving financial reporting in the form of interim reports, year-end reports and annual accounts that the 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; and
- ensuring that the Company has an appropriate system for assessment, follow up and control of the risks associated with the Company and its operations.

The Rules of Procedures of the Board of Directors

The Board adopts the Rules of Procedures each year, which describes the duties of the Board and the division of responsibilities between the Board and the CEO. It also describes what matters shall be dealt with at each Board meeting and outlines instructions regarding financial reporting. The Rules of Procedures also prescribe that the Board shall have an Audit Committee and a Remuneration Committee. The Chairperson of the Board typically serves as the Chairperson 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.

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, for example acquisitions and divestments 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.

Board members

Christina Rogestam

Born 1943. Chairperson of the Board since 2006.

Education and experience: Bachelor of Arts, Social studies. Previously President and CEO of Akademiska Hus AB and board member of Fastighets AB Stenvalvet.

Shareholding in Balder: 61,000 Class B shares privately held, 3,000 Class B shares and 2,080 Preference shares via the company Rogestam & Widing rådgivning och rekrytering AB.

Anders Wennergren

Born 1956. Board member since 2009.

Education and experience: Bachelor of Laws, Lawyer and partner at Advokatfirman Glimstedt, and board member of Serneke Group AB.

Shareholding in Balder: 250,000 B shares via the company Bassholmen AB.

Sten Dunér

Born 1951. Board member since 2007.

Education and experience: Bachelor of Science (Econ.). CEO of Länsförsäkringar AB, chairman of Länsförsäkringar Bank, Länsförsäkringar Sak and Länsförsäkringar Fondliv, board member of Länsförsäkringar Liv and 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 (Econ.), CEO of AB Arvid Svensson, and chairman of Klöver AB.

Shareholding in Balder: 2,915,892 Class A shares and 13,542,540 Class B shares via the company, Arvid Svensson Invest AB.

Erik Selin

Born 1967. Board member since 2005. CEO since 2005.

Education and experience: Business school economist, Chairman of Skandrenting AB, board member and vice chairman of Collector Bank AB (publ), board member of Västsvenska Retailskammaren, Astrid Lindgrens värld and Hexatronic Scandinavia AB (publ).

Shareholding in Balder: 10,500 Class B shares and 500 Preference shares privately held and 8,309,328 Class A shares and 57,200,400 Class B shares via the company Erik Selin Fastigheter AB.

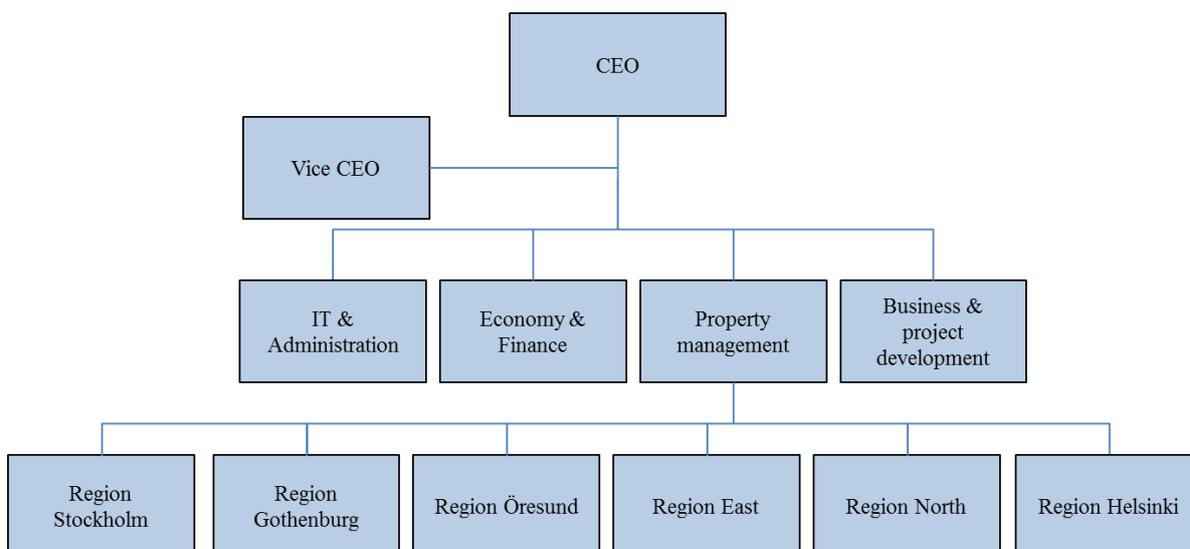
The CEO

The CEO is responsible for the day-to-day management of the Group following the guidelines and policies determined by the Board. The CEO reports on Balder's development to the Board, prepares the order of business at Board meetings according to an approved agenda and ensures that the required material is compiled and distributed to the Board members prior to Board meetings.

Senior Management

The Senior Management Group of the Company deals with all key issues for the management of the Group, such as matters relating to strategy, budget, investments, business planning, and financial reporting. The Senior Management Group's duties include the implementation of the decisions of the Board of Directors under the leadership of the Chairperson and CEO. The Senior Management Group is

not a corporate body and has no standing at law or under the articles of association; it simply serves as a body to assist the Chairperson and CEO.



As at the date of this Prospectus, the Senior Management Group consists of the following persons:

Name	Year of birth	Position
<i>Erik Selin</i>	1967	CEO
<i>Magnus Björndahl</i>	1957	Director of Economy
<i>Petra Sprangers</i>	1965	Head of Personnel and Administration
<i>Benny Ivarsson</i>	1955	Head of Property
<i>Sharam Rahi</i>	1973	Head of Property Management and Vice CEO
<i>Marcus Hansson</i>	1974	Head of Finance

Board Committees

The Board of Directors has established two permanent committees, the Audit Committee and the Remuneration Committee.

Remuneration Committee

The Remuneration Committee is responsible for monitoring and evaluating the application of the guidelines for remuneration and levels of compensation to senior executives (as determined at the AGM) and also draws up proposals for new guidelines for principles of remuneration and other terms of employment. Before the resolution of the AGM, the Board is responsible for proposing principles for remuneration and other terms of employment for the CEO and other senior executives. Following the resolution of the AGM, it is the duty of the Remuneration Committee to decide on remuneration for the CEO and other officers. The Remuneration Committee is composed of all independent Board members and meets at least once every year.

Audit Committee

The Audit Committee is responsible for assessing the quality of 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 takes place. The Audit Committee shall meet the Company's auditor at least once per calendar year. During 2016, 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.

Business Address

The business address of the members of the Board of Directors, the Chairperson and CEO and the Senior Management Group is Parkgatan 49, 400 15 Göteborg, Sweden.

Absence of Conflicts of Interest

The members of the Board of Directors, the Senior Management Group, the Chairperson and CEO do not have any conflicts of interest between their duties relating to the Company and their private interests and/or their other duties.

Corporate Governance

Corporate governance in Swedish listed companies is governed by a combination of written rules and practice. The rules and regulations have been developed through legislation, recommendations, the Swedish Code of Corporate Governance (the “**Code**”) and through self-regulation. The Code is based on the principle of comply or explain, which means that all rules need not always be complied with if there is a suitable reason and explanation.

Some of the Code’s principles are aimed at creating a good basis for the exercise of an active and responsible ownership role and creating a balance of power between owners, the Board and the executive management. The Code also requires that certain information is made available on the Company’s website. The Swedish Code of Corporate Governance is administered by the Swedish Corporate Governance Board. 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 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, among other things, contain information regarding share capital, number of shares, class of shares and preferential rights, the number of Board members and auditors as well as provisions regarding notice and agenda for the annual general meeting.

Annual General Meeting

The 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, each shareholder must be present at the meeting, either personally or by proxy. In addition, each 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 to Balder’s Board of Directors in advance of the meeting. Resolutions at general meetings of shareholders are normally passed by simple majority. In certain circumstances, the Swedish Companies Act prescribes that proposals must be approved by a larger proportion of the shares represented and cast at the meeting.

Nomination Committee

The AGM resolves on the procedure for election of the Board, and when applicable, the auditors. The AGM 2016 resolved that a Nomination Committee should be established in order to submit proposals on the number of Board members, the election of Board members including the Chairperson of the Board and remuneration for Board members and for the auditors.

The Nomination Committee’s proposals are typically announced in conjunction with the notice convening the AGM. All shareholders are given the opportunity to submit nomination proposals to the Nomination Committee.

The AGM 2016 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 is Lars Rasin. 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 Chairperson shall appoint a new Chairman until the next general meeting of the Company.

The Nomination Committee is currently composed of Jesper Mårtensson, representing Erik Selin Fastigheter AB, Rikard Svensson, representing Arvid Svensson Invest AB, and Chairman Lars Rasin.

Conflict of Interest

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 dealt with in a similar manner. Where applicable, it is incumbent on the Board member or CEO to disclose if a conflict of interest situation would arise.

Litigation

As of the date of this Prospectus, the Company is not currently engaged in any material on-going disputes or litigation.

Related Party Transactions

During 2016 Erik Selin Fastigheter AB purchased property- related administrative services from Balder for SEK 2 million. The services were priced based on market-related terms.

The parent company, Balder, also performed property-related administrative services on behalf of its subsidiaries amounting to SEK 174 million. As at 30 June 2017, receivables from subsidiaries amounted to SEK 30,605 million. The price for the administrative and financial services provided was based on market-related terms.

In addition to the related party transactions described above, the Group also has shares in the Associated Companies. During 2016, a number of the Associated Companies purchased management and administrative services from Balder. Balder also purchased services from Collector AB (publ). Net receivables from the Associated Companies amounted to SEK 500 million as at 30 June 2017. The price for the administrative and financial services provided was based on market-related terms.

GLOSSARY OF TERMS

All Key ratios include listed Associated Companies at market value

Financial

Return on equity, Ordinary Share (per cent.)

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 (per cent.)

Profit before tax with addition of net financial items in relation to average balance sheet total including listed Associated Companies at market value. 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.

Net loan-to-value ratio (per cent.)

Interest-bearing liabilities less cash and cash equivalents and financial investments in relation to total assets including listed Associated Companies at market value..

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 equity.

Equity/assets ratio (per cent.)

Shareholders' equity in relation to total assets including listed Associated Companies at market value at the end of the period.

Share-related

Equity per Ordinary Share (SEK)

Shareholders' equity in relation to the number of outstanding Ordinary Shares at the end of the period after deduction of the preference capital.

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.

Non-current net asset value per Ordinary Share (EPRA NAV) (SEK)

Shareholders' 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 period.

Net operating income (SEKm)

Rental income less property costs.

Economic occupancy rate (per cent.)

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, media expenses, maintenance, ground rent and property tax.

Rental value (SEKm)

Contracted rent and estimated market rent for vacant premises.

Surplus ratio (per cent.)

Net operating income in relation to rental income.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Kingdom of Sweden of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment

Swedish Taxation

Non-resident holders of Notes

As used herein, a non-resident holder means a holder of Notes who is (a) an individual who is not a resident of Sweden for tax purposes and who has no connection to Sweden other than his/her investment in the Notes, or (b) an entity not organised under the laws of Sweden.

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a non-resident holder of any Notes should not be subject to Swedish income tax provided that such holder does not carry out business activities from a permanent establishment in Sweden to which the Notes are effectively connected. Under Swedish tax law, no withholding tax is imposed on payments of principal or interest to a non-resident holder of any Notes.

Private individuals who are not resident in the Kingdom of Sweden for tax purposes may be liable to capital gains taxation in the Kingdom of Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in the Kingdom of Sweden or have lived permanently in the Kingdom of Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption.

Resident holders of Notes

As used herein, a resident holder means a holder of Notes who is (a) an individual who is a resident in Sweden for tax purposes or (b) an entity organised under the laws of Sweden.

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) that are resident holders of any Notes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable.

If the Notes are registered with Euroclear Sweden AB or held by a Swedish nominee in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld by Euroclear Sweden AB or by the nominee on payments of amounts that are considered to be interest for Swedish tax purposes to a private individual (or an estate of a deceased individual) that is a resident holder of any Notes.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Kingdom of Sweden have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ) (the "**Joint Bookrunners**") have, in a subscription agreement dated 5 September 2017 (the "**Subscription Agreement**") and made between the Issuer and the Joint Bookrunners upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 99.399 per cent. of their principal amount less a combined management and underwriting commission. The Issuer has also agreed to reimburse the Joint Bookrunners for certain expenses incurred in connection with the management of the issue of the Notes. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

General

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Bookrunners that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any related offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute this Prospectus or any offering material relating to the Notes, in all cases at their own expenses.

United Kingdom

Each Joint Bookrunner has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Kingdom of Sweden

Each Joint Bookrunner has agreed that it will not (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or purchase or sell the Notes or distribute any draft or definitive

document in relation to any such offer, invitation or sale in Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (Sw. *lagen (1991:980), om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) nor any other Swedish public body has examined, approved or registered this Prospectus or will examine, approve or register this Prospectus.

General

Each Joint Bookrunner has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 22 August 2017.

Admission to Trading

2. This Prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market through Walkers Listing Services Ltd. Walkers Listing Services Ltd is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive. The estimated amount of total expenses related to the admission of the Notes to the Official List and to trading on the Main Securities Market is approximately EUR 4,540.

Legal and Arbitration Proceedings

3. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Group.

Significant/Material Change

4. There has been no material adverse change in the prospects of the Issuer since 31 December 2016 nor any significant change in the financial or trading position of the Group since 30 June 2017.

Auditors

5. The financial statements of the Issuer have been audited without qualification for the years ended 31 December 2016 and 31 December 2015 by Öhrlings PricewaterhouseCoopers AB (PwC), chartered accountants and members of the Swedish Organisation of Certified Public Accountants (*Foreningen for Auktoriserade Revisorer*, or FAR) and the Swedish Organisation of Auditors (*Svenska Revisorsamfundet* or SRS).

Documents on Display

6. Copies of the following documents may be inspected in electronic form during normal business hours at the registered office of the Issuer for the life of this Prospectus:
 - (a) the constitutive documents of the Issuer;
 - (b) the Paying Agency Agreement and the Trust Deed; and
 - (c) the audited consolidated financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2016 and the reviewed unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2017.

Yield

7. On the basis of the issue price of the Notes of 99.399 per cent. of their principal amount, the yield of the Notes is 1.954 per cent. on an annual basis.

Legend Concerning US Persons

8. The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

ISIN and Common Code

9. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1677912393 and the common code of the notes is 167791239.
10. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

Conflict of Interest

11. There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer towards the Issuer and their private interests and/or other duties.

Dealing by Joint Bookrunners

12. Certain of the Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer and its affiliates in the ordinary course of business. Certain of the Joint Bookrunners and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Enforcement by the Trustee

13. The Conditions provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or prefunded and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and accordingly in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Noteholders to take action directly.

Foreign Language Text

14. The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

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Balders annual report 2015

*The people behind
Balder*

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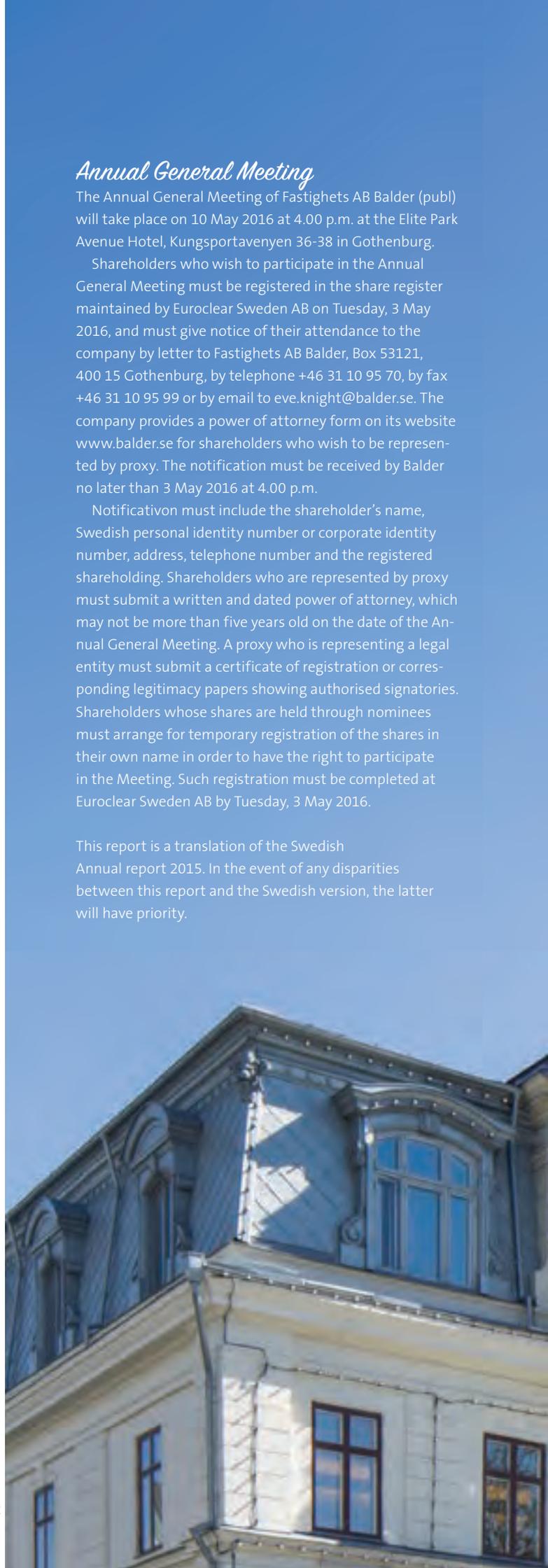
Annual General Meeting

The Annual General Meeting of Fastighets AB Balder (publ) will take place on 10 May 2016 at 4.00 p.m. at the Elite Park Avenue Hotel, Kungsporthavenen 36-38 in Gothenburg.

Shareholders who wish to participate in the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB on Tuesday, 3 May 2016, and must give notice of their attendance to the company by letter to Fastighets AB Balder, Box 53121, 400 15 Gothenburg, by telephone +46 31 10 95 70, by fax +46 31 10 95 99 or by email to eve.knight@balder.se. The company provides a power of attorney form on its website www.balder.se for shareholders who wish to be represented by proxy. The notification must be received by Balder no later than 3 May 2016 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 submit 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 submit a certificate of registration or corresponding legitimacy papers showing 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 registration must be completed at Euroclear Sweden AB by Tuesday, 3 May 2016.

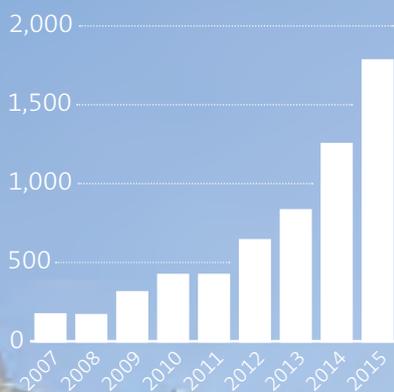
This report is a translation of the Swedish Annual report 2015. In the event of any disparities between this report and the Swedish version, the latter will have priority.



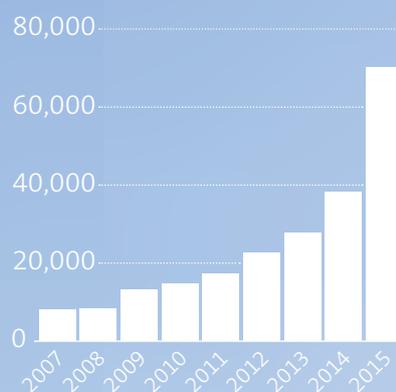
Where, how and why

Balder owns, manages and develops residential and commercial properties and hotels in Sweden, Denmark and Finland. Balder creates attractive and safe areas for people to live in and where new business can be developed. By having our own personnel in each location, we are always close to our tenants. In all of our locations, we want to be a committed, creative and long-term partner - regardless of whether you are a shareholder, business partner or tenant.

Profit from property management, SEKm



Property value, SEKm



Lettable area, %



Comments by the CEO

Creating good new relationships and maintaining existing ones is something that I consider to be invaluable and it is also fun for me and all Balder employees!

Dear shareholder,

Property market and investments

For Balder, 2015 was a very interesting and positive year! The property market continued to perform well (too well?) due to strong interest from investors driven by record low interest rates, a favourable rental market and also in some cases due to a lack of alternative investment opportunities.

Our largest investment by far during the year was our gradual acquisition of just over 50 percent of the shares of the Finnish residential property company Sato. Although Finland has shown a weaker performance than the other Nordic countries in recent years, I am convinced that the long-term development in Finland will be positive again. Through Sato, we gain an excellent organisation and a fantastic network, which will give

us the potential to find good investment opportunities over time. Our Finnish investment is in safe hands.

In Sweden, we were a net seller of investment properties, although on a small scale, and a net investor in residential projects instead, and we are now gradually obtaining a better and better project portfolio.

In the short term, this will have a slightly negative impact on earnings but looking ahead, these investments will be important for our future results.

The property market in Copenhagen was also strong during the year and our operations there are gradually improving and expanding through the construction projects, which are being completed now and in the coming years. We have also

initiated our first hotel investment in Copenhagen, which feels great. As you probably know, we are really delighted about our hotels and this division at Balder also advanced its position during 2015.

“Our Finnish investment is in safe hands.”

Associated companies

On the associated company side, we gained some fine new additions in the form of Tornet and Brinova. Even though their impact on our comprehensive income and balance sheet is not so large at present, it will give us additional investment opportunities and options over time and, not least, it gives us new relationships.



Creating new relationships and maintaining existing ones is something that I consider to be invaluable and it is also fun and stimulating for me and for the rest of Balder's employees.

In June, Collector was listed on the stock market, which meant that the company's value has become more clearly visible. We regard Collector as an associated company and we expect that Balder will remain as an owner for the foreseeable future. In accounting terms, this means that we should not recognise Collector's shares at market value but at cost value (our share of the profit is added to this). To provide as true and fair view as possible, we also present our balance sheet and key ratios including Collector at market value.

Financial goals and key ratios

To maintain a strong balance sheet, we used part of the authorisation to issue

shares that we received at the Annual General Meeting 2015.

We carried out a directed issue of 10 million shares to Swedish and international institutions and it received a very good response. The offer was strongly oversubscribed.

Balder's Board of Directors has decided to adjust the company's goal for the interest coverage ratio from 1.5 to 2 times. When the interest rate is at prevailing levels, the interest coverage ratio key ratio is not so interesting but who knows what will happen with interest rates over time? (I don't know).

2016 and subsequently

In the short term, the property market fe-

els strong based on the same factors that have prevailed in recent years. However, our focus is completely on the long-term performance for Balder and for its shareholders. Looking ahead, I am very positive about Balder's opportunities due to the fact that our organisation is continually improving, we are investing in different segments in different markets and

"Looking ahead, I am very positive about Balder's opportunities."

because we have so many partners that help us with everything possible.

Erik Selin
Chief Executive Officer

Comments by the Chairman of the Board

As a property owner, Balder must emphasise that it is a long-term owner, which is prepared to take the necessary measures.

In Paris, just before Christmas, 195 countries signed a historic agreement to try to limit the rise in the global average temperature to 1.5 degrees. It is good that the politicians set long-term targets and then supplement them with laws, rules and other measures. But it will not be enough. The actual change process must be embraced by society as a whole, the business community and individuals. Then the efforts made by Balder, our employees and our tenants will be important for reaching the long-term goal.

The duties of Balder's Board of Directors include working on the Group's long-term development, follow up of the Management's operating activities and to assure order and clarity in the company. When a company has a clear owner like Balder, order and clarity has existed all along since the owner's own money was at stake. Therefore, thriftiness is also a part of the company's DNA.

Sustainability work

These duties also include following up that the company and its Management advance Balder's efforts to help create a sustainable society. It is important to state that sustainability is more than just an environmental issue – it's also about taking social responsibility.

For a number of years, Balder has moved up a gear in terms of strengthening its sustainability work with a strong focus on energy, waste, transports, material and chemicals. This is naturally based

on an environmental management system with clear routines, tools and action plans. The next step has been an ambitious training programme for property caretakers and employees in project development. Last but not least in terms of importance - material such as cement leaves a large carbon footprint on the environment. In this respect, our employees must use smart thinking and be very competent buyers

Risk assessment is another important question that is always part of the Board's discussions. This includes questions such as assessment of market conditions and their impact on different parts of the market, vacancies, the interest rate trend, organising the operations to reduce dependence on individual persons etc.

The company is trying to take its social responsibility in different ways by providing comfort and security in its residential areas. In certain run-down areas, extensive renovations and long-term investments are required in order to reverse the negative development, reduce vandalism, provide security and also build pride among residents in their area. As a property owner, Balder must emphasise that it is a long-term owner, which is prepared to take the necessary measures. Vårby gård and Bergsjön are good examples of this commitment.

Christina Rogestam,
Chairman of the Board



Multi-year summary

Together with our shareholders, financiers, customers, suppliers and society at large, we look forward to good business opportunities for many years to come.

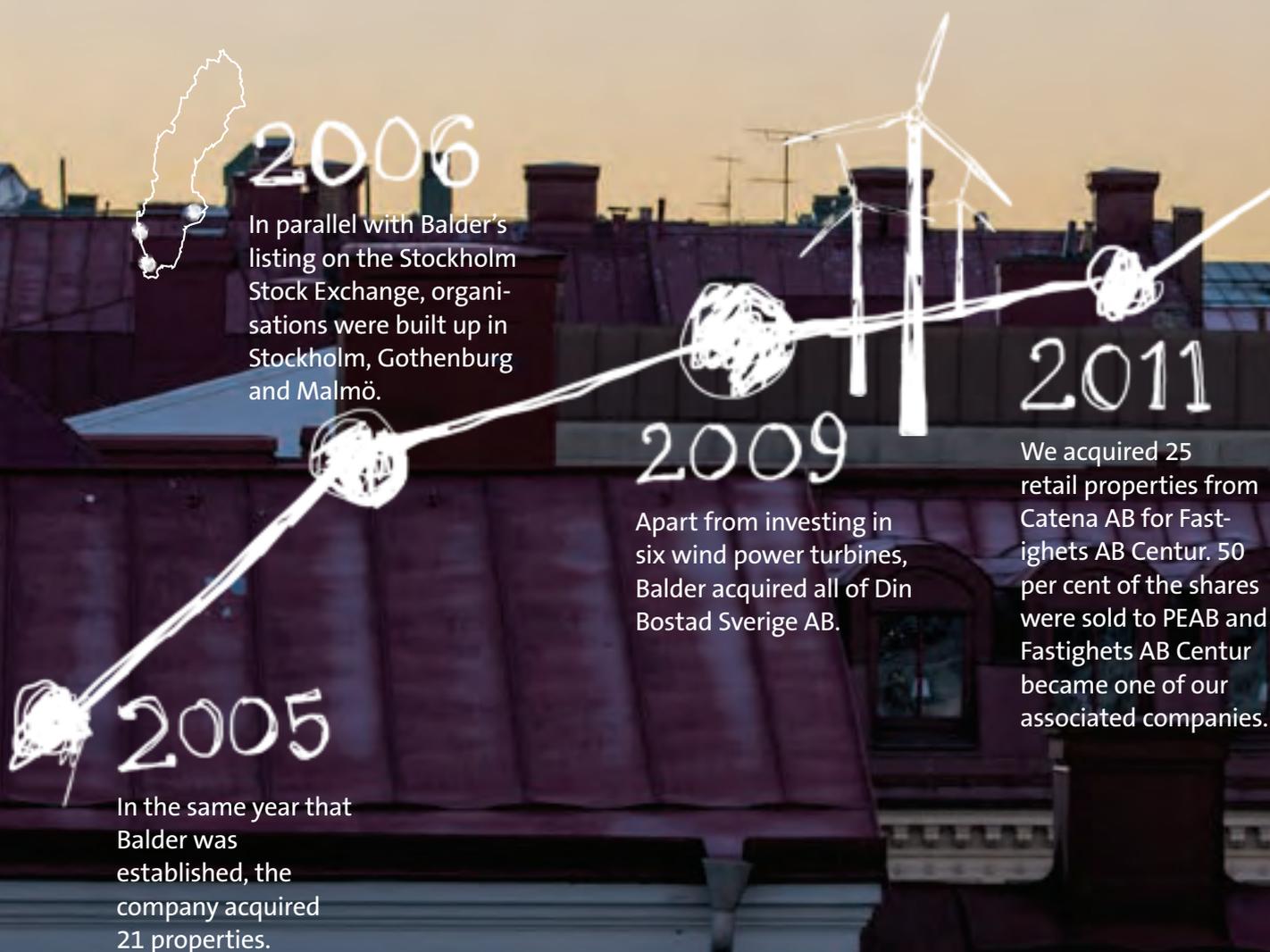
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Rental income, SEKm	2,711	2,525	1,884	1,701	1,466	1,333	854	633	678	524
Profit from property management before tax, SEKm 1)	1,780	1,275	854	691	516	417	315	174	179	160
Changes in value of properties, SEKm	3,388	3,050	854	812	990	1,047	4	-201	642	212
Changes in value of interest rate derivatives, SEKm	227	-624	433	-71	-520	148	-23	-333	7	-
Net profit for the year, SEKm	4,916	3,128	1,738	1,162	812	1,338	248	-388	785	441
Carrying amount of properties, SEKm	68,456	37,382	27,532	22,278	17,556	14,389	12,669	7,086	6,758	6,997
Data per ordinary share, including Collector AB (publ) at market value 2)										
Average number of shares, thousands	162,753	161,786	159,537	159,537	158,656	149,487	112,902	95,910	97,318	94,050
Net profit for the year, SEK	28.98	18.10	10.11	6.69	4.87	8.95	2.20	-4.04	8.07	4.69
Profit from property management before tax, SEK	9.71	6.64	4.57	3.73	3.00	2.79	2.79	1.81	1.84	1.70
Outstanding number of shares, thousands	172,397	162,397	159,537	159,537	159,537	149,487	149,487	94,458	97,318	97,318
Shareholders' equity, SEK	128.03	70.10	52.14	42.15	35.57	31.13	22.19	19.63	23.49	15.42
Net asset value (EPRA NAV), SEK	159.14	86.33	60.50	50.37	41.84	32.89	22.16	20.95	22.33	13.06
Share price on the closing date, SEK	208.70	110.25	66.00	37.30	25.30	29.40	12.50	7.00	13.33	17.00
Changes in share price, %	89	67	77	47	-14	135	79	-47	-22	24
Dividend, SEK	-	-	-	-	-	-	-	0.17	-	-
Data per preference share										
Share price at year-end, SEK	312.00	350.00	336.00	303.00	267.00	-	-	-	-	-
Total yield, %	-5	10	17	21	11	-	-	-	-	-
Dividend, SEK	20.00	20.00	20.00	20.00	20.00	-	-	-	-	-
Number registered, thousands	10,000	10,000	10,000	6,000	4,000	-	-	-	-	-
Property related										
Rental value full-year, SEK/sq.m.	1,508	1,325	1,216	1,247	1,163	1,087	1,072	1,298	1,193	952
Rental income full-year, SEK/sq.m.	1,455	1,254	1,148	1,166	1,088	1,016	1,002	1,218	1,107	859
Economic occupancy rate, %	96	95	94	94	94	94	94	94	93	90
Surplus ratio, %	72	70	68	68	68	66	69	70	70	69
Carrying amount, SEK/sq.m.	18,622	17,172	13,985	14,439	12,467	10,887	10,053	12,805	12,275	8,854
Number of properties	1,177	486	498	432	433	432	419	122	121	128
Lettable area, sq.m. thousands	3,430	2,177	1,969	1,543	1,408	1,322	1,260	553	551	790
Financial, including Collector AB (publ) at market value 2)										
Return on equity ordinary share, %	28.2	29.7	21.5	17.0	14.3	33.6	9.6	-18.7	41.5	37.5
Interest coverage ratio, multiple	5.1	3.4	2.9	2.4	2.1	2.1	2.1	1.6	1.7	2.0
Equity/assets ratio, %	37.8	35.5	37.3	34.8	35.2	30.9	24.1	23.3	30.1	20.6
Debt/equity ratio, times	1.4	1.6	1.5	1.7	1.6	2.1	2.9	3.0	2.2	3.7
Net debt to assets excluding cash, %	52.3	55.2	54.2	57.6	56.5	63.3	69.0	69.4	66.5	76.4
EPRA key ratios										
EPRA NAV (Long-term net asset value), SEKm	27,436	14,019								
EPRA NAV, SEK per share	159.14	86.33								
EPRA Vacancy rate	4	5								

1) Attributable to owners of the Parent Company.

2) Key ratios from 2015 have been calculated using Collector AB (publ) at market value.

A lot can happen in 10 years

We have had a very exciting journey since the start in 2005. Our hope is that the next ten years will be at least as exciting, instructive and eventful.



2015

Balder acquired 53 per cent of Sato, which means we are an owner of 24,000 apartments in Finland with a value of about SEK 26 billion.

2014

Balder acquired 14 hotel properties. Our 28 hotels means that we are one of Sweden's largest hotel property owners.

2013

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

2012

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

Where are we going and how will we get there?

Balder's business concept is, through local support, to acquire, develop and manage residential and commercial properties located in places that are growing and developing positively.

Strategy

Balder creates value for its owners, customers, employees and the community. Balder accomplishes this by:

- Meeting and taking care of our customers' needs.
- Having short decision-making procedures.
- Choosing cost effective management solutions.
- Maintaining a high level of activity in all stages.
- Work actively to acquire properties with development potential and create growth by investing, developing, streamline and rationalize the property management.
- Being a long-term owner that bases its operations on stable cash flows and satisfied customers.

Overall goals

Balder's operations are focused on growth, positive cash flows and increased profit from property management. Balder shall achieve a position in each region whereby the company is a natural partner for potential customers.

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 per cent and the interest coverage ratio shall not be less than 2.0 times.

Operating goals

The company establishes quantitative and qualitative operating goals based on Balder's strategy, overall goals and financial policy. These are set for both the short-term and long-term. The goals relate to financial targets as well as goals relating to the environment and customer/employee satisfaction.

Dividend policy

Since Balder will prioritise growth, capital structure and liquidity during the next few years, the dividend for the ordinary share will be low or may not be declared at all. The dividend for the preference share amounts to SEK 20.00 per year.



Jennie Falk, Controller

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 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 property portfolio as well as future property acquisitions and/or property divestments. Additional items affecting the operating result are changes in the value of derivatives. None of the above 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 and is estimated to largely consist of deferred tax, which does not affect the cash flow.

Current earning capacity on a twelve-month basis	2015	2014	2013	2012	2011	2010
Rental income	5,045	2,730	2,260	1,800	1,530	1,405
Property costs	-1,635	-800	-735	-560	-465	-430
Net operating income	3,410	1,930	1,525	1,240	1,065	975
Management and administrative expenses	-425	-165	-165	-120	-105	-105
Profit from property management from associated companies	340	220	170	120	90	20
Operating profit	3,325	1,985	1,530	1,240	1,050	890
Net financial items	-880	-585	-535	-495	-445	-440
Profit from property management	2,445	1,400	995	745	605	450
Profit from property management attributable to parent company shareholders	2,035	1,400	995	745	605	450
Tax	-520	-308	-219	-164	-159	-118
Profit after tax	1,925	1,092	776	581	446	332
Profit after tax attributable to						
Ordinary shareholders	1,396	892	576	461	366	332
Preference shareholders	200	200	200	120	80	—
Profit from property management per ordinary share, SEK	10.64	7.39	4.99	3.92	3.29	3.01

Current earnings as of 31 December are excluding properties sold during January 2016.

The share and owners

Balder has two different Classes of shares quoted on Nasdaq Stockholm, Large Cap; an ordinary Class B share and a preference share.

The company's overall market capitalisation as of 31 December amounted to SEK 39,099m (21,404) and the company had 17,200 shareholders (16,300) at year-end. Balder carried out a directed new issue of 10 million ordinary shares in December, which brought in SEK 1,705m after issue costs. After the issue and as of 31 December, the share capital in Balder amounted to SEK 182,396,852 distributed among 182,396,852 shares. Each share has a quota value of SEK 1.00, of which 11,229,432 shares are of Class A, 161,167,420 of Class B and 10,000,000 preference shares.

Balder has no repurchased ordinary shares, which means that the total number of outstanding ordinary shares amounts to 172,396,852. Each Class A share carries one vote, and each Class B share and preference share carries one tenth of one vote.

Price development of the ordinary share

The price of the ordinary share was SEK 208.70 (110.25) at year-end, corresponding to a rise of 89 per cent (67) during the year.

The increase since 1 January 2006 amounts to 1,409 per cent. This may be compared to EPRA's Property index for Sweden, which rose by 122 per cent during the same period. EPRA's property index for European companies rose with 8 per cent during the same period. At year-end, the number of ordinary shareholders amounted to 9,300 (8,900). During the same period, 67.7 million ordinary shares were traded, equivalent to 270,000 shares per trading day (252,000) or SEK 40m (28) based on the average price during the year. The turnover corresponds to an annual turnover rate of 42 per cent (39) and if Erik Selin Fastigheter AB's shares are excluded, the annual turnover exceeded 70 per cent (60) of the outstanding ordinary shares. The proportion of foreign-owned shares increased by 36 per cent during the year and amounted to 22.1 per cent (16.3).

Equity growth

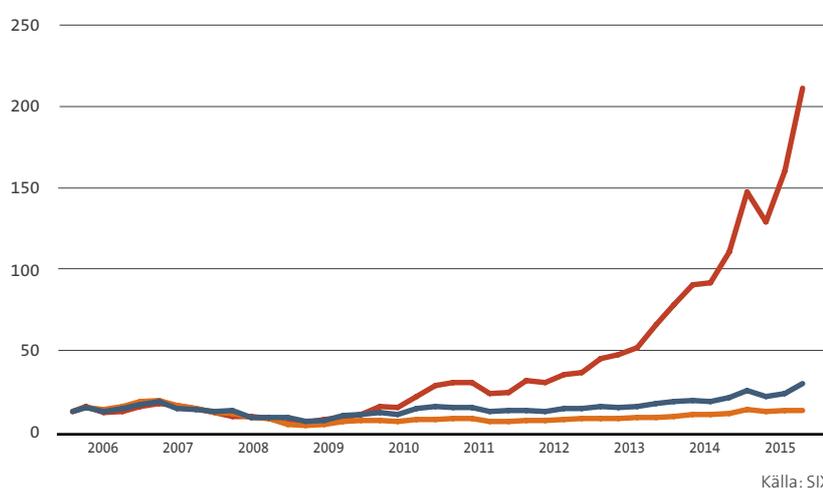
Equity per ordinary share amounted to

SEK 128.03 (70.10) on 31 December corresponding to an increase of 83 per cent (34) during the year. The net asset value per ordinary share (EPRA NAV) increased during the same period by 84 per cent (43) to SEK 159.14 (86.33). The difference between shareholders' equity and net asset value is that in the net asset value, derivatives and the net of deferred tax liabilities and deferred tax assets are reversed. In the past nine years, the net asset value increased by an average of 35 per cent per year (31). The market price/net asset value ratio was 131 per cent (128) at year-end.

Profit from property management before tax amounted to SEK 1,780m (1,275), which corresponds to an increase of 40 per cent (49) compared to the previous year. In the past nine years, the profit from property management increased by an average of 33 per cent per year. The profit from property management per ordinary share increased by 46 per cent (45) and in the past nine years increased by an average of 23 percent.

Share price development 2006-2015

Share price, SEK



Balder's share price closed on 30 December 2015 at SEK 208.70, which corresponds to a percentage growth since 1 January 2006 of 1,409 per cent. This may be compared to EPRA's Property index for Sweden, which rose by 122 per cent during the same period. EPRA's Property index for European companies rose by 8 per cent during the same period.

— Fastighets AB Balder
— EPRA Sweden Index
— EPRA Europe Index



Price development of preference share

The price of the preference share was SEK 312.00 at year-end (350.00), corresponding to a total annual yield, including dividend, of -5.1 per cent. The number of shareholders amounted to about 8,700 (8,400) and 3.3 million shares were traded during the year (3.3), equivalent to just over 13,000 shares per trading day (13,000), corresponding to about SEK 4.5m (4.5), based on the average share price for the year. The annual turnover in the preference share corresponded to 33 per cent (33) of the total number of preference shares.

The preference share carries preferential right over the ordinary share to an annual dividend of SEK 20 with quarterly dividend of SEK 5. Record days for dividend are 10 January, 10 April, 10 July and 10 October. If dividend on the preference share is not paid in time or for a lower amount, the difference shall be added to amounts unpaid, including interest of 14 per cent.

Dividend policy ordinary shareholders

The Board proposes to the Annual General Meeting that no dividend for the ordinary share should be paid for the 2015 financial year. Balder estimates that

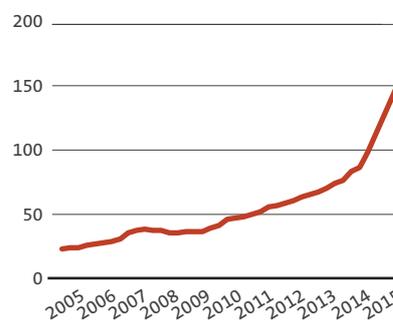
the best total yield for the ordinary shareholders will be achieved by the dividend remaining low or not declaring a dividend at all in the next few years. Balder will instead continue to grow by investing in existing properties, new construction and acquisition of new properties.

Shareholders

The principal owner in Fastighets AB Balder is Erik Selin Fastigheter AB, which owns 35.9 per cent of the capital and controls 49.5 per cent of the votes. Other large owners are Arvid Svensson Invest AB and Swedbank Robur fonder. At the end of 2015, the total number of shareholders amounted to about 17,200 (16,300). In late 2015, Balder carried out a new issue of 10 million ordinary shares directed towards new shareholders, which brought in SEK 1,705m after issue costs. The issue also provided Balder with a number of new Swedish and foreign shareholders. For existing ordinary shareholders, the issue implied a dilutive effect of 6 per cent of the capital. After the issue, 49 (51) per cent of the capital is held by the Board and Management.

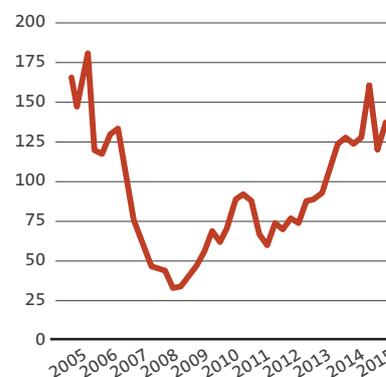
Development of net asset value

(EPRA NAV) SEK/ordinary share



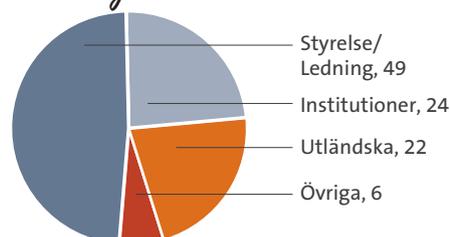
Share price/Net asset value

%



Ownership distribution.

ordinary shares %



Analysts following Balder:

Albin Sandberg, Handelsbanken
 Erik Granström, Carnegie
 Fredrik Cyon, ABG Sundal Collier
 Jan Ihrfelt, Swedbank
 Johan Edberg, Pareto
 Jonas Andersson, Danske Bank
 Niclas Höglund, Nordea
 Nicolas McBeath, SEB
 Tobias Kaj, Carnegie

Performance of Balder's share

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Data per ordinary share, including Collector AB (publ) at market value ¹⁾										
Share price at year-end, SEK	208.70	110.25	66.00	37.30	25.30	29.40	12.50	7.00	13.33	17.00
Profit from property management, SEK	9.71	6.64	4.57	3.73	3.00	2.79	2.79	1.81	1.84	1.70
Profit after tax, SEK	28.98	18.10	10.11	6.69	4.87	8.95	2.20	-4.04	8.07	4.69
Shareholders' equity, SEK	128.03	70.10	52.14	42.15	35.57	31.13	22.19	19.63	23.49	15.42
Long-term net asset value (EPRA NAV), SEK	159.14	86.33	60.50	50.37	41.83	32.89	22.16	20.95	22.33	13.06
Total yield, %	89	67	77	47	-14	135	79	-46	-22	24
Dividend, SEK	—	—	—	—	—	—	—	0.17	—	—
Number registered, thousands	172,397	162,397	162,397	162,397	162,397	152,347	152,347	97,318	97,318	97,318
Number outstanding, thousands	172,397	162,397	159,537	159,537	159,537	149,487	149,487	94,458	97,318	97,318

Data per preference share

Share price at year-end, SEK	312.00	350.00	336.00	303.00	267.00	—	—	—	—	—
Total yield, %	-5	10	17	21	11	—	—	—	—	—
Dividend, SEK	20.00	20.00	20.00	20.00	20.00	—	—	—	—	—
Number registered, thousands	10,000	10,000	10,000	6,000	4,000	—	—	—	—	—

Market capitalisation

Market capitalisation, SEKm	39,099	21,404	13,889	7,800	5,104	1,395	1,869	661	1,298	1,654
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1) Key ratios from 2015 have been calculated using Collector AB (publ) at market value.

Ownership list as of 31 December 2015

Owners	A ordinary shares	B ordinary shares	Preference shares	Total number of shares	Capital, %	Votes, %
Erik Selin with company	8,309,328	57,210,900	500	65,520,728	35.9	49.5
Arvid Svensson Invest AB	2,915,892	13,542,540	—	16,458,432	9.0	15.1
Swedbank Robur fonder	—	11,433,340	—	11,433,340	6.3	4.0
Länsförsäkringar fondförvaltning AB	—	6,310,867	—	6,310,867	3.5	2.2
Handelsbanken Fonder AB	—	4,972,218	—	4,972,218	2.7	1.8
SEB Investment Management	—	4,612,807	—	4,612,807	2.5	1.6
CBNY Norges Bank	—	3,446,198	—	3,446,198	1.9	1.2
Lannebo fonder	—	2,500,000	—	2,500,000	1.4	0.9
AMF - Försäkring och fonder	—	2,282,507	—	2,282,507	1.2	0.8
Second Swedish National Pension Fund	—	2,215,766	—	2,215,766	1.2	0.8
Other	4,212	52,640,277	9,999,500	62,643,989	34.4	22.1
Total	11,229,432	161,167,420	10,000,000	182,396,852	100	100

Our customers

Property Management

Today Balder has 27 offices, divided into six regions. In each region, property management is handled by the company's own personnel, who are responsible for letting, operations as well as the environment and maintenance,

Balder has its own management organisation, which enables fast decision-making procedures, proximity to the customer, good local knowledge and the possibility of working on a long-term basis with property management. The company offers a large choice of premises and housing in different locations at various rental rates. The development of the properties takes place in consultation with customers, based on their needs and wishes. Balder's management organisation regularly meets tenants in order to obtain a good view of the actual situation in the properties.

Satisfied customers and customer relationships

Balder creates value for its owners, customers, employees and the community. As part of reaching this goal, a new central function called "Customer relations" has been established. One of the duties of the customer relations group is to conduct a survey to measure customer satisfaction index (NKI). In January 2015, Balder carried out its third NKI in collaboration with AktivBo. The survey was sent out to half of the company's residential tenants and to all commercial tenants.

Balder is continually improving its results both in terms of the perceived service and product. More than 90 per cent of our tenants are happy in their premises and housing. Our customers perceive that we are very accessible; it is easy to get hold of the right person and know who to turn to. It is easy to report faults and the work is performed in a reasonable time with good quality. Our tenants are interested in what is happening in their property and area. One of the items we are now concentrating further on is to inform our tenants more frequently. A

majority of our customers are satisfied with the equipment in their apartments but many want to modernise and be able to personally influence the standard of their accommodation. By offering standardenhancing choices, Balder wants to satisfy this need in all of our locations.

Our goal is to improve quality of life for our residents so that they will be happy and want to stay with Balder for a long time. Correspondingly, on the commercial premises side, it is important to work with the customer's requests in order to satisfy operational needs and improve the potential for increased profitability.

Through its customer surveys, Balder wants to offer the requested product and to be an attractive choice and retain its existing tenants.

Customer service

Customer service is an important function at Balder. Here we take care of the contact with customers so that possible defects and deficiencies can be discovered at an early stage. In order to improve the communication between Balder as a landlord and our customers, we have expanded our customer service and error reporting system with employees who have a broad knowledge of languages, such as Arabic and Somali.

Lease structure

Balder considers that the risk of a sudden deterioration in rental income is low. This

Lease structure 31 December 2015

Maturity date	Number of leases	Share, %	Contracted rent, SEKm	Share, %
2016	1,079	39	192	4
2017	616	23	264	5
2018	511	19	217	4
2019	294	11	220	4
2020–	234	9	725	14
Total	2,734	100	1,618	32
Residential ¹⁾	37,008		3,401	67
Carpark ¹⁾	5,442		15	0
Garage ¹⁾	4,741		41	1
Total	49,925		5,075	100

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

is due to the lease structure with 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 represent 6.1 per cent (9.4) of total rental income and their average lease term amounts to 11.1 years (11.1). No individual lease accounts for more than 0.9 per cent (1.5) of Balder's total rental income and no individual customer accounts for more than 2.7 per cent (4.8) of total rental income. The average lease term for the entire commercial portfolio is 6.3 years (5.9).

The lease structure on 31 December 2015 is shown in the table, in which leases terminated on this date, where removal will or is expected to take place, are recognised as leases maturing within one year.

Balder's 10 largest costumers as of 31 December 2015

- ICA Sverige AB
- Kopparbergs Bryggerier
- ProfilEvents AB
- Rezidor Hotel Group
- Scandic Hotels AB
- SCA Hygiene Products AB
- Sirius International Försäkring AB
- Stockholms municipality
- Stureplansgruppen
- Winn Hotel Group



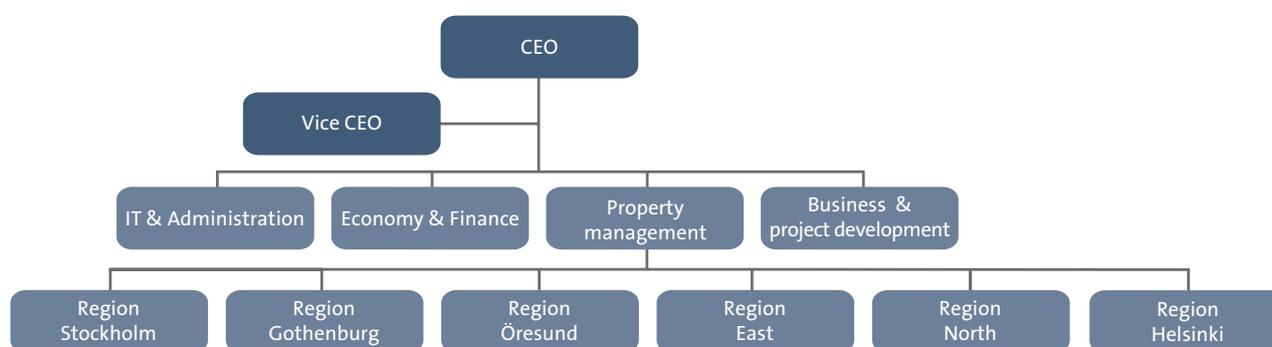
GRAND HOTEL OPERA

LISEBERG

GRAND HOTEL OPERA

Organisation and employees

Fastighets AB Balder is a listed property company. The company's journey began in 2005 with about 10 employees and today, just over 10 years' later, Balder has more than 500 employees in the management organisation.



The company's rapid development, is due, among other things, to Balder's committed and knowledgeable employees who create results based on a team spirit and collaboration. We take advantage of each other's strengths and experience and launch new ideas for further development of both the operations and personnel.

To be part of Balder imposes high demands but also provides good development opportunities. Balder has short decision-making paths and an open atmosphere and promotes respect and honesty. We have shared responsibility for creating confidence among our customers and employees.

Balder as an employer

Balder's employees are characterised by a strong drive to develop in their roles and an interest in working in an organisation which stands for a long-term approach, an entrepreneurial spirit and fellow-feeling. Balder creates work satisfaction by allowing employees to participate in the development of their duties and there is a general sense of well-being at the

workplace.

We are proud of not being like the others. At Balder, a new employee's ideas in a spontaneous meeting with the CEO can lead to changes in our solutions and how we work. Through our employees' commitment, competencies and development, we create a culture of diversity with a pleasant atmosphere. The company offers several unique opportunities for our employees to develop in their existing roles and also gives them the chance of later seeking new challenges internally.

Balder's organisation

Balder is continually developing. The latest events, such as the acquired hotel operations in Stockholm and Malmö and the property acquisitions in Finland, have helped to add about 300 new employees to our Group. The management organisation on 31 December consisted of 485 (278) employees and is geographically divided into regions with local offices, which are responsible for letting, operation as well as the environment and property management. In order to

support the management operations, group-wide resources are located in Malmö and at the head office in Gothenburg. At year-end, 37 people (35) worked within these support functions.

Balder's social engagement

Balder continues to be engaged in improving the living environment. During 2015, about 40 young people were employed, resident in these areas, to together work for a safe and pleasant living environment.

The environmental work in the company is continuing. Through our Technology and Sustainability department, we work on a daily basis with environmental improvement measures in order to contribute to a good environment in the long term and a positive climate development.

Employees	2015-12-31	2014-12-31
Number of employees ¹⁾	647	313
– of which women ²⁾	310	110

1) Of which 170 employees in Sato.

2) Of which 110 women in Sato.



Veronica

"I am responsible for the Technology and Sustainability department here at Balder. The department is a driving force in our operational development towards the optimal operation of our properties with respect to the environment, costs and satisfied tenants. Before I started at Balder, I worked abroad for a few years, but I really wanted to continue within property management, so when I got the chance to come on board with Balder I took it. No one day is like another and we are on a really exciting journey right now. Balder is unique in my view since it is still a young company, which has not got stuck in ingrained routines. I have many wonderful colleagues and there is always someone who is prepared to share their experience and knowledge. At Balder, people have a positive attitude to change and I like this!"



Sustainable business

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 their housing environments. In order to succeed with this, great commitment is required from the employees but as a company we also collaborate with other players. At Balder, we believe that diversity creates economic and social growth in society and thus we regard it as very important to work to create socially-mixed housing areas.

Balder in Huskvarna Söder

During the year, Balder participated in a collaborative project in Huskvarna Söder, where the company owns 230 apartments. The project was initiated by the municipality in order to promote integration and participation in the area. In August, Balder was invited to a meeting to describe its experiences from Vårby Gård, a similar housing area in Stockholm

where Balder successfully, worked on developing the area based on a resident's perspective and local engagement.

Integration is a broad term and foreign origin is just one of several factors that can lie behind people feeling socially excluded. Unemployment and socio-economic conditions are examples of other factors that can explain a feeling of social exclusion. By creating meeting places and activities for all residents in Huskvarna Söder, it is hoped that the project will improve participation and integration. Two project managers have been employed and several people in the area have been employed during fixed-term periods or to work with special projects aimed at supporting the success of the project. The project is directed towards all residents in Huskvarna Söder but with children and young people aged 10-20 in focus. During the year, collaboration occurred with several organisations in the area and together they have carried out activities and created meeting places so that people can meet across social and

cultural boundaries. Initially, a survey was distributed to the residents in the area to find out if people were happy and what activities were desirable in the area. Based on these answers, a large number of initiatives were started and carried out in the area. In early 2016, statistics were compiled for activities and work performed during 2015. The outcome is intended to be described in the report for the second quarter 2016.

A second chance

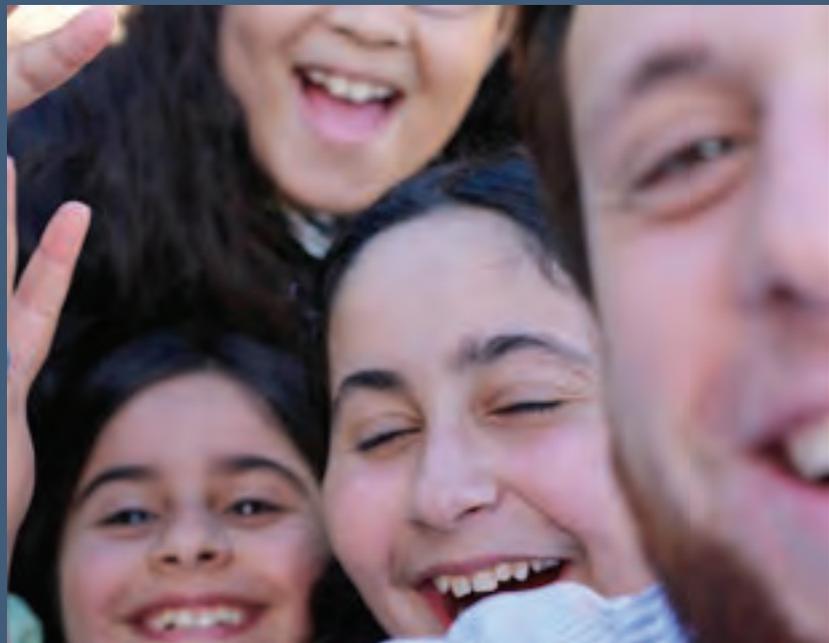
Having your own home is a requirement in order to live a secure and independent life. Balder collaborates with organisations that work actively with integration and treatment programmes directed towards children and young adults. A home of one's own and guidance from people with extensive experience of integration and treatment work improves the possibility for a better future. Examples of organisations that Balder collaborates with include Rebo and UngBo.

We take social responsibility

Balder has been involved for some time in improving residential environments in parts of Stockholm and in Gothenburg. In Bergsjön in, Gothenburg, Balder has employed Amanj Aziz, whose main task is to act as a spokesman and create activities for our tenants in Bergsjön. The participation rate is high and together with the tenants we are working to make Bergsjön more comfortable and secure.

Each Saturday, the door is opened to the gym hall in Backegård school. Some 30 children run in and the mothers come in after them: "Can we stay here a bit longer today?" asks one of them, and of course they can. The gym hall activity started by accident. Some mothers came to us at Balder and pointed out that visits to lekland and other excursions were not financially sustainable every week. They wanted the premises in Bergsjön to be somewhere children could play and parents could see each other, even when it is cold outside. A short telephone call to an incredibly committed management at Backegård school and then the keys were in the hands of our personnel. After that it has progressed smoothly during the autumn and winter.

One autumn Saturday one of the mothers at the same time as the gym doors were about to open said: "My son is looking for a trainee post, is there possibly a place at Balder?" Of course, we were able to help one of our ninth graders in the area. For two weeks he got to join Bergsjöpoolen, a social sustainability project, which Balder operates in Bergsjön. In Bergsjöpoolen, young adults aged from 17-26 are employed and they make huge efforts to help with improvements in the area; they keep order in the refuse room, clean storerooms and garages, seal windows, play with children in the courtyards and much more. "I graduated from high school last summer and was worried about how I would support my family. I have two sons. I was very happy to be able to work so close to home with something I am good at", one of the 15



employees in the project points out.

Bergsjöpoolen has been a huge asset for Balder and at the same time, it has increased the employees' influence and insight into their own housing area. It is not just the employees who appreciate the work but also parents, siblings, friends and acquaintances and they all know that it is part of Balder. This creates a sense of community in the area, which is hard to mistake.

On Tuesday and Thursday evenings, Bergsjöpoolen has to quickly vacate its offices. You see the office is used by the area's very determined girls aged 8-13 who point out that no "boys are allowed to participate". They make bracelets, watch films, bake, have gymnastics evenings and lots of other fun.

And that is what you hear when the gym is opened on Saturday evenings – the girls want to have the hall to themselves and also ask if they can have girls evenings on Mondays and Wednesdays. But then the premises are used for driving licence theory courses for all tenants aged over 17. What about Saturday evenings then? No, then the premises are occupied by those aged 18+, when they play Playstation, have theme evenings, lectures, CV assistance... Sundays must surely work, says a girl. No, because Bergsjön's only book group is underway then in the office.

Her mother then says: "Can you not come to lock up at 9 p.m. instead of 8 p.m.? We really enjoy being together in the hall".

Amanj Aziz
Communicator

We take environmental responsibility

In 2015, the climate conference in Paris entered history as the meeting when the world agreed on a climate agreement. The politicians have thus given the world a clear direction about a future where after 2050 we should have net emissions, which are zero.

The target has been made tougher so that we should keep well under a 2-degree average rise in temperature. Thus climate researchers eventually convinced the politicians about the gravity of the situation. There is another global outlook now from earlier having regarded the environment and sustainability as a sacrifice to now becoming a necessity. In brief, everyone needs to take their responsibility to stabilise the world's climate and environment, for a sustainable future even for Balder.

In spring, Balder's employees participated in environmental and energy training that partly was a step in the implementation of Balder's environmental management system but also to emphasise the importance of reducing energy consumption and what is important to think about. Read more about Sato's environmental responsibility at www.sato.fi

Energy

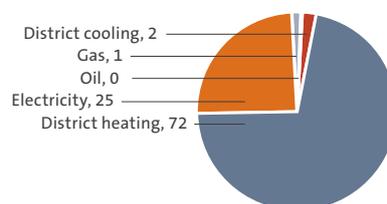
During 2015, Balder had energy consumption of 312 million kWh where district heating consumption was the largest item. Properties with a heating system based on fossil-fuels, represent a small share in relation to total consumption. The goal is that during 2017 at the latest, that these properties will have changed over to sustainable heating systems. The area heated by oil has been reduced by 31 per cent during the year. Balder's 10 wind turbines have generated 22.5 million kWh, which is equivalent to the annual consumption of 900 houses.

To achieve an energy reduction, we have to work with the issue at various levels. During the year, Balder drew up an Energy policy that shall be guiding in

our continual energy work. The energy policy emphasises that comfort may not suffer in the hunt to save kilowatt hours. To maintain the correct indoor temperature is of great importance for tenant comfort but also for energy consumption when each degree's increase means that the energy need rises by 5 per cent. It can prove problematic to maintain an even temperature of 21°C without large fluctuations in older properties, which are only controlled by the current outdoor temperature. Therefore in some properties, indoor temperature sensors have been installed in representative apartments/rooms where the estimated average temperature regulates how much heat should be pumped into the heating system.

Another measure, is that we are working towards the centralisation of all control systems. This means that we control our installations remotely and quickly detect alarms in the units. This enables safer and more energy efficient operation of Balder's properties. Another measure to achieve high operational safety and a long-term approach is that we choose products, which are robust and energy efficient. We also prioritise stable product suppliers in order to ensure that parts are available in the near future, i.e. the product's estimated minimum life cycle.

Total power consumption per source, %



The goal for 2015 was to reduce energy consumption in property operation by 3 per cent. The outcome was 1 per cent, which is equivalent to 1.9 million kWh.

Waste

The goal of good waste sorting is to minimise the quantity of waste going to landfill and maximise recycling. The basis of good waste sorting is partly dependent on the conditions of the property but also on our tenants' ambitions. The long-term goal to achieve a sorting rate of 55 per cent is limited to only apply to commercial properties. The sorting rate for 2015 came in at 58 per cent.

The reason for the limited goal is that far from all municipalities weigh household refuse, which means that it is not possible to obtain any follow up figures. Sweden has become very good at reducing the quantity of waste that goes to landfill. In 1975, 62 per cent of Sweden's household refuse went to landfill compared to today's level of less than 1 per cent. The basis for this is that a large proportion of today's waste goes to incineration, which supplies us with district heating. Even if it is not possible today to follow up the sorting rate in residential properties, Balder has a long-term goal that all residential properties should have sorting solutions for waste.

We are taking concrete measures to ensure that all refuse rooms are designed in a way that encourages and facilitates waste sorting. This means that they should be clean, well-labelled, bright and secure. An important aspect is also to inform our tenants about the waste management in the relevant property.

Phase-out substances

The Swedish Chemicals Agency has defined phase-out substances as a substance with particularly hazardous properties according to approved criteria regarding environmental and health consequences e.g. carcinogens or mutagens. The criteria are in line with the EU's chemicals legislation, REACH, Substances of very high concern - SVHC. These are substances, which may be prohibited in the future and that risk becoming the asbestos or PCB problems of the future.

Balder thus wants to systematically avoid introducing phase-out substances into the properties. In the day-to-day operation, this means that the product should either be eco-labelled or checked against an environmental database. In the case where there is no alternative to a product containing some form of phase-out substance, it should be noted with necessary pertaining information in the digital logbook of the property.

Skills development

Having the right competencies in operations is considered to be an important factor for achieving and ensuring resource-efficient property management. In

order to ensure a good level, all property caretakers have therefore participated in internal training in basic building technology. The goal was that everyone should get a basic understanding of the buildings' different functions and connection and the environmental and cost repercussions of operational errors.

Balder Challenge

In the hunt to reduce kilowatt hours, a challenge was started during the spring, the Balder Challenge. The challenge lies in cost-efficiently reducing the energy need in the property while reducing the reporting of climate errors by tenants. This created a major engagement among property managers and caretakers and 21 properties in total were registered to participate in the Balder Challenge. The challenge will continue during all of 2016.

Environmental requirements during new construction

Balder will carry out a large number of new constructions during the next few years. Each new building naturally gives rise to both short-term and long-term environmental impacts and it is therefore completely reasonable to impose environmental demands at an early stage. The

following items show some of the environmental demands imposed in Balder's new construction projects:

- Energy class B, means 25 per cent under the National Board of Housing's new building standards.
- Material and products shall at least meet the standards "acceptable" in Swedish Building Materials Assessment or "B" in SundaHus.
- Wood and wood-based products shall be certified according to FSC, PEFC or equivalent.
- Sorting of household waste in every apartment.
- Maximum 10 per cent weight of building waste to landfill.
- Water-efficient taps and toilets.
- Projects are designed in a way so that the tenants prioritise environmentally friendly transport alternatives.

Environmental buildings

Balder has a number of environmentally classified buildings in its portfolio which are certified by GreenBuilding, Sweden Green Building Council or LEED. The most recently acquired property is "Park49" of 7,500 sq. m., which will become Balder's new head office in spring 2016. It is being constructed in order to be certified according to the international environmental system LEED's highest level - Platinum.





Circus with an entertaining history

The Circus Building in Copenhagen has an exciting history. The building was designed in 1885 by the architect Henrik Wilhelm Brinkopf and was inaugurated in the following year by the German circus king Ernst Renz. The building has a grandiose style and the façade was richly adorned by Fredrik Hammeleff. The motif on the façade pictures horse and racing motifs from ancient Greece and Rome.



“It feels really great to have this distinguished building in our holdings and at the same time we are get to work with a major player in the exciting live entertainment industry”

says Erik Selin, CEO of Fastighets AB Balder.

A popular building under constant change

Until 1910, circus performances were held here but after pressure from the city's theatre owners (that considered that the popular performances were a threat) it was decided that the circus operations could only be conducted during the summer. During the winter months, it housed a cinema instead, by the name World Cinema.

On 17 March 1914, Circus went on fire. The property received severe material damage, but was already renovated in 1915 according to designs by the architect Holger Jacobsen. Not long after that, the Schumann family acquired the building. Under Schumann's management, 1918-1968, the spectacular summer performances were reintroduced, which made the Schumann Circus one of the 20th century's brightest stars on the circus horizon.

In 1963, there were plans to demolish Circus and instead build a department store. The property owner and the hypermarket chain ANVA you see wished to compete with the city's well-established chains Illum and Magasin. However, ANVA faced a wave of protests and since the company lacked capital the plans came to nothing.

Due to the high rental rates in the area and ANVA's plans, this created uncertainty during this period about the future of the Circus building. This resulted in the Schumann family winding up its activities in Circus in 1968.

A protected landmark

From 1970 to 1990, the Benneweis family took over the building. Like Schumann, they conducted circus operations during the summer season, but now under the

name Benneweis Circus. The municipality acquired the building in 1974 but the Benneweis family continued its business as tenants. In 1983, they were granted joint management with Tivoli and in 1988, the property was named a protected landmark.

But times change, even for a summer circus in a city like Copenhagen. After more than one hundred years, demand fell and the public began to seek other forms of entertainment. In 1990, the Benneweis family decided to wind up its operations for financial reasons.

Circus today

Circus continues to offer entertainment but today it is primarily musicals, ballet, music festivals and concerts that characterise the property. For a few days in 1996, a bygone era was resurrected when Germany-based Roncalli offered circus entertainment to celebrate Copenhagen being selected as European City of Culture that year.

Since 2003, the property has been let to the Scandinavian entertainment company Wallmans. They offer a well-known and popular “dinner show” concept in Copenhagen, Oslo and Stockholm.

In 2014, 2E Group sold the circus property to us at Fastighets AB Balder. The continued operations were secured through a long-term lease.

Today Circus accommodates 1,000 guests and the building's foyer is decorated with posters, photos and programmes of some of the circuses and circus performers who appeared on the circus stage for over a century. For Danes, this historic landmark property is famous for its beautiful architecture, its circular shape and for its domed roof.

Sources:

http://www.circopedia.org/Cirkusbygningen_%28Copenhagen%29
<http://www.2egroup.se/>



The property market

The low interest environment is continuing and the gap between property yields and the lending rate means that the investment climate for properties is still extremely favourable and we continue to see a strong performance in the Swedish property market.

The economic upturn in Sweden is broad and the performance in the Swedish economy is still strong due to the expansionary monetary policy. However, inflation is not gaining momentum and because of difficulties in reaching its inflation target, the Riksbank implemented further monetary policy easing and support measures. In February 2016, the Riksbank decided to cut the repo rate further to -0.50 per cent.

A continuing low interest environment is contributing to continued rising prices in the property market. The existing imbalance between demand and supply and pressed yield requirements are making investments more expensive in metropolitan markets and during 2015 we have

seen increasing interest for investments in Sweden's larger cities. In several sub-markets, the residential segment is dominating investment interest.

Property transactions

The transaction volume during 2015 amounted to about SEK 140 billion, which is just under the level in 2014, but still a historically high level. Residential, industry and offices each represents a quarter of the transaction volume. The investment interest in retail and hotels is increasing and we continue to see a high sales volume in the community properties segment. In 2016, the supply of properties in attractive locations will probably continue to be low. The

sales side will probably be dominated by property companies that are refining their property portfolios or funds that are approaching their closing point. This also includes municipalities that will divest all or part of their residential holdings in view of the large maintenance costs in the next few years.

Buyers will basically include everyone; property companies, institutions, Swedish and foreign property funds as well as local property players outside the larger cities.

The volatile stock market performance also points in favour of property and we see a continued strong development in the Swedish property market.

According to IPD Swedish Proper-



Skibbroen Havneholmen, Copenhagen

ty index, the total yield on property investments amounted to about 14.1 per cent during 2015, a total increase of 6.0 per cent compared to 2014. The increase in value was about 8.8 per cent, the highest recorded figure since 2007. The total yield was significantly higher than the average for the past ten years. Offices and residential showed the highest total yields of 16.2 per cent and 14.7 per cent, respectively, of which the change in value was just over 10 per cent in both property categories.

Pressed yield requirements together with a positive development in the rental market, with few vacancies in metropolitan areas on the office side and with a housing shortage in most Swedish municipalities, means that investments in new construction have become even more attractive than before.

The services sector is showing stronger growth than industry, which is creating demand for new office properties, particularly in metropolitan areas.

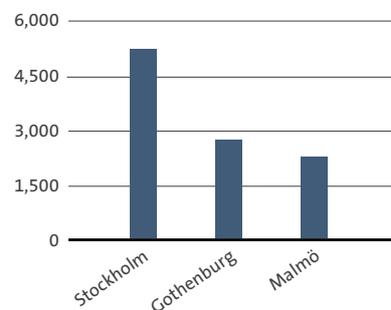
The domestic population increase in Sweden together with the migration of refugees is creating a huge demand for new housing and is further increasing the housing shortage around the country. The regulations surrounding new construction of properties combined with long lead times in planning questions implies a sluggishness that makes it difficult to meet new housing demand in the short term.

The strong investment interest in recent years has meant that many loans have been allocated to properties. The opportunities for property companies to attract capital via stock market listings, new issues, preference share issues, bonds and traditional borrowing are still considered to be good overall despite the uncertain stock market climate. The conditions for property investments in Sweden are still good and a lot of capital is seeking investments in the segment which guarantees another good property year in 2016. Therefore there is also good potential in 2016 to maintain the high transaction volume seen during 2014 and 2015.

Source: NAI Svefa

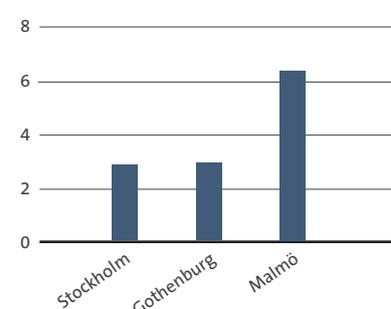
Rental levels (highest rent)

Office CBD, SEK/sq.m.



Vacancy rate

Office CBD, %



CBD = Central Business District

Source: Fastighetsvärlden



Skibbroen Havneholmen Copenhagen

The Danish property market

Denmark with its stable economy, fixed-exchange rate policy to the Euro and low interest rates, has proved to be an attractive market for both domestic and foreign capital seeking high security and a positive demographic trend for property investments. Copenhagen occupies a very strong position in the Danish property market.

The overall transaction volume in 2015 amounted to about DKK 51 billion, of which the Copenhagen area accounted for about 75 per cent.

During 2015, the investment interest shifted from the office segment to the residential segment. During 2015, residential properties accounted for 38 per cent of the total transaction volume while office properties came in at 27 per cent.

The housing market

The housing market relating to condominiums showed a very strong price trend in Denmark during 2015. Prices in the entire country rose by 12 per cent in total during 2015 compared to 2014. This is the highest annual price increase since 2006 and prices have now recovered to the level that prevailed before the sharp fall in prices that began in 2007.

The transaction volume rose by almost 23 per cent between 2014 and 2015. This figure is also the highest since 2006.

Copenhagen was the most interesting

area during 2015 and the year was also marked by a new epoch in the apartment market in which prices rose most 17 per cent during 2015. The number of newly constructed apartments also increased sharply during the year.

As the prices of newly constructed apartments are higher than older buildings this has meant a positive overall price trend for all apartments in Copenhagen.

Århus and Ålborg also showed a positive performance in terms of rising prices and construction of new apartments in attractive areas.

The currently low interest rates has great importance for the apartment market and with expectations of continued low interest rates, the condominium market is expected to remain positive, particularly in Copenhagen and other big cities in the next few years.

Average prices in Denmark, DKK/sq. m. (apartment size, 85 sq. m.), 31 December 2015:

Copenhagen	DKK 34,000
Århus	DKK 27,000
All of Denmark	DKK 25,000

Source: Home, Denmark

Condominiums

A condominium is a form of housing where the owner has direct ownership of the apartment. This is unlike cooperati-

ve-, tenant-owner's-, or housing company apartments where the association or company owns the property and has an association loan and the owner of the apartment has a share in the association.

Connected to condominiums is a joint ownership- or condominium association, which is responsible for the common areas in the property.

Condominiums can usually be freely sold or rented out without anyone's approval.

Office market

The rental market in Copenhagen is recovering slowly due to the sluggish increase in employment growth. The vacancy rate for unlet offices in Copenhagen inner city is around 7 per cent and about 10 per cent in greater Copenhagen.

The yield requirement for offices in A locations is about 4.5 per cent, which is lower than ever and reflects the current imbalance between supply and demand for attractive office buildings.

Office rents were stable during 2015 and prime rents tend to lie around 1,500 – 1,800 DKK/sq. m., excluding property tax and operating costs.

Investors are expected to continue to have a strong demand for properties, especially in attractive locations.

The Finnish property market

The Finnish property market differs from the Swedish one in terms of the ownership structure among the larger private players. In Finland, there are currently three large listed property companies compared to about ten large companies in Sweden. The largest property owners in Finland are domestic pension funds and institutions.

The housing market

Urbanisation is increasing rapidly in Finland. Relocation, which is mainly employment-related, means strong housing demand in the larger cities. During the period 1990 – 2014, the population in urban areas increased by 640,000 people.

Living in a rental apartment is a popular form of housing in Finland. In Helsinki, almost half the residents live in a rental apartment. Of the total 2.6 million permanent dwellings in the whole of Finland, rental apartments account for

about 820,000. Of these rental apartments, about half are owned by private investors. Sato, which is a subsidiary of Balder, owns about 7 per cent of all rental apartments in the capital region.

During 2015, the price increase in respect of housing was 3.4 per cent according to KTI Finland.

The prices of apartments and rents have increased in recent years. It is mainly demand for small good value apartments that increased because there is a large proportion of households with one of two persons in the bigger cities. Many housing companies mainly focus on new construction of smaller apartments.

Office market

The sluggish economic growth combined with the increased vacancy rate in most sub-markets is resulting in short-term pressure in the office letting market. De-

mand in the rental market has continued to cause polarisation with the result that there is a risk of even higher vacancy rates for premises and properties in secondary areas while rents in attractive areas have returned to the level they were at before the downturn last year. The investment market is expected to continue to be active thanks to strong international demand and the relatively attractive yields still generated by Finnish properties.

The yield levels for central office properties in Helsinki mainly lie in the range 4.5 – 7.5 per cent.

In combination with better financing conditions, higher liquidity in the market and expectations of increasing economic growth, it is estimated that property investments can reach levels of around EUR 5 billion next year. Finland has not reached this level since the record years 2006 – 2007.



We shall succeed together

Balder is continuing to grow and develop. The most important explanations behind 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.

Region Gothenburg

177 employees
200 properties

Region Öresund

46 employees
51 properties

Region North

25 employees
78 properties

Region Stockholm

66 employees
57 properties

Region Helsinki

170 employees
479 properties

Region East

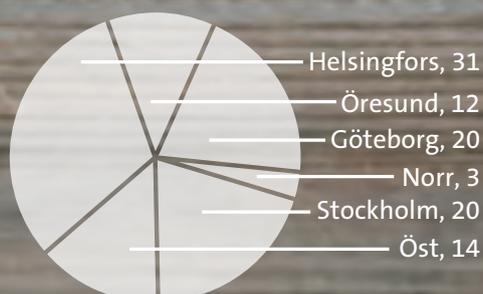
38 employees
312 properties

Balders real estate holdings on 2015-12-31¹⁾

	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	479	942,551	1,797	1,906	1,764	98	19,595	29
Stockholm	57	456,509	866	1,897	801	93	13,550	20
Gothenburg	200	779,963	954	1,223	919	96	12,887	19
Öresund	51	298,041	439	1,473	408	93	6,581	10
East	312	787,675	951	1,207	935	98	9,085	13
North	78	165,349	167	1,009	163	98	2,178	3
Total	1,177	3,430,088	5,173	1,508	4,990	96	63,876	93
Project			84		84		4,581	7
Total	1,177	3,430,088	5,257	1,508	5,075	96	68,456	100
Distributed by property category								
Residential	1,018	2,471,660	3,511	1,420	3,451	98	39,250	57
Office	70	422,785	812	1,921	727	90	12,095	18
Retail	48	218,077	333	1,528	319	96	4,653	7
Other	41	317,566	517	1,628	494	95	7,878	12
Total	1,177	3,430,088	5,173	1,508	4,990	96	63,876	93
Project			84		84		4,581	7
Total	1,177	3,430,088	5,257	1,508	5,075	96	68,456	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, %





Residential properties

In 2015, the trend of investing in residential properties has continued to be a very attractive investment. Residential properties generally have a low risk in view of the prevailing housing shortage in essentially all of Sweden and the fact that new apartment construction is not sufficient for current and future needs.

The supply of residential properties in metropolitan areas is low as previously, which has meant that some operators have directed their interest towards properties in the so-called million programme or in residential properties in smaller cities geographically located throughout Sweden. The number of players that have chosen residential properties as an investment object has increased during the year. Foreign buyers have also returned to the Swedish market.

In view of a shrinking transaction market for residential properties and lower yields, Balder has continued its strategy, which means development of existing properties and increased new production of apartments in the longer term. The goal is through the company's own projects to create new and higher property values and better yields than what the existing transaction market can offer in the residential segment.

In Gothenburg and Stockholm, among other cities, work is ongoing with new

detailed development plans, which will mean a broader supply of apartments. Traditional apartment blocks are mixed with other forms of housing, such as smaller terraced houses and tenant-owner's apartments. This means that Balder creates more efficient use of existing land and that areas become more attractive from a residential perspective.

Balder has acquired a property in Mölnadal, Bastuban 1 of 47,000 sq.m. commercial floor space and 90,000 sq. m. ground area. The property is classified in Balder as a real estate project and the goal in the first instance is to plan and convert offices into apartments.

In Copenhagen, about 120 apartments were completed for occupation during 2015 and a further about 1,000 apartments are under construction.

Associated companies

In order to boost the volume of newly constructed apartments, Balder apart from under its own management, wants

to also create the possibility for an even greater increase in the volume of apartments together with a number of strong partners.

Together with the Third Swedish National Pension Fund, Balder has formed a company for investments in new construction of rental properties in the three metropolitan regions and growth areas with a positive population trend.

During the year, Balder became a part-owner of Brinova Properties AB together with Backahill AB, among other players. Brinova Fastigheter AB had property holdings of about SEK 1 billion at year-end. The goal is to expand the property portfolio in residential, public and commercial properties, particularly in southern Sweden.

During the year, Balder became a part-owner of Tornet Bostadsproduktion, which concentrates on construction of tenancy rights for long-term ownership. Other shareholders in Tornet are Peab, Folksam and Riksbyggen. At present,



Stoeryd, Tranås

the property portfolio includes about 700 apartments and there is ongoing projects/construction of a further about 700 apartments.

Together with K-Fastigheter, Balder during 2015 has completed the construction of 128 apartments in Västerhaninge, Stockholm and in Nynäshamn. New construction of apartments is ongoing in Helsingborg, among other places. More information about Balder's associated companies is available on pages 50-52.

While Balder has increased its holdings of residential properties through new production, a number of properties were divested during the year. This mainly occurred in cities where Balder does not have any local management unit or where the property portfolio is too small to get efficient management. Divestments of all properties were completed in Skultorp and Tidaholm and also after year-end of all properties in Skara and Töreboda.

According to the IPD Swedish Property

Index, investments in residential properties displayed an annual, average total yield of about 9.0 per cent during the past five-year period. The total yield includes increases in value together with the annual yield.

In 2015, residential property sales amounted to about SEK 35 billion. The ten largest transactions accounted for approximately SEK 12 billion, in other words 34 per cent.

A more detailed description of the transactions is available on pages 36-38.

Estimated and recorded yield values and price levels for residential properties in A locations were as follows:

Place	Yield, %	Price per sq.m. , SEK
Stockholm	1.25 – 1.50	50,000 – 60,000
Gothenburg	2.25 – 2.50	22,000 – 27,000
Malmö	3.00 – 3.50	20,000 – 22,500
Copenhagen	2.00 – 3.00	36,000 – 41,000
Helsinki	4.20 – 4.60	50,000 – 54,000

Source: Fastighetsvärlden, Association of Danish Mortgage Banks, Red Property Advisors och KTI Finland.

Balder's residential properties

Number of properties	1,018
Lettable area, sq.m. thousands	2,472
Number of apartments	37,008
Rental value, SEKm	3,511
Economic occupancy rate, %	98
Carrying amount, SEKm	39,250

Residential properties, geographical distribution

Area	Sq.m. thousands	%
Helsinki	943	38
Stockholm	137	6
Gothenburg	409	17
Öresund	145	6
East	689	28
North	149	6
Total	2,472	100

Commercial properties

A continued low interest rate level with an expected negative repo rate until late 2017, meant that the market for commercial properties in Sweden was still very good even during 2015.

Yield requirements have fallen further, particularly in big cities. Demand for acquiring properties was greater than supply in the market, as a result of a sharp increase in capital inflows from non-European players, among other factors. The opportunities were also good in Sweden both in terms of traditional bank financing and financing via new issues and bonds.

Balder also continued its strategy of reducing its property holdings in less central areas in the Stockholm region and in locations where Balder does not have representation in the form of a local office or its own property management personnel. For a number of years, the focus instead has been on acquiring and owning commercial properties in central parts of Stockholm, Gothenburg and Malmö. During the year, a central property was acquired in Gothenburg, among other things.

The structural work on refining the commercial property portfolio during 2015 meant that Balder was a net seller of commercial properties. This is a deliberate strategy in view of the fact that it was easier to sell properties in slightly less central areas and locations than to acquire in the priority locations for Balder.

As shown in the Residential properties section on pages 32-33, a shift occurred during the year in relation to investments from commercial properties to more apartment construction projects, collaboration with associated companies and investments in existing property companies such as the Finnish property company Sato Oyj.

The portfolio of hotel properties has been supplemented with a property in Stockholm. In addition, a property was acquired in central Copenhagen, which will be converted to a hotel and is expected to be ready in early 2017. The total number of hotel contracts amounts to 32 and the hotel portfolio now includes about 5,200 rooms in total. For some years Balder has viewed the hotel segment as an attractive investment area. The yield requirement has been higher than most other property categories and interest from other property companies has not been so strong. Balder has grown to become the second largest player in hotel properties in Sweden. During 2015, interest for hotel properties increased very sharply and the number of players that want to invest in hotel properties includes both Swedish and foreign property companies as well as institutional investors. The interest for hotel properties has meant that yields have fallen to levels approaching central office properties in Sweden's metropolitan areas.

Demand for central office properties is still good. Vacancy levels in Stockholm and Gothenburg amount to just under 4 per cent, which means the same levels as during 2014. In Malmö, the vacancy rate is higher and came in at around 8.5 per cent. An increase occurred in 2015 of about 2 percentage points, mainly due to new production of office properties in Västra Hamnen.

Balder has an experienced and competent letting organisation that continually works with letting vacant premises while finding solutions for premises issues for

potential tenants. Balder's economic occupancy rate for commercial properties was 93 per cent (93) at year-end.

According to the IPD Swedish Property Index, investments in commercial properties displayed an annual, average total yield of approximately 9.8 per cent during the past five-year period. The total yield includes increases in value together with the annual yield.

During 2015, the transaction volume did not really meet the same level as in 2014. According to NAI Svefa, commercial property turnover was SEK 105m during 2015, compared to SEK 114m during 2014. The ten largest transactions accounted for approximately SEK 36 billion, in other words almost 34 per cent.

The value of Balder's property holdings in Stockholm's inner city amounted to about SEK 7.4 billion, which corresponds to 67 per cent of the total value of its commercial properties in the region. Balder's average value per sq.m. for office properties with central locations in Stockholm amounts to approximately SEK 58,000.

The equivalent figures in Gothenburg are SEK 6.1 billion and 68 per cent, and SEK 2.2 billion and 68 per cent in Malmö. The average value per sq.m. for office properties with central locations in Gothenburg amounts to approximately SEK 36,000 and to approximately SEK 30,000 in Malmö.

A more detailed description of the transactions is available on pages 36-38.

Estimated and recorded yield values and price levels for residential properties in A locations were as follows:

Place	Yield, %	Price per sq.m., SEK
Stockholm	3.75 – 4.00	80,000 – 100,000
Gothenburg	4.75 – 5.00	32,000 – 42,000
Malmö	5.25 – 5.75	20,000 – 35,000

Source: Fastighetsvärlden

Balder's commercial properties

Number of properties	159
Lettable area, sq.m. thousands	958
Rental value, SEKm	1,662
Economic occupancy rate, %	93
Carrying amount, SEKm	24,626

Commercial properties, geographical distribution

Area	Sq.m. thousands	%
Helsinki	0	0
Stockholm	319	33
Gothenburg	371	39
Öresund	153	16
East	99	10
North	16	2
Total	958	100



Spårvagnen 4, Stockholm



Transactions

2015 was dominated by the new construction of apartments in Copenhagen and the acquisition of 53 per cent of the shares in the Finnish property company Sato Oyj. Divestments of commercial properties in smaller cities and in suburbs of big cities also continued in 2015.

The transaction market in Sweden was very strong in recent years with rising property prices as a consequence. Balder has therefore chosen to diversify its property holdings to the other Nordic markets in order not to be concentrated towards one market. On 31 December, Balder had about 45 per cent of its property value outside Sweden.

Acquisitions

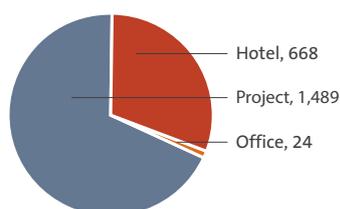
During the year, Balder gradually acquired shares in the residential housing company Sato Oyj and became the majority owner on 30 December with 53 per cent of the capital and votes. Through the majority ownership, Sato's balance sheet is consolidated, corresponding to a property value of about SEK 26 billion. Sato only owns residential properties, of which about 80 per cent are located in Helsinki and the remainder are in Finnish growth regions and in St Petersburg. For more information about Sato Oyj, see page 39. During 2015, Balder also realised the investments in new construction projects that the company initiated some years ago. Balder today has about 1,000 apartments under construction in Copenhagen, equivalent to a project value of about SEK 3,000m. All apartments that are built are divided into condominiums, which means that they can be sold individually. However, Balder has not sold any apartments but will choose to rent them out to create a portfolio of residential properties in Copenhagen. The apartments will be completed between 2016-2018.

Divestments

Balder's strategy is to own commercial properties in the central parts of the Stockholm, Gothenburg and Malmö metropolitan areas. In 2015, Balder thus continued to divest properties in the suburbs of big cities and in smaller cities. During 2015, Balder sold commercial properties in these areas for a sales total of SEK 1,613m. Balder has also elected to divest residential properties in places where the company cannot sustain a sufficiently large management unit. During the year, Balder agreed to sell all its properties in Skara and Töreboda. The divestments carried out generated a profit of SEK 65m, equivalent to a selling price of 5 per cent above the carrying amount.

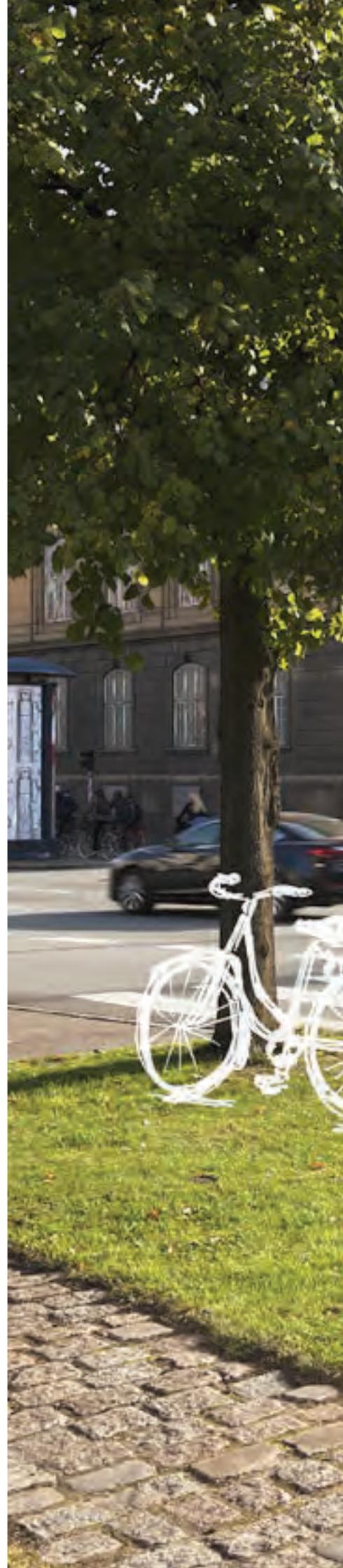
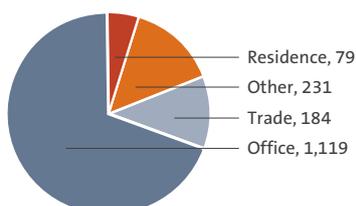
Acquisitions

per property category, SEKm



Divestments

per property category, SEKm





Property transactions 2015

Acquisitions	Number	Name of property	Municipality	Property category	Lettable area, sq.m.
Quarter					
One	1	Snöflingan 3	Stockholm	Hotel	22,000
One	1	Inom Vallgraven 54:10	Gothenburg	Office	875
One	1	Sundby Overdrev (Lavetten)	Copenhagen	Project	0
Two	4	Bovieran		Project	0
Three	1	954 b Sundby Overdrev (321)	Copenhagen	Project	0
Three	1	1041 Sundbyoster (Öresund Strandpark)	Copenhagen	Project	0
Three	1	273 Vestervold kvarter (Niels Brocks Gade)	Copenhagen	Project	0
Three	1	Bastuban 1	Mölnadal	Project	47,054
Four	712	Acquisition of Sato Oyj	Finland	Residential	1,334,595
Total	723				1,404,524

Divestments	Number	Name of property	Municipality	Property category	Lettable area, sq.m.
Quarter					
One	1	Murmästaren 3	Stockholm	Office	16,086
One	1	Skulptorp 1:58	Skövde	Residential	3,229
One	1	Skulptorp 36:1	Skövde	Residential	1,229
Two	13	All properties	Tidaholm	Residential	6,768
Two	1	Jakobsberg 2:2583	Järfälla	Other	22,054
Two	1	Eken 14	Sundbyberg	Office	8,913
Two	1	Vreten 8	Stockholm	Office	11,919
Two	1	Vreten 17	Stockholm	Office	6,550
Two	1	Vreten 25	Stockholm	Office	12,610
Three	1	Oden 7	Trollhättan	Retail	16,253
Four	1	Dingersjö 3:135	Sundsvall	Other	1,677
Total	23				107,288





Sato Oyj

In 2015, Balder gradually acquired shares in Sato Oyj and reached 53 per cent as of 30 December, which means that Sato is consolidated in Balder's balance sheet for 2015.

On 1 April 2015, Balder carried out its first acquisition of shares in Sato Oyj, which is Finland's second largest housing company, equivalent to 21 per cent of the outstanding shares and voting rights.

Balder has subsequently gradually acquired more shares in Sato. On 30 December, Balder acquired a further 22.9 per cent of the outstanding shares and votes, and together with the previous total holdings of shares and votes, which amounted to 30.4 per cent, means that Balder owns 53.3 per cent in total of the outstanding shares and votes and therefore has consolidated Sato from 31 December 2015. The company's earnings during the year are recognised in Balder as profit from participations in associated companies.

Sato is a property company, which has high-quality properties in excellent locations that complement Balder's existing operations and property portfolio. The number of employees in Sato amounted to 170 people on 31 December, of which

110 were women. Sato owns just over 23,000 apartments. 80 per cent of the properties are located in Helsinki and the remainder in Tampere, Oulu, Turku, Jyväskylä and St. Petersburg. Sato's property value has developed positively in recent years through acquisitions and construction under its own management. Sato has more than 1,200 rental apartments under construction and 545 rental apartments were completed during 2015.

The housing market in Finland consists of 2.6 million apartments, of which two thirds are condominiums and one third are rental apartments. Sato's share of the rental market is about 3 per cent. The largest owners in the Finnish market are insurance companies, pension funds and municipalities, where the municipalities usually own apartments for social purposes. Demand for smaller apartments exceeds supply, especially in the Helsinki region. Sato's apartments have an average area of 57 sq. m. For more information, visit Sato's website www.sato.fi





Bovieran

Bovieran's housing is a unique concept for those aged 55+ that stands for experience, security and social fellowship.

The Riviera as a source of inspiration

Bovieran plans, develops and builds concept properties in the form of tenant-owner's apartments for senior residents.

The company was founded in 2005 and the first tenant-owners moved in to Bovieran in Partille during summer 2009. In 2013, the collaboration with Balder began and from spring 2015, Bovieran AB became 100%-owned by Balder. The winter garden is Bovieran's natural meeting place and offers a shared space without rain and snow clearing.

Security in focus

All Bovieran facilities are completely identical and consist of 48 tenant-owner's apartments. The property is built in a U-shape featuring a 1,600 sq.m. glazed-in winter garden in the middle.

Since its inception, 13 Bovieran facilities have been built throughout central Sweden. To date, the concept has been a success and more establishments are in progress. For more information, visit Bovieran's website www.bovieran.se

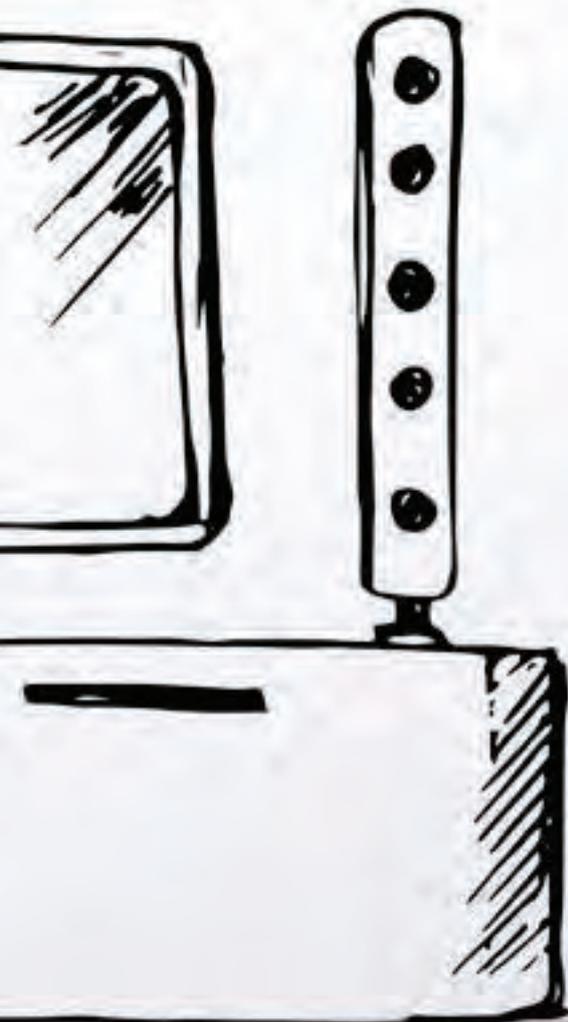
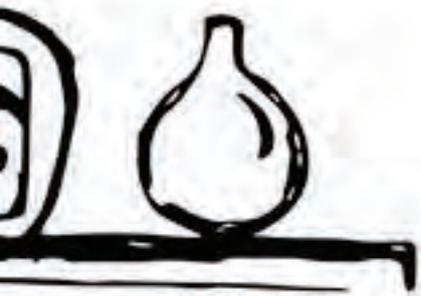
Quick facts 2015

Ongoing construction projects:
Enköping, Helsingborg, Falun, Sala and Skövde

Occupation:
Haninge, Linköping, Järfälla and Norrköping

Sales in progress:
Falun, Sala, Skövde and Örebro II

Planned projects:
Borgholm, Karlstad, Kalmar II, Landskrona, Oskarshamn, Stenungssund, Strängnäs, Svedala, Södertälje, Trelleborg, Viken-Höganäs, Växjö and Ystad





Property and project development

Balder considers that it is important in property development transactions to be able to control the entire value chain, from acquisition of land to completion of the project.

During the year, Balder continued the work on building up its operations and expanding the property development organisation. A large number of detail development plans are ongoing, including densification and development of the existing property portfolio, externally acquired real estate projects and municipal land allocations. The ambition over time is to create an extensive portfolio of building rights relating to development properties and real estate projects, with the goal of producing a large number of new apartments annually – both rental apartments and tenant-owner’s apartments in Stockholm, Gothenburg and the Öresund region.

In 2015, we started construction of

650 apartments and we have more than 1,000 apartments in total under construction.

Property development will mainly concentrate on residential projects. Commercial property development will concentrate on supporting housing projects and will be a part of the requirements for new detailed development plans. Through active property development, the ambition is to participate in changes to city districts, as well as individual property’s conditions or use and thereby create value. By improving the existing property portfolio, land allocations and acquisitions, Balder wants to be a long-term player in property and urban development.

Where Balder is already a property owner, the company will focus on creating new building rights on existing land. Where there are opportunities for conversions to tenant-owner’s associations, 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, including Copenhagen.

Balder considers that it is important in property development transactions to be able to control the entire value chain, from acquisition of land to completion of a project. The development process occurs in different phases and can take several years, and therefore it is important that it proceeds in close cooperation with municipalities and other stakeholders.

Planned projects

Stockholm

In the property Gladan 3 on Kungsholmen in Stockholm, Balder plans to replace the existing office property with about 100 new tenant-owner's apartments, premises and a pleasant inner courtyard on the ground floor. The design of the building is in harmony with the existing character of the building and will be horseshoe-shaped with various ceiling heights up to 11 floors. The strategic position in Stockholm, the good communications and proximity to the water creates an exclusive form of housing. The detailed development plan is expected to be adopted in early 2017.



Copenhagen

Only a stone's throw from Amager Strand, Balder is constructing 450 apartments in the new Øresunds Park district, which is also called Copenhagen's Riviera. Construction of the project has started and will be completed in phases featuring a mixed development. The design is characterised by good Danish architecture.

The proximity to the seashore and lagoon offers both relaxation and an active life where a multitude of sporting activities and cultural activities are arranged. Meanwhile, Copenhagen's rich urban life is within a walking distance an exclusive and unique form of housing. The district is expected to be finished in 2018.

During 2015, Balder acquired a real estate project in Ørestad "Ørestad 321", which is located in Copenhagen's most modern and expansive area. There is also an extensive view from the apartments over green meadows and pastures. Construction of the 156 rental apartments has begun and the project is expected to be ready for occupation during summer 2017.





Gothenburg

When Gothenburg celebrates 400 years in 2021, 7,000 new apartments will be ready, apart from the regular housing construction.

The initiative has been named BoStad2021 and is part of Gothenburg 400-year jubilee with the aim of making Gothenburg into an even better city. The initiative is a unique collaborative project where the City of Gothenburg and the business community are partnering to increase the construction rate, achieve a better mix, more accessibility and create good value apartments in a children-friendly, dense and green city.

Of the 7,000 apartments, which is the adopted target for the initiative, Balder's share is just over 1,000 apartments, distributed among four areas – Södra Bergsjön, Svartedalen, Västra Frölunda and Majorna.

In Södra Bergsjön, Balder will construct about 150 apartments, of which about 75 are terraced houses. One of the goals is to increase comfort in the area and create opportunities for getting on the housing ladder through varied development. The detailed development plan is expected to be adopted during 2017.

In Svartedalen along Långströmsgatan, Balder is planning to construct about 350 apartments in varied development in the form of tower and slab blocks. The area borders the spacious Långström park area and has a central and attractive location at Hisingen. Nursery schools will be built

in the area. The detailed development plan is expected to be adopted during 2017.

At Munspelegatan i Västra Frölunda, Balder is planning to construct about 450 apartments, mainly tenant-owner's rights adjacent to Balder's existing property holdings, the so-called Stjärnhusen (star-shaped buildings). Proximity to the sea towards the west and Frölunda Torg make the area attractive. The detailed development plan is expected to be adop-

ted during 2017.

Next to Älvsborgsbron in Majorna, Balder in collaboration with HSB is developing the old Fixfabriken, which is a well-known landmark in Gothenburg. Part of the area is included in the Jubilee initiative with 500 tenant-owner's apartments in a picturesque environment where half of the apartments are Balder's. The area is located in one of the most attractive areas of Gothenburg.



Property valuation

Balder's property portfolio consists of almost 1,200 properties, of which over 1,000 are residential properties.

The market value of Balder's 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 tenants, which makes it easy to determine at what rent it will be let out at again in the event of a vacancy. Balder's commercial leases have an average lease term of 6.3 years. The 10 largest leases represent 6.1 per cent of the total rental income, with an average lease term of 11.1 years. These circumstances mean that a large number 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 towards the central areas of the large cities of Stockholm, Gothenburg and Malmö. It is in those properties that we are most dependent on future lettings. But it is also there that we have to make an estimate in our valuations of what rent a premises 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 of further letting is more difficult to determine, which means that we have to make an assessment based on market demand, historical interest, similar premises etc. 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 value of the properties is based on internal 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 CPI, consumer price index, during the leasing period. Residential properties have historically developed a little better than the CPI, but in its valuations, Balder has assumed that the rent develops in line with inflation. The total rental value amounted to SEK 5,257m on 31 December 2015.

Operating and maintenance payments

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

Yield requirement and cost of capital

Yield requirements and the cost of capital used in the valuation model 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 per cent. Balder continually monitors the transactions that are completed in the market in order to substantiate and guarantee 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 5.4 per cent (5.5). The yield requirement for commercial properties amounted on average to 5.3 per cent (5.7) and to 5.4 per cent (5.1) for residential properties.

Change in value of the property portfolio

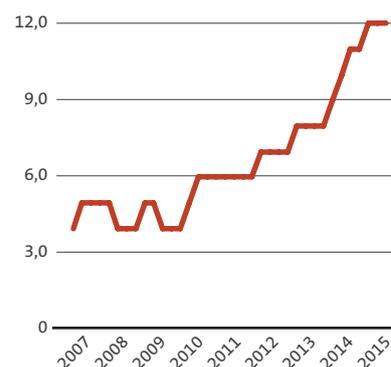
In 2015, Balder acquired properties for SEK 2,183m (7,059) in total. In addition to this, the acquisition of Sato Oyj contributed to an increase in the property portfolio of SEK 26,477m. Divestments during the year amounted to SEK 1,613m (1,114), which generated a profit of SEK 65m (144). According to Balder's internal valuation, the carrying amount of the properties at year-end amounted to SEK 68,456m (37,382), which corresponds to an unrealised change in value of SEK 3,323m (2,906). The largest share of the market value is found in the Stockholm, Helsinki and Gothenburg regions, which combined represent a property value of SEK 46,032m.

External valuations

In order to quality-assure its internal valuations, Balder regularly allows parts of the portfolio to be externally valued during the year. During the fourth quarter of 2015, Balder externally valued about one third of its properties including Sato's property holdings. The external valuations were less than 1 per cent lower than Balder's internal valuation at year-end. The external valuations were carried out during the year by Newsec and JLL. Historically, deviations between Balder's internal and external valuations have been insignificant.

Net operating income

Rolling annual value, SEK/share



Region	Residential	Commercial properties	The mean value of yield requirements for estimation of residual value, %
	Yield requirement for estimating residual value, %	Yield requirement for estimating residual value, %	
Helsinki	5.25 – 6.50	–	5.70
Stockholm	2.75 – 4.75	4.00 – 7.00	4.72
Gothenburg	3.00 – 8.00	4.00 – 10.00	5.26
Öresund	3.45 – 5.50	4.50 – 6.50	4.92
East	4.25 – 6.50	5.75 – 10.00	5.94
North	4.00 – 5.75	5.50 – 6.50	4.90



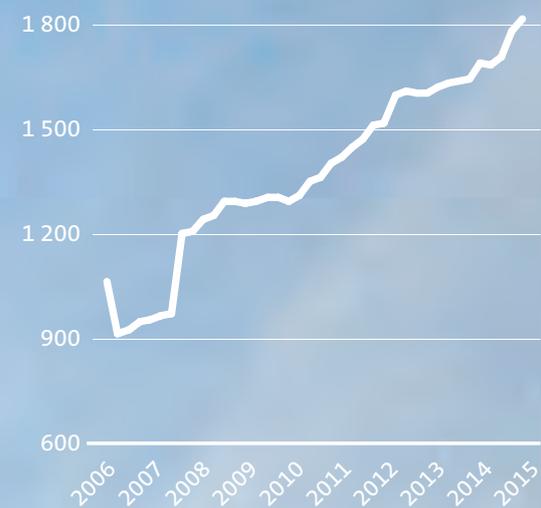
Rental value, Residential

SEK/sq.m.



Rental value, Commercial

SEK/Sq.m.





Financing

Balder finances itself through loan capital and equity. The goal is that the equity/assets ratio shall exceed 35 per cent over time, which means that we finance ourselves with at least 35 per cent equity and not more than 65 per cent loan capital.

Balder's largest asset class is residential properties, which are characterised by stable cash flows over time as the tenant risk is spread over a large number of payers. This also means that residential properties can be pledged to a higher degree than commercial properties by virtue of security in the cash flow. Today Balder has more than 60 per cent of its property value in residential properties and the majority of the other properties are commercial properties located in the central parts of the Stockholm, Gothenburg and Malmö metropolitan areas. The location of the assets forms a central part of lenders' credit risk assessments. Other important factors include diversification in the form of geography and asset class. Balder has chosen to own residential properties in Copenhagen and Helsinki in order not to be concentrated towards one market. Today about 45 per cent of the

property value is located in these cities and a few other growth areas in Finland. Although we so far have chosen to concentrate to date on residential properties outside Sweden, the assets in Sweden are more diversified in the form of office, hotel, retail and residential properties.

Balder has no official assessment of its credit risk through an external rating, but Balder's subsidiary Sato has an external rating from Moody's of Baa3, which corresponds to Investment Grade.

Interest-bearing liabilities

Of Balder's total financing, about 25 per cent consists of capital market financing and the remainder is bank financing and state subsidised loans, where the latter are raised in Finland. Balder's interest-bearing liabilities amounted to SEK 41,063m on 31 December. The secured liabilities in relation to total assets amounted to

42.2 per cent (50.6) as of 31 December. On the same date, the net loan-to-value ratio was 52.3 per cent (55.2). The net loan-to-value ratio is calculated as net interest-bearing liabilities divided by net total assets. Balder's fixed credit term amounted to 4.4 years (4.3), the interest rate refixing period was 2.9 years (2.3) and the average interest rate amounted to 2.2 per cent including the effect from interest rate derivatives

Net financial items

Net financial items, excluding changes in the value of interest rate derivatives, amounted to SEK -437m (-531), 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 2.2 per cent (2.6).



Interest maturity structure 2015-12-31

Year	Interest rate refixing period		
	SEKm	Interest, %	Proportion, %
Within one year	21,512	1.1	52
1–2 years	304	3.3	1
2–3 years	4,470	4.5	11
3–4 years	1,631	3.1	4
4–5 years	4,012	2.6	10
>5 years	9,134	3.2	22
Total	41,063	2.2	100

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 exposed to, which mainly relate to interest, refinancing and liquidity risk. The overall goals of the financial policy are:

- to secure the supply of short-term and long-term capital,
- that the equity/assets ratio should not be less than 35 per cent over time,
- that the interest coverage ratio should not be less than 2.0 times.

Liquidity

Balder utilises credit facilities in order to balance its liquidity needs. At year-end, Balder's available liquidity amounted to SEK 1,339m (806), 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 4,745m, of which SEK 4,545m were unutilised. Balder also has credit facilities that fully cover future payments for ongoing new construction projects. Balder's cash flow is relatively evenly distributed during the year as about 70 per cent of the rental income relates to residential rents, which are paid monthly. Remaining rents are mainly paid quarterly.

Financial goals

	Outcome	
	Goals	2015 ¹⁾ 2014
Equity/assets ratio, %	35.0	37.8 35.5
Interest coverage ratio, times	2.0	5.1 3.4

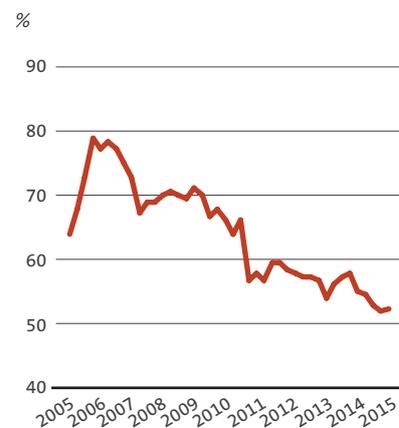
1) Key ratios including Collector AB at market value.

Key ratios

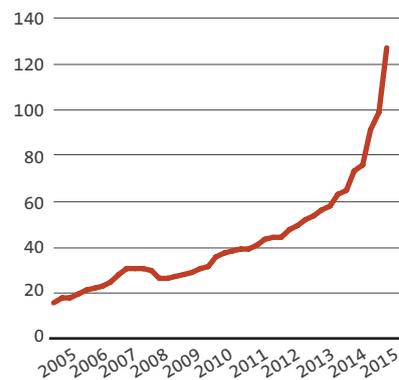
	2015 ¹⁾	2014
Return on equity ordinary share, %	28.2	29.7
Return on total assets, %	10.5	12.4
Net debt to assets excluding cash, %	52.3	55.2
Debt/equity ratio, times	1.4	1.6
Interest coverage ratio, times	5.1	3.4
Equity/assets ratio, %	37.8	35.5
Average fixed credit term, years	4.4	4.3
Average interest rate refixing period, years	2.9	2.3

1) Key ratios including Collector AB at market value.

Net debt to assets including cash



Development equity SEK/ordinary share



Associated companies

Balder's part-owned associated companies together own 55 investment properties, where our share of the carrying amount is SEK 3,701m. Balder also holds shares in the listed bank Collector, where the participating interest amounts to approximately 44 per cent.

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.

Sato Oyj, where the first shares were acquired in April, was an associated company for most of the year but became a subsidiary on 31 December, as the participating interest reached more than 53 per cent.

During the year, Balder established cooperation with three new partners. Balder currently owns 50 per cent of the shares in Murbruket Holding Fastighets AB, 31 per cent in Tornet Bostadsproduktion AB and 35 per cent in Brinova Fastigheter AB all property-managing companies.

The property-managing associated companies also include Centur, Tulia, Balder Skåne and Första Långgatan Fastig-

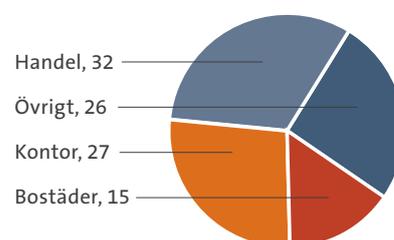
heter while Fix Holding works with project development.

The property-managing associated companies together own 55 investment properties (51) and real estate projects with a total carrying amount of SEK 8,828m (6,792), a total lettable area of about 367,000 sq.m. (317,000) and a rental value amounting to SEK 552m (400). Profit from property management, i.e. profit excluding changes in value and tax, amounted to SEK 1,193m (427), of which Balder's participation amounted to SEK 457m (195). The companies' profit after tax amounted to SEK 1,777m (646), of which Balder's participation amounted to SEK 831m (317).

Balder's results were affected by changes in value in respect of properties and derivatives of SEK 410m (178) before tax. For more information about Balder's associated companies, see Note 15, Participations in associated companies.

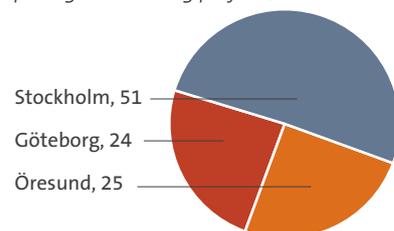
Carrying amount

per property category including projects, %



Carrying amount

per region including projects, %



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

2015-12-31	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/s.q.m.	Rental income, SEK	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Stockholm	36	100,846	156	1,548	152	98	2,248	51
Gothenburg	11	47,401	55	1,171	52	93	800	18
Öresund	8	35,073	48	1,382	47	97	654	15
Total	55	183,320	260	1,419	251	97	3,701	84
Project			16		16		713	16
Total	55	183,320	276	1,419	267	97	4,414	100
Distributed by property category								
Residential	6	8,228	11	1,329	11	97	210	5
Office	10	35,026	69	1,966	64	92	953	22
Retail	31	91,434	99	1,081	96	97	1,396	32
Other	8	48,632	81	1,675	81	99	1,142	26
Total	55	183,320	260	1,419	251	97	3,701	84
Project			16		16		713	16
Total	55	183,320	276	1,419	267	97	4,414	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.



Talo 1, Finland

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.

At year-end, Centur owned 28 investment properties (29) with a lettable area of 202,000 sq.m. (213,000) and a rental value of SEK 246m (232) and 4 real estate projects (3). The carrying amount of the properties amounted to SEK 4,355m (4,061). 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 22 properties (21) with mainly central locations in Stockholm. The company's total lettable area at year-end amounted to 73,000 sq.m. (71,000) and the carrying amount of the properties totalled SEK 2,227m

(1,999) with a rental value amounting to SEK 140m (131).

Första Långgatan Fastigheter i Gbg HB

Balder together with Elof Hansson owns the company Första Långgatan Fastigheter i Gbg HB, 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 48m (44).

Fix Holding AB

The company is owned in equal shares by Balder and HSB Göteborg and it owns Fixfabriken in Majorna, which is a fully let building. Fix Holding will develop almost 500 new apartments here with complementary business premises.

The new Fixfabriken will be a sensation among residential areas in Gothenburg, and will feature distinctive architecture and excellent housing quality. Equally important is the fact that Fixfabriken will become a vital new addition and a dynamo for continued development, both in the area and in the city as a whole. It will be fantastic housing and it is also intended to serve a model for urban renewal, where participation, transparency and collaboration are not just fine words but firm reality. The objective is to have a

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

SEKm	2015	2014	2013
Rental income	244	180	179
Property costs	-53	-35	-40
Net operating income	191	145	140
	2015	2014	2013
Carrying amount properties, SEKm	4,414	3,396	2,543
Number of properties	55	57	49
Lettable area, sq.m. thousands	183	158	142

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

	2015-12-31	2014-12-31
Assets		
Properties	4,414	3,396
Other assets	247	27
Cash and cash equivalents	61	24
Total assets	4,723	3,447
Equity and liabilities		
Equity/ shareholders' loan	1,726	1,230
Interest-bearing liabilities	2,501	2,032
Other liabilities	496	185
Total equity and liabilities	4,723	3,447



detailed development plan ready by 2017. Also see www.fixfabriken.se

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 3 investment properties (3) and 1 real estate project (1) with a value of SEK 322m (304).

The company's total lettable area amounted to 12,000 sq.m. (12,000) with a rental value amounting to SEK 20m (20).

Murbruket Holding Fastighets AB

Balder together with Oscar Properties owns Murbruket Holding Property AB, which owns the office property Murmästaren 3 on Kungsholmen in Stockholm.

Tornet Bostadsproduktion AB

Balder's participating interest amounts to 31 per cent 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 13 investment properties and 7 real estate projects with a value of SEK 1,845m. The properties are located in Stockholm, Gothenburg and the Öresund region.

The company's total lettable area amounted to 45,000 sq.m. with a rental value amounting to SEK 78m. Also see www.tornet.se

Brinova Fastigheter AB

The principal owners in the new company are Balder with 35 per cent, and Backahill with 45 per cent. The property holdings are geographically concentrated towards southern Sweden and the goal is to create a new company with community and residential properties in focus.

At year-end, the company owned 38 investment properties with a value of SEK 976m. The properties are located in the Öresund area.

The company's total lettable area amounted to 117,000 sq.m. with a rental

value amounting to SEK 117m. Also see www.brinova.se

Collector AB

The company was listed in June and Balder, which is the principal owner, owns about 44 per cent. Collector is a successful bank which is displaying rapid organic growth. The company received its banking licence during the year and has offices in Gothenburg, Stockholm, Malmö, Oslo and Helsinki.

The company is a partner focusing on overall solutions in financing, credit management and the legal field. The balance sheet total at year-end amounted to SEK 10,057m (6,561), sales amounted to SEK 1,187m (916) and profit before tax to SEK 371m (244) and the market capitalisation was SEK 11,856m.

Balder also recognises consolidated statement of financial position including Collector at market value, in order to clarify Collector's value in Balder. Also see www.collector.se

Opportunities and risks

All business activity is associated with risks and these may affect the company negatively but they may also create opportunities. Balder works actively with diversification of risks as regards type of property, geographical distribution and customer composition in order to limit the company's risk exposure.

Sensitivity analysis

Factor	Change	Earnings effect before tax, SEKm
Rental income	+/- 1 %	+/- 51
Economic occupancy rate	+/- 1 percentage unit	+/- 53
Interest-rate level of interest-bearing liabilities	+ 1 percentage unit	- 187
Property costs	+/- 1 %	-/+ 16
Changes in value of properties	+/- 5 %	+/- 3,423

Rental income, rental trend and occupancy rate

Of Balder's contracted rental income, 64 per cent relates to residential properties and 36 per cent 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 6.1 per cent of total rental income and their average lease term amounts to 11.1 years. No individual lease accounts for more than 0.9 per cent of Balder's total rental income and no individual customer accounts for more than 2.7 per cent 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 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 percent, which means that the vacancy at year-end amounted to SEK 182m and represents an opportunity for potential new lettings. The table above shows how profit before tax would be affected by a change of +/- 1 per cent in the rental level and +/- 1 per cent in the economic occupancy rate.

Operating and maintenance costs

Operating costs mainly consist of costs that are based on usage such as electricity, cleaning, 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.

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 the execution and product and that sustainability requirements are met. 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.



Change in value of the properties

83 per cent of the value of Balder's property portfolio is found in the four metropolitan regions 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 value and operating costs as well as market-specific factors such as yield requirements and the 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.

Dependence on key people

Balder's future growth is dependent on the knowledge, experience and commitment of the Management team and other key people. The company could be affected negatively if one or more of these people would leave the Group.

Operational risks

Balder can incur losses within the framework of its operating activities due to defective routines or irregularities. 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. Balder continually works on monitoring the company's administrative security and control.

Taxes and changed legislation

Changes in corporate and property taxes, as well as other government levies, rent allowance and interest allowance 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 real estate ownership. In most leases, the customer pays his share of the currently charged property tax. Changes in corporate taxation 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 needed 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



Balder's head office, Gothenburg

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 mainly 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.

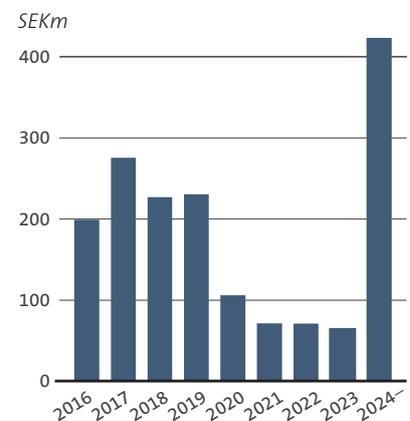
Currency risk

Balder owns properties via subsidiaries in Denmark and in Finland. Companies' revenue and costs are 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.

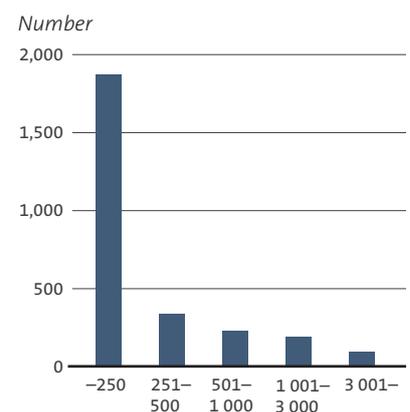
Environmental risk

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.

Maturity structure of commercial lease contracts

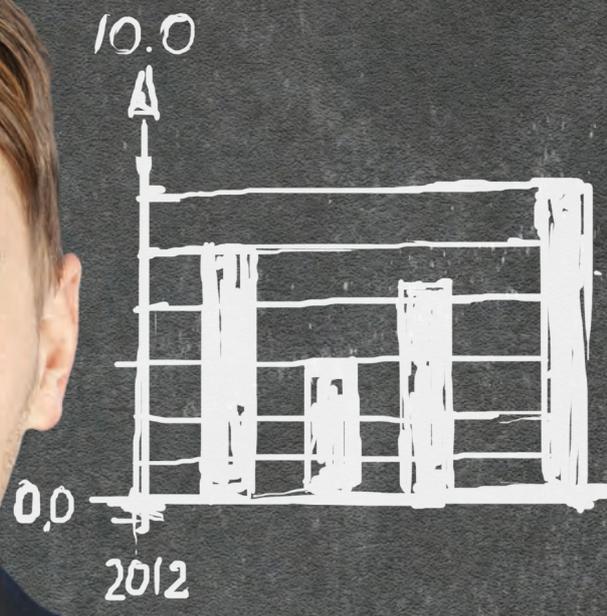


Number of commercial leases per rental value



-4% 5688^{+v} 25% $y^1 + 5y = 0$

17 6%
 $x^2 - 4$



$\frac{3x+2}{10} = \frac{10+2}{10}$

Balders annual report 2015

The numbers behind Balder

 BAL
DER

Definitions

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 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.

Net loan-to-value ratio, %

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

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 equity.

Equity/assets ratio, %

Shareholders' equity in relation to total assets at the end of the period.

Calendar

Annual General Meeting	10 May 2016
Interim report January – March 2016	10 May 2016
Interim report January – June 2016	23 August 2016
Interim report January – September 2016	3 November 2016
Year-end report January – December 2016	22 February 2017

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Printing: Billes Tryckeri

Share-related

Equity per ordinary share, SEK

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

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.

Non-current net asset value per ordinary share (EPRA NAV), SEK

Shareholders' 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..

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Kapellgatan 29 A 732
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Rönnergagatan 10

Property-related

Yield, %

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

Net operating income, SEKm

Rental income less property costs.

Economic occupancy rate, %

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, media expenses, maintenance, ground rent and property tax.

Rental value, SEKm

Contracted rent and estimated market rent for vacant premises.

Surplus ratio, SEKm %

Net operating income in relation to rental income.

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The consolidated statement of financial position including Collector AB (publ) at market value

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

SEKm	31 dec 2015
Assets	
Investment properties	68,456
Other fixed assets	122
Participations in associated companies ¹⁾	6,549
Other receivables ²⁾	1,497
Cash and cash equivalents and financial investments	1,025
Total assets	77,649
Shareholders' equity and liabilities	
Shareholders' equity ³⁾	29,325
Deferred tax liability	4,071
Interest-bearing liabilities	41,063
Derivatives	1,294
Other liabilities	1,896
Total equity and liabilities	77,649
1) Including Balder's marketable value of Collector AB (publ).	5,224
2) Of which most part refers to receivables in associated companies.	
3) Of which non-controlling interests.	4,377

Consolidated statement of changes in equity

SEKm	31 dec 2015
Opening equity	14,261
Dividend preference shares	-200
Net profit for the year	4,909
Share issue after issue costs	1,705
Non-controlling interests arising on the acquisition of subsidiary	4,377
Adjustment of Collector AB (publ) to market value	4,273
Closing equity	29,325

The numbers behind Balder

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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 accounts of the Group and the Parent Company for the financial year 2015. Fastighets AB Balder is listed on Nasdaq Stockholm, Large Cap segment. The company has approximately 17,200 shareholders (16,300). 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 per cent and the interest coverage ratio shall not be less than 2.0 times. The outcome in 2015 was 34.1 per cent and 5.1 times, respectively. Including Collector at market value, the equity/assets ratio was 37.8 per cent.

Organisation

Balder's business areas consist of the regions Helsinki, Stockholm, Gothenburg, Öresund, East and North, which are made up of 17 areas. 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 compa-

nies. Balder's operational organisation is supported by central accounting, property management and finance functions. The Group had a total of 647 employees (313) on 31 December, of whom 310 (110) 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 2016.

Significant events during the financial year

During the year, Balder acquired 53.3 per cent of Sato Oyj, Finland's second largest housing company. Collector AB, an associated company to Balder, was listed during the summer. Balder's participating interest amounted to 44.1 per cent after the listing.

Acquisitions

The largest transaction during the year was the gradual acquisition of shares in the housing company Sato Oyj. On 30 December, Balder became the majority owner with 53.3 per cent of the capital and votes. Through the majority ownership, Sato's balance sheet is consolidated, corresponding to a property value of about SEK 26 billion. Sato only owns residential properties, of which about 80 per cent are located in Helsinki and the remainder in growth regions in Finland and in St Petersburg, see Note 32, Business combinations. The acquisition was partly financed by a directed new issue of 10 million ordinary shares.

At the start of the year, the property Stockholm Snöflöngan 3 was acquired for SEK 668m. The property was completed in 2009 and has a lettable area of about 22,000 sq. m. distributed among 280 rooms and a restaurant. Courtyard by Marriott Stockholm runs the operations.

During the third quarter, the property Mölndal Bastuban 1 was acquired, which today has SCA as the main tenant. The property is classified as a real estate project and Balder's ambition is to develop the property together with Mölndals Stad, for residential purposes in the first instance. It was acquired for SEK 365m and the lettable area is 47,000 sq. m. The site area amounts to almost 90,000 sq. m.

During the year, a number of properties were acquired for project development in Copenhagen.

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, all 13 properties in Tidaholm were divested and a further 10 properties around Sweden. Balder divested properties for about SEK 1,613m during the year. The divestments carried out generated a profit of SEK 65m, equivalent to 5 per cent above the carrying amount.

Other

A directed new issue of 10 million ordinary shares was completed in December, which brought in SEK 1,705 million after issue costs.

The property portfolio

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

On 31 December, Balder owned 1,177 investment properties (486) with a lettable area of 3,430,000 sq.m (2,177,000) with a carrying amount of SEK 68.5 billion (37.4), including project real estate. During the year, 714 investment properties (37) with a lettable area of approximately 1,405,000 sq.m. (330,000) were acquired for SEK 28,660m (7,059). 23 properties (41) were divested during the year with a total lettable area of 108,000 sq.m. (139,000) for SEK 1,613m (1,114), which generated a profit of SEK 65m (144). In 2016, Balder will continue the work on consolidating its property portfolio.

When allocating carrying amounts by region, Helsinki amounted to 31 per cent (-), Stockholm to 20 per cent (34), Gothenburg 20 per cent (33), Öresund 12 per cent (18), East 14 per cent (11) and North 3 per cent (5). Of the carrying amounts, 36 per cent (62) related to commercial properties and 64 per cent (38) to residential properties.

Earnings

Profit from property management for the year amounted to SEK 1,780m (1,275), which corresponds to SEK 9.71 per ordinary share (6.64). The increase was primarily due to changes in the property portfolio. The profit from property management includes SEK 457m (195) in respect of associated companies, which is included in the income statement in participations in profits from associated companies. Net profit for the year after tax amounted to SEK 4,916m (3,128), corresponding to SEK 28.98 per ordinary share (18.10).

The result was impacted by realised changes in value in respect of properties of SEK 65m (144), unrealised changes in value of properties of SEK 3,323m (2,906), changes in value in respect of interest rate derivatives of SEK 227m (-624) and profit from participations in associated companies of SEK 831m (317).

The Group's rental income amounted to SEK 2,711m (2,525) during the year. The leasing portfolio was estimated to

have a rental value on 31 December of SEK 5,257m (2,885) on a full-year basis. The average rental level for the entire property portfolio amounted to 1,508 SEK/sq.m. (1,325). The increase in the average rental level was mainly due to changes in the property portfolio. The rental income shows a considerable diversification of risks as regards tenants, sectors and locations.

The economic occupancy rate amounted to 96 per cent (95) on the closing date. On 31 December, the total rental value for unlet areas amounted to SEK 182m (155) on a full-year basis.

Property costs amounted to SEK 767m (760) during the year. The increase in property costs was mainly due to the change in the property portfolio and a mild winter with very little snow. Net operating income increased by 10 per cent to SEK 1,944m (1,766), which provided a surplus ratio of 72 per cent (70).

Net financial items, excluding changes in value of derivatives amounted to SEK -437m (-531) and changes in value of interest rate derivatives amounted to SEK 227m (-624). The positive change in value during the year was due to a rise in the level of interest rates which means that the difference in relation to the contracted interest rate level of interest rate derivatives has decreased.

Derivatives are continually recognised at fair value in the balance sheet and changes in value are recognised in the income statement without using hedge accounting. Changes in value from derivatives arise in the event of changed interest-rate levels 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 interest rate derivatives amounted to SEK 1,294m (1,086) at

Sensitivity analysis

Factor	Change	Earnings effect before tax, SEKm
Rental income	+/- 1 %	+/- 51
Economic occupancy rate	+/- 1 percentage unit	+/- 53
Interest-rate level of interest-bearing liabilities	+ 1 percentage unit	- 187
Property costs	+/- 1 %	-/+ 16
Changes in value of properties	+/- 5 %	+/- 3 423

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 1,294m that will be reversed to equity in its entirety, adjusted by deferred tax, in line with the maturity of the interest rate derivatives.

Net financial items are equivalent to an average interest rate of 1.8 per cent (2.7) including the effect of accrued interest from Balder's interest rate derivatives.

Multi-year summary

See page 7.

Value of the properties

Balder carried out an internal valuation on 31 December of the property portfolio, based on a ten-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. 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 regularly allows parts of the portfolio to be externally valued during the year. During the fourth quarter, Balder externally valued about one third of its property portfolio. The externally valued properties are located in Helsinki, Skåne, Gothenburg and Stockholm. The external valuation was less than 1 per cent lower than Balder's internal valuation at year-end

On 31 December, Balder's average yield requirement amounted to 5.4 per cent (5.5), excluding project real estate and property development projects, which was 0.1 percentage units lower than at the start of the year. The reduction in the yield requirement is attributable to the strong prevailing demand for properties. Our assessment is that the new yield requirement better reflects the market's determination of prices.

On 31 December, the carrying amount of the investment properties amounted to SEK 68,456m (37,382), according to the individual internal valuation, which implied an unrealised change in value of SEK 3,323m (2,906).

Taxes

Balder reported current tax revenue of SEK 4m (–11) and a deferred tax expense of SEK –866 (–682).

Current tax and deferred tax have been calculated based on the applicable tax rate for 2015. Current tax only arises 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 companies acquired and divested 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 4,071m (1,549). For more detailed information, see Note 11, Taxes.

Cash flow and financial position

Balder's assets amounted to SEK 73,376m (40,185) on 31 December. These have been financed by equity of SEK 25,052m (14,261) and by liabilities of SEK 48,324m (25,923) of which SEK 41,063m (22,378) are interest-bearing.

Cash flow from operating activities be-

fore changes in working capital amounted to SEK 1,193m (1,038). Investing activities have burdened the cash flow by SEK 5,635m (6,708). During the year, acquisition of properties of SEK 2,097m (6,835), investments in existing properties and projects of SEK 791m (700), investments in property, plant and equipment, financial investments, associated companies and subsidiaries of SEK 4,857m (570) and dividends paid of SEK 200m (200) totalled SEK 7,945m (8,305). These were financed through cash flow from operating activities of SEK 762m (1,340), through property divestments of SEK 1,606m (1,114) and financial investments of SEK 504m (219), a new issue of SEK 1,705m (–) and net borrowing of SEK 3,788m (5,338), totalling SEK 8,365m (8,011).

Total cash flow for the year amounted to SEK 421m (–8). The Group's cash and cash equivalents, financial investments and unutilised credit facilities amounted to SEK 1,339m (806) on 31 December.

Equity

Shareholders' equity amounted to SEK 25,052m (14,261) on 31 December, corresponding to SEK 103.24 per ordinary share (70.10). The equity/assets ratio amounted to 34.1 per cent (35.5). Including Collector at market value, the equity/assets ratio was 37.8 per cent and equity per ordinary share was SEK 128.03.

Interest-bearing liabilities

The Group's interest-bearing liabilities amounted to SEK 41,063m (22,378) on 31 December. The proportion of loans with interest dates during the coming 12-month period amounted to 52 per cent (62) and the average fixed credit term amounted to 4.4 years (4.3). 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 net financial items in the income statement without using hedge accounting. Changes in value during the year amounted to SEK 227m (–624). Interest-bearing liabilities are described in greater detail in Note 21, Financial risks and financial policies.

Liquidity

At year-end, the Group's financial investments, cash and cash equivalents and unutilised credit facilities amounted to SEK 1,339m (806).

Investments

Property investments amounted to SEK 2,974m (7,759) during the year, of which SEK 2,183m (7,059) related to acquisitions and SEK 791m (700) related to investments in existing properties and projects. In addition to this, the acquisition of Sato Oyj contributed to an increase in the property portfolio of SEK 26,477m. Of the total changes in the property portfolio, SEK 21 291m (–) related to Helsinki, 1,117m (2,545) related to Stockholm, SEK 597m (2,615) to Gothenburg, SEK 1,176m (1,227) to Öresund, SEK 5,243m (788) to East, and SEK 27m (583) to North.

Associated companies

Balder owns 50 per cent of a number of companies where Balder takes care of management and administration, for further information see Note 15, Participations in associated companies. Apart from the 50%-owned associated companies, Balder owns 44.1 per cent (48) of Collector AB (publ), 31 per cent (–) of Tornet Bostadsproduktion AB and 35 per cent (–) of Brinova AB. On pages 50-51, 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 55 investment properties (51) and 5 real estate projects (6). Balder's participation in the lettable area of the property holdings amounts to approximately 183,000 sq.m. (158,000) with a rental value of SEK 276m (200). The economic occupancy rate amounted to 97 per cent (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 company having an internal bank function. Sales

in the parent company amounted to SEK 147m (124) during the year, of which intra-group services represented SEK 117m (97) and the remainder mostly related to management assignments for associated companies.

Net profit after tax during the year amounted to SEK 1,061m (302). The profit was impacted by changes in value in respect of interest rate derivatives of SEK 199m (–585).

The parent company's financial investments, cash and cash equivalents, including unutilised credit facilities amounted to SEK 658m (722) on 31 December. Receivables from group companies amounted to SEK 21,676m (15,777) on the closing date. Investments in property, plant and equipment and financial investments amounted to SEK 1m (1) and SEK 846m (144) respectively during the year. The net change in non-current liabilities of SEK 3,119m (2,154) was mainly related to acquisitions during the year.

Opportunities and risks

Balder's operations, financial position and results may be affected by a number of risk factors.

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 per cent (95). Balder's ten largest leases represented 6.1 per cent (9.4) of total rental income and their average lease term amounted to 11.1 years

(11.1). No individual lease accounted for more than 0.9 per cent (1.5) of Balder's total rental income and no individual customer accounts for more than 2.7 per cent (4.8) of total rental income. The average lease term in the overall commercial portfolio amounted to 6.3 years (5.9).

A change of +/- 1 per cent in rental income would affect the profit before tax by +/- SEK 51m.

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 4.4 years (4.3).

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 unit and the assumption of an unchanged loan and derivative portfolio, the interest expense would increase by SEK 187m. Of Balder's total loan stock at year-end, 48 per cent (38) had an interest rate refixing period of more than one year. The holdings in Denmark and Finland 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 extensive repairs.

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

A change of +/- 1 per cent in property costs would affect the property costs by SEK +/- 16m.

Changes in value of 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 per cent. 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 +/- 3,423m in the case of a change in value of the investment properties of +/- 5 per cent. The equity/assets ratio in the event of a positive change in value would amount to 36.1 per cent and in the event of a negative change in value it would amount to 32.0 per cent..

Environment

Balder has not carried out any comprehensive study of possible environmental pollution in the property portfolio but estimates that neither the properties nor the customers' operations give rise to any material environmental risks, which could affect the company's position. Acquisitions of properties where a risk of an environmental impact is deemed to exist, are preceded by environmental inspections.

The company's ownership of wind turbines is part of Balder's environmental work. Balder's 10 wind turbines generated 22.5 million kWh, which is equivalent to the average annual consumption of 900 houses.

The share and owners

In December, a directed new issue was completed of 10 million Class B ordinary shares. The issue was carried out at a price of SEK 172 per share and brought in SEK 1,705 million after issue costs.

At year-end, the share capital amounted to 182,396,852 distributed among 182,396,852 shares. Each share has a quota value of SEK 1, whereof 11,229,432 are of Class A, 161,167,420 of Class B and 10,000,000 preference shares. Each Class A share carries one vote, and each Class B share and preference share carries one tenth of one vote.

The Annual General Meeting 2015 resolved to authorise the Board during the period until the next AGM to decide on a new issue of shares of Class B and preference shares corresponding to not more than 10 per cent of the existing share capital. The largest owners are Erik Selin with company, which holds 49 per cent of the votes and Arvid Svensson Invest AB with 15 per cent 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 during the next few years, the dividend for the ordinary share will be low or may not be declared at all. The quarterly dividend for the preference share amounts to SEK 20.00 per year.

Report on the Board work during the year

The Board held 9 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 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. Corporate governance in the company is based on Swedish legislation, principally on the Swedish Companies Act, the listing agreement of the Swedish Stock Exchange, the Swedish Code of Corporate Governance 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.

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

The following amount in Swedish kronor is at the disposal of the Annual General Meeting:

Retained earnings	7,819,739,407
Net profit for the year	1,060,941,923
Total¹⁾	8,880,681,329

1) See change in the Parent Company's equity, page 70.

The Board proposes that the amount be allocated as follows:

Dividend SEK 20.00 per preference share	200,000,000
Carried forward	8,680,681,329
Total	8,880,681,329

The Board's statement regarding the proposed distribution of profits.

The Board considers that full coverage exists for the company's restricted equity after the proposed distribution of profits.

The Board considers that the proposed distribution of profits is reasonable taking account of the assessment criteria prescribed in Chapter 17. Section 3 second and third paragraphs of the Swedish Companies Act (the type, scale, risks, need to strengthen the balance sheet, liquidity and general financial position of the operations).

The Board estimates that the company's equity after the proposed distribution of profits will be sufficiently large in relation to the type, scale and risks of the operations. The Board's assessment of the parent company's and the Group's financial position means that the dividend is defensible in relation to the Group's need to strengthen the balance sheet, liquidity and unexpected events.

The proposed distribution of profits will not affect the company's and the Group's ability to meet their payment obligations at the right time.

The proposed dividend for preference shares accounts for 2.2 per cent (3.1) of the company's equity and 0.8 per cent (1.4) of the Group's equity.

Balder's declared goal for the Group's capital structure is that the equity/assets ratio should not be less than 35 per cent over time and that the interest coverage ratio should not be less than 2.0 times, and should also be met after the proposed dividend. In light of this, the Board considers that the company and the Group have a good basis for taking advantage of future business opportunities and also for managing possible losses. Planned investments have been considered in determination of the proposed distribution of profits.

Record days for the quarterly dividend of SEK 5.00 to the preference shareholders are 8 July, 10 October, 10 January and 10 April.

Gothenburg, 6 April 2016
Board of Directors

Financial statements

Consolidated statement of comprehensive income

SEKm	Note	2015	2014
Rental income	2, 3	2,711	2,525
Property costs	3, 6, 7, 8	-767	-760
Net operating income		1,944	1,766
Changes in value of investment properties, realised	13	65	144
Changes in value of investment properties, unrealised	13	3,323	2,906
Other income/costs	33	11	-
Management and administrative expenses	5, 6	-185	-154
Participation in profits of associated companies	15	831	317
Operating profit	3, 4, 5, 6, 7	5,988	4,977
Financial items			
Financial income	9	166	108
Financial costs	10	-603	-640
Changes in value of derivatives	21	227	-624
Net financial items		-210	-1,156
Profit before tax		5,778	3,822
Income tax	11	-862	-693
Net profit for the year		4,916	3,128
Other comprehensive income - Items that may be subsequently reclassified to profit or loss			
Translation difference regarding foreign operations		3	16
Participation in other comprehensive income from associated companies		-10	1
Comprehensive income for the year		4,909	3,145
Net profit for the year attributable to			
The parent company's shareholders		4,916	3,128
Non-controlling interests		-	-
Total comprehensive income for the year attributable to			
The parent company's shareholders		4,909	3,145
Non-controlling interests		-	-
Profit from property management before tax		1,780	1,275
Profit from property management before tax per ordinary share, SEK ¹⁾		9.71	6.64
Profit after tax per ordinary share, SEK ¹⁾	12	28.98	18.10

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

Consolidated statement of financial position

SEKm	Note	31 Dec 2015	31 Dec 2014
Assets			
Non-current assets			
Investment properties	13	68,456	37,382
Other property, plant and equipment	14	122	96
Participations in associated companies	15	2,276	1,489
Other long-term receivables	17	1,173	616
Total non-current assets		72,027	39,584
Current assets			
Trade receivables	16	130	19
Other receivables		87	80
Prepaid expenses and accrued income	18	107	45
Financial investments	19	405	257
Cash and cash equivalents	25	620	199
Total current assets		1,349	600
Total assets		73,376	40,185
Shareholders' Equity and liabilities			
Equity			
Share capital	20	182	172
Other paid-up capital		6,034	4,339
Translation difference		-7	1
Retained earnings including net profit for the year		14,465	9,749
Equity attributable to owners of the Parent Company		20,675	14,261
Non controlling interest		4,377	-
Total equity		25,052	14,261
Provisions			
Deferred tax liability	11	4,071	1,549
Total provisions		4,071	1,549
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities	21	39,095	22,157
Other non-current liabilities		331	-
Credit facilities	21, 22	36	-
Derivatives	21	1,294	1,086
Total non-current liabilities		40,755	23,243
Current liabilities			
Current interest-bearing liabilities	21	1,933	221
Trade payables		179	74
Other liabilities		542	297
Accrued expenses and deferred income	23	845	538
Total current liabilities		3,498	1,131
Total liabilities		48,324	25,923
Total Equity and liabilities		73,376	40,185
Pledged assets and contingent liabilities			
Pledged assets	24	45,322	24,613
Contingent liabilities	24	1,916	1,486

Consolidated statement of changes in equity

Attributable to the parent company's shareholders

SEKm	Share capital ¹⁾	Other paid-up capital	Translation difference	Retained earnings including net profit for the year	Total	Non-controlling interests	Total equity
Equity at 1 Jan 2014	172	4,339	-16	6,701	11,196	-	11,196
Net profit for the year				3,128	3,128		3,128
Other comprehensive income			17		17		17
Total comprehensive income	-	-	17	3,128	3,145	-	3,145
Disposal of treasury shares				220	220		220
Dividend on preference shares booked as a liability but still unpaid				-100	-100		-100
Dividend paid preference shares				-200	-200		-200
Total transactions with the company's owners	-	-	-	-80	-80	-	-80
Equity at 31 Dec 2014	172	4,339	1	9,749	14,261	-	14,261
Equity at 1 Jan 2015	172	4,339	1	9,749	14,261	-	14,261
Net profit for the year				4,916	4,916		4,916
Other comprehensive income			-7		-7		-7
Total comprehensive income	-	-	-7	4,916	4,909	-	4,909
Non-controlling interests, arising on the acquisition of subsidiary ²⁾						4,377	4,377
Share issue, after issue costs	10	1,695			1,705		1,705
Dividend for preference shares				-200	-200		-200
Total transactions with the company's owners	10	1,695	-	-200	1,505	4,377	5,882
Equity at 31 Dec 2015	182	6,034	-7	14,465	20,675	4,377	25,052

1) For further information, see note 20 Share capital.

2) For further information, see note 32 Business combination.

Consolidated statement of cash flows

SEKm	Note	2015	2014
Operating activities			
Operating profit		1,944	1,766
Other income/costs		2	–
Management and administrative expenses		–185	–154
Reversal of depreciation and amortisation		15	18
Other adjustments		0	11
Interest received	25	32	27
Interest paid	25	–618	–617
Tax paid		4	–11
Cash flow from operating activities before change in working capital		1,193	1,038
Cash flow from changes in working capital			
Change in operating receivables		–660	148
Change in operating liabilities		228	155
Cash flow from operating activities		762	1,340
Investing activities			
Acquisition of properties		–2,097	–6,835
Acquisition/Divestment of property, plant and equipment		–4	–6
Purchase of financial investments		–542	–144
Acquisition of shares in associated companies		–92	–420
Investment in existing properties and projects		–791	–700
Acquisition of subsidiary ¹⁾	32	–4,219	19
Sale of properties		1,606	1,114
Sale of financial investments		504	219
Dividend paid from associated companies		–	45
Cash flow from investing activities		–5,635	–6,708
Financing activities			
Share issue, after issue costs		1,705	–
Dividend paid for preference shares		–200	–200
Loans raised		5,209	6,575
Disposal of treasury shares		–	220
Amortisation/redemption of loans		–1,457	–1,232
Change in credit facilities		36	–4
Cash flow from financing activities		5,293	5,359
Cash flow for the year		421	–8
Cash and cash equivalents at beginning of year		199	208
Cash and cash equivalents at end of year	25	620	199
Unutilised credit facilities	22	314	350
Financial investments	19	405	257

1) The item in 2015 represents a net outflow of cash for the acquisition of Sato Oyj. For further information, see note 32 Business combination.

Parent Company income statement

SEKm	Note	2015	2014
Net sales	2	147	124
Administrative expenses		-167	-139
Operating profit	4, 5	-20	-16
Profit from financial items			
Dividend from subsidiaries		800	700
Interest income and similar profit/loss items	9	1,125	877
Interest expenses and similar profit/loss items	10	-633	-539
Changes in value of derivatives	21	199	-585
Profit before appropriations and taxes		1,470	438
Appropriations			
Group contributions paid		-340	-250
Profit before tax		1,130	188
Income tax	11	-69	115
Net profit for the year/comprehensive income ¹⁾		1,061	302

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

Parent Company balance sheet

SEKm	Note	31 Dec 2015	31 Dec 2014
Assets			
Non-current assets			
Property, plant and equipment	14	20	22
<i>Financial assets</i>			
Participations in group companies	26	1,822	1,822
Participations in associated companies	15	536	536
Other non-current receivables	17	1,036	616
Receivables from group companies	27	21,676	15,777
<i>Total financial assets</i>		25,070	18,751
Deferred tax assets	11	144	213
Total non-current assets		25,233	18,985
Current assets			
<i>Current receivables</i>			
Other receivables		6	8
Prepaid expenses and accrued income	18	4	7
<i>Total current receivables</i>		10	15
Financial investments	19	390	257
Cash and cash equivalents	25	4	165
Total current assets		404	437
Total assets		25,637	19,422
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital	20	182	172
<i>Unrestricted equity</i>			
Share premium reserve		5,460	3,765
Retained earnings		2,359	2,257
Net profit for the year		1,061	302
Total equity		9,063	6,497
Non-current liabilities			
Liabilities to credit institutions	21	10,887	7,806
Other non-current liabilities		126	–
Credit facilities	21, 22	36	–
Derivatives	21	737	936
Liabilities to group companies	27	4,507	3,952
Total non-current liabilities		16,292	12,694
Current liabilities			
Liabilities to credit institutions	21	45	37
Trade payables		4	5
Other liabilities		187	145
Accrued expenses and deferred income	23	47	44
Total current liabilities		282	231
Total equity and liabilities		25,637	19,422
Pledged assets and contingent liabilities			
Pledged assets	24	6,819	5,898
Contingent liabilities	24	15,582	15,028

Parent Company statement of changes in equity

SEKm	Restricted equity		Unrestricted equity			Total equity
	Number of shares	Share capital ¹⁾	Share premium reserve	Retained earnings	Net profit for the year	
Equity at 1 Jan 2014	172,396,852	172	3,765	1,972	365	6,274
Net profit for the year/comprehensive income	–	–	–	–	302	302
Distribution of earnings				365	–365	–
Disposal of treasury shares				220		220
Dividend on preference shares booked as a liability but still unpaid				–100		–100
Dividend paid preference shares				–200		–200
Total transactions with the company's owners	–	–	–	285	–365	–80
Equity at 31 Dec 2014	172,396,852	172	3,765	2,257	302	6,497
Equity at 1 Jan 2015	172,396,852	172	3,765	2,257	302	6,497
Net profit for the year/comprehensive income	–	–	–	–	1,061	1,061
Distribution of earnings				302	–302	–
Share issue, after issue costs	10,000,000	10	1,695			1,705
Dividend paid preference shares				–200		–200
Total transactions with the company's owners	10,000,000	10	1,695	102	–302	1,505
Equity at 31 Dec 2015	182,396,852	182	5,460	2,359	1,061	9,063

1) For further information, see note 20 Share capital.

Parent Company cash flow statement

SEKm	Note	2015	2014
Operating activities			
Operating profit		-20	-16
Reversal of depreciation		3	3
Changes in value of derivatives, realised		-	-11
Interest received	25	18	16
Interest paid	25	-333	-308
Cash flow from operating activities before change in working capital		-333	-316
Cash flow from change in working capital			
Change in operating receivables		-2	13
Change in operating liabilities		72	41
Cash flow from operating activities		-262	-262
Investing activities			
Acquisition of property, plant and equipment		-1	-1
Purchase of financial investments		-542	-148
Change in lending to group companies		-4,070	-2,099
Change in lending to associated companies		-413	190
Sale of financial investments		504	219
Acquisition of associated companies		-1	-52
Cash flow from investing activities		-4,522	-1,891
Financing activities			
Share issue, after issue costs		1,705	-
Dividend paid preference shares		-200	-200
Loans raised		3,972	3,075
Disposal of treasury shares		-	220
Amortisation/Redemption of loans		-889	-921
Change in credit facilities		36	-
Cash flow from financing activities		4,623	2,174
Cash flow for the year		-161	21
Cash and cash equivalents at beginning of year		165	144
Cash and cash equivalents at end of year	25	4	165
Unutilised credit facilities	22	264	300
Financial investments	19	390	257

Notes to the financial statements

Note 1 • Accounting policies

General information

The financial statements for Fastighets AB Balder, as of 31 December 2015, were approved by the Board of Directors and Chief Executive Officer on 6 April 2016 and will be submitted for adoption by the Annual General Meeting on 10 May 2016. Fastighets AB Balder (publ), corporate identity number 556525-6905, with registered office in Gothenburg, constitutes the parent company of a Group with subsidiaries according to Note 26, 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, 400 15 Gothenburg, Sweden. The visiting address is Vasagatan 54. 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 "Parent Company 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 regularly. 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 judgements.

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 amortisation agreed for one year. 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.

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 purchase 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 acquisition analysis establishes the cost of the shares or entity, as well as the fair value on the acquisition date of the company's identifiable assets, liabilities assumed and contingent liabilities. The consideration also includes the fair value of all assets or liabilities which are a result of an agreement on contingent consideration. Costs related to the acquisition 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 who 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 transactions in equity, that is, as transactions with shareholders in their role 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 financial statements.

Recognition of associated companies

Associated companies are considered to be those companies that are not subsidiaries but where the parent company directly or indirectly holds between 20 and 50 per cent of the votes of all shares. Participations in associated companies are recognised 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.

Participating interests in associated companies are recognised separately in the consolidated statement of comprehensive income and consolidated statement of financial position. Participations in the profits of associated companies are recognised after tax.

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 arising on 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 year-end exchange rate. 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 cost 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 reported as a reduction of rental income on a straight-line basis over the term of the lease.

Rental income is recorded in the period its refers to.

Other income

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

Costs for operating lease contracts

Costs relating to operating lease contracts and benefits received in connection with the signing of an agreement are recognised in the consolidated income statement on a straight-line basis over the term of the lease.

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 long-term security holdings 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 holds true for a part 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 under 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 swaps that are deployed to cover the risk of changes in interest 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. Hedge accounting is not applied.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and directly accessible balances at banks and similar institutions as well as short-term highly liquid investments with original maturities of less than three months which are only subject to an insignificant risk of fluctuation in value.

Impairment testing of financial assets

On each reporting date, the company assesses whether there is objective evidence that a financial asset or group of assets is impaired. 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 asset 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.

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 financial or operating leases. Financial leasing 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.

Operating leases mean that leasing fees are expensed over the term of the lease, based on use, which may differ in practice from the amount of leasing fees paid during the year.

The Group has no financial leases.

Additional expenditure

Additional expenditure is added to 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 period of use 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.

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. Any impairment loss is recognised in the income statement.

The recoverable amount of assets in the category loan and 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. In calculating value in use, future cash flows are discounted using a discount factor that takes into account the risk-free rate of interest and the risk associated with the specific asset. 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. Balder's preference shares are not mandatorily redeemable on a specific date and are thus 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 expenses are recognised directly against equity.

Cash flow statement

The cash flow statement was prepared using the indirect method, by which the result is 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 when 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.

Remuneration upon termination of employment

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. This includes adjustments of current tax relating to previous 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; temporary differences arising on the initial recognition of goodwill, the initial recognition of assets and liabilities that are not business combinations and which on the transaction date did not affect 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 are enacted or are 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 carryforwards 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 that can conduct business. In case of recognition as an asset acquisition, no deferred tax is recognised. All of Balder's completed acquisitions, apart from Sato Oyj, have been classified as an asset acquisition and therefore no deferred tax is recognised relating to properties in respect of these acquisitions. Nor has the acquisition of Sato Oyj, which is classified as a business combination, given rise to any deferred taxes on the acquisition date.

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 and amended standards adopted by the Group

The following interpretations are applied by the Group for the first time for annual periods beginning on 1 January 2015 and have an impact on the consolidated financial statements:

IFRIC 21 "Levies" is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". IFRIC 21 addresses the recognition of levies, i.e. various types of levies that may be imposed on an entity by a governmental, or equivalent body, by law and/or regulation, which for the Group impacts the recognition of property tax. The obligating event that gives rise to a liability is the event that triggers the payment of a levy. The interpretation will become effective for annual periods beginning after 17 June 2014 according to the EU. The interpretation has not affected the Group on a full-year basis, however, the liability for property tax has been recognised as of 1 January in its entirety and the cost has subsequently been allocated on a straight-line basis during the year.

Other standards, amendments and interpretations that became effective for annual periods beginning on 1 January 2015 have not had any material impact on the consolidated financial statements.

New standards and interpretations that have not yet been applied by the Group

A number of new standards and interpretations have been published, which have still not entered into effect and thus have not been adopted on preparation of these financial statements. None of these are expected to have any material impact on the consolidated financial statements with the exception of the following:

IFRS 9 "Financial instruments" deals with classification, measurement and accounting of financial assets and liabilities. The complete version of IFRS 9 was published in July 2014. It replaces the parts of IAS 39 that deal with classification and measurement of financial instruments. The standard will be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Group has still not evaluated the effects of introducing the standard.

IFRS 15 "Revenue from Contracts with Customers" prescribes how revenue recognition should occur. The principles that IFRS 15 is based on should provide users of financial statements with more useful information about the company's revenue. The expanded disclosure requirements means that information about about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer should be reported. Under IFRS 15, revenue should be recognised when the customer obtains control over the sold good or service and is able to use and obtain the benefit of the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11

Construction Contracts and the related interpretations (IFRIC and SIC). IFRS 15 will become effective on 1 January 2018 with mandatory application. Earlier application is permitted. The Group has still not evaluated the effects of introducing the standard.

None of the other IFRS or IFRIC interpretations which have not yet become effective, are expected to have any material impact on the group.

Parent Company accounting policies

The parent company has prepared its annual accounts according to the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The recommendation implies 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 the 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 format

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

Holdings in subsidiaries and associated companies are recognised in the parent company financial statements according to 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 for subsidiaries. This income is reported in the period it concerns.

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. 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	
	2015	2014	2015	2014
Rental income	2,711	2,525	–	–
Rendering of services	–	–	147	124
Total	2,711	2,525	147	124

Rental income is distributed among countries

SEKm	Group	
	2015	2014
Sweden	2,519	2,379
Denmark	119	100
Finland	74	47
Total	2,711	2,525

Rental income is distributed among property category

SEKm	Group	
	2015	2014
Residential	1,109	1,030
Office	717	755
Retail	314	348
Other	487	393
Project	83	–
Total	2,711	2,525

Rental income is distributed among regions

SEKm	Group	
	2015	2014
Helsinki	–	–
Stockholm	843	765
Gothenburg	938	858
Öresund	414	402
East	352	345
North	164	156
Total	2,711	2,525

Note 3 • Segment reporting

Balder' operating segments consist of the regions Helsinki, Stockholm, 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 cost principle. Also see Note 1, Accounting policies applied.

Regions SEKm	Helsinki		Stockholm		Gothenburg		Öresund		East		North		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Rental income	–	–	843	765	938	857	414	402	352	345	164	156	2,711	2,525
Property costs	–	–	–200	–191	–288	–276	–99	–108	–119	–126	–61	–59	–767	–760
Net operating income	–	–	643	574	650	582	315	294	233	219	103	97	1,944	1,766

Note 3 · Continued

Regions	Helsinki		Stockholm		Gothenburg		Öresund		East		North		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
SEKm														
Changes in value of properties														
Commercial properties	–	–	1,298	921	593	588	144	111	93	17	27	–13	2,156	1,625
Residential properties	–	–	188	252	320	366	387	270	181	391	156	145	1,232	1,424
Profit incl. changes in value	–	–	2,129	1,747	1,563	1,536	846	675	507	628	286	229	5,331	4,815
<i>Non-allocated items:</i>														
Other income/costs													11	–
Management and administrative expenses													–185	–154
Participations in the profits of associated companies													831	317
Operating profit													5,988	4,977
Net interest income/expense													–437	–532
Changes in value of derivatives													227	–624
Income tax													–862	–693
Net profit for the year													4,916	3,128
Translation difference/participation in comprehensive income of associated companies													–7	17
Comprehensive income for the year													4,909	3,145
Assets														
Commercial properties	–	–	10,981	10,232	8,774	8,402	3,500	3,241	1,159	1,096	308	299	24,722	23,269
Residential properties	21,291	–	2,852	2,316	4,687	3,778	4,698	3,419	8,313	2,914	1,893	1,687	43,734	14,113
Investment properties	21,291	–	13,833	12,548	13,461	12,179	8,197	6,659	9,472	4,010	2,201	1,986	68,456	37,382
<i>Non-allocated items:</i>														
Property, plant and equipment													122	96
Other long-term receivables													1,173	616
Participations in associated companies													2,276	1,489
Current assets													1,349	600
Total assets													73,376	40,185
Shareholders' equity and liabilities														
<i>Non-allocated items:</i>														
Equity													25,052	14,261
Deferred tax liability													4,071	1,549
Interest-bearing liabilities, non-current													39,131	22,157
Derivatives													1,294	1,086
Interest-bearing liabilities, current													1,933	221
Non-interest-bearing liabilities													1,896	910
Total equity and liabilities													73,376	40,185
Investments (including acquisitions of companies)														
Commercial properties	–	–	733	2,496	90	2,528	127	775	7	740	1	564	958	7,103
Residential properties	21,291	–	384	49	507	87	1,049	452	5,236	48	26	19	28,493	655
Investment properties	21,291	–	1,117	2,545	597	2,615	1,176	1,227	5,243	788	27	583	29,451	7,759

The Group's registered office is in Sweden. Revenue from external customers in Sweden amounted to SEK 2,519m (2,379) and total revenue from external customers in Denmark and Finland amounted to SEK 193m (147). Total non-current assets, other than financial instruments and deferred tax receivables that are located in Sweden amounted to SEK 37,676m (34,349) and the total of such non-current assets located in other countries amounted to SEK 30,902m (3,130).

Note 4 • Employees and personnel expenses

At year-end, the Group had a total of 647 employees (313), of whom 310 (110) were women. The number of employees in the parent company at year-end was 196 (160), of whom

70 (58) were women. During 2015, 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 Company	
	2015	2014	2015	2014
Average number of employees	474	294	185	136
Of which women	199	101	69	51

Salaries, fees and benefits SEKm	Group		Parent Company	
	2015	2014	2015	2014
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	5.4	5.1	5.4	5.1
Benefits	0.3	0.3	0.3	0.3
Other employees				
Basic salary	121.6	101.8	61.9	47.7
Benefits	1.7	1.4	1.0	0.8
Total	130.4	110.0	70.0	55.3

Statutory social security contributions including payroll tax SEKm	Group		Parent Company	
	2015	2014	2015	2014
Board of Directors	0.1	0.1	0.1	0.1
Chief Executive Officer	0.4	0.4	0.4	0.4
Other senior executives	1.9	1.8	1.9	1.8
Other employees	39.8	32.9	20.1	15.1
Total	42.2	35.2	22.5	17.4

Contractual pension expenses SEKm	Group		Parent Company	
	2015	2014	2015	2014
Chief Executive Officer	0.3	0.3	0.3	0.3
Other senior executives	0.8	0.7	0.8	0.7
Other employees	7.5	6.5	3.1	2.1
Total	8.6	7.5	4.2	3.1
Total	181.2	152.7	96.7	75.8

Remuneration to senior executives and other benefits during the year SEKm	2015-01-01–2015-12-31				2014-01-01–2014-12-31			
	Basic salary directors' fees	Benefits	Pension expense	Total	Basic salary directors' 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)	5.4	0.3	0.8	6.5	5.1	0.3	0.7	6.1
Total	6.8	0.3	1.1	8.2	6.5	0.3	1.0	7.8

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 0.4m (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 3.0m (3.0). The commitment has been secured by a provision to a pension fund, whose plan assets amounted to SEK 3.0m (3.0). 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 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	
	2015	2014	2015	2014
PwC				
The audit assignment in Sweden	2.5	2.0	2.5	1.7
The audit assignment in Denmark	0.7	0.5	–	–
The audit assignment in Finland	0.1	0.1	–	–
Tax consultancy	0.8	0.1	0.8	0.1
Other services	–	0.2	–	0.2
Total	4.1	2.9	3.3	2.0

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

Group, SEKm	2015	2014
Property costs	767	760
Management and administrative expenses	185	154
Total	953	914
Group, SEKm	2015	2014
Personnel expenses	181	153
Depreciation/amortisation	15	16
Media expenses	285	295
Property tax	122	113
Ground rent	21	15
Maintenance and other costs ¹⁾	327	323
Total	953	914

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

Note 7 • Specification of property costs

Group, SEKm	2015	2014
Operating and maintenance cost ¹⁾	332	331
Media expenses ²⁾	291	301
Property tax	122	113
Ground rent	21	15
Total	767	760

1) Operating costs include personnel expenses relating to property maintenance.

2) Includes depreciation of wind turbines.

Note 8 • Operating leases

Leases where the Group is the 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 652m (470) in total. In the annual accounts for 2015, an expense of SEK 21m (15) was recognised in respect of operating leases in the Group. The future non-cancellable lease payments are as follows:

Group, SEKm	2015	2014
Within one year	21	21
1–5 years	80	81
>5 years	551	368
Total	652	470

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 as follows in the table to 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 6.3 years (5.9).

Group, SEKm	2015	2014
Residential, parking etc. (within one year)	3,457	1,094
Commercial premises		
Within one year	1,615	1,635
1–5 years	4,245	4,333
>5 years	4,570	4,206
Total	13,887	11,268

Note 9 • Financial income

SEKm	Group		Parent Company	
	2015	2014	2015	2014
Interest income	67	75	54	57
Interest income, subsidiaries	–	–	974	767
Other financial income	99	33	97	53
Total	166	108	1,125	877

Interest income is mainly related to receivables from associated companies. Other financial income mainly relates to changes in value of financial investments and dividends on quoted shares.

Note 10 • Financial costs

SEKm	Group		Parent Company	
	2015	2014	2015	2014
Interest expenses, borrowings	294	407	110	148
Interest expenses, interest rate derivatives	288	198	242	161
Interest expenses, subsidiaries	–	–	271	216
Other financial expenses	21	35	11	15
Total	603	640	633	539

Interest expenses and other financial expenses are related to interest-bearing liabilities.

Note 11 • Taxes

Recognised in the income statement SEKm	Group		Parent Company	
	2015	2014	2015	2014
Current tax expense (-)/tax revenue (+)				
Current tax	4	-11	–	–
Deferred tax expense (-)/tax revenue (+)				
Deferred tax related to temporary differences	-853	-665	-58	121
Deferred tax on changes in loss carry-forwards	-62	-53	-11	-7
Released deferred tax in respect of temporary differences on sale	76	40	–	–
Change in other temporary differences	-27	-5	–	–
Total deferred tax	-866	-682	-69	115
Total recognised tax	-862	-693	-69	115
Reconciliation of effective tax				
Group, SEKm	2015, %	2015	2014, %	2014
Profit before tax		5,778		3,822
Tax according to current tax rate in Parent Company	22	-1,271	22	-841
Difference between profit for tax purposes and recognised profit on sale of property	-2	89	-2	59
Tax on participation in profits of associated companies	-3	183	-2	70
Tax pertaining to prior years	-0	4	0	4
Acquired loss carry-forwards	-2	116	–	–
Non-taxable income/non-deductible expenses etc.	-0	18	0	15
Recognised effective tax	15	-862	18	-693
Parent Company, SEKm	2015, %	2015	2014, %	2014
Profit before tax		1,130		188
Tax according to current tax rate in Parent Company	22	-249	22	-41
Non-taxable income/non-deductible expenses	-0	3	1	-1
Tax-exempt dividends	-16	176	-84	157
Tax pertaining to prior years	-0	0	–	–
Recognised effective tax	6	-69	-61	115

Note 11 • Continued

Recognised in the balance sheet

Deferred tax assets and tax liabilities

Group 2015, SEKm	Deferred tax assets	Deferred tax liabilities	Net
Deferred tax assets and tax liabilities relate to the following:			
Properties	–	–4,674	–4,674
Derivative instruments	263	–	263
Loss carry-forwards	343	–	343
Other temporary differences	–	–2	–2
Set-off	–606	606	–
Total	–	–4,071	–4,071

No non-capitalised loss carry-forwards exist.

Parent Company 2015, SEKm	Deferred tax assets	Deferred tax liabilities	Net
Deferred tax assets and tax liabilities relate to the following:			
Derivative instruments	162	–	162
Loss carry-forwards	5	–	5
Other temporary differences	–	–23	–23
Set-off	–23	23	–
Total	144	–	144

No non-capitalised loss carry-forwards exist in Sweden.

Change in deferred tax in temporary differences and carryforwards

Group, SEKm	Balance on 1 Jan 2014	Recognised in statement of comprehensive income	Acquisitions and disposals of companies	Balance on 31 Dec 2014
Properties	–1,359	–759	–1	–2,119
Derivative instruments	104	135	–	239
Capitalisation of the value of loss carry-forwards	432	–53	0	380
Other temporary differences	–39	–5	–5	–49
Total	–862	–682	–6	–1,549

Group, SEKm	Balance on 1 Jan 2015	Recognised in statement of comprehensive income	Acquisitions and disposals of companies	Balance on 31 Dec 2015
Properties	–2,119	–727	–1,828	–4,674
Derivative instruments	239	–50	74	263
Capitalisation of the value of loss carry-forwards	380	–62	25	343
Other temporary differences	–49	–27	74	–2
Total	–1,549	–866	–1,656	–4,071

Parent Company, SEKm	Balance on 1 Jan 2014	Recognised in statement of comprehensive income	Balance on 31 Dec 2014
Derivative instruments	79	126	206
Capitalisation of the value of loss carry-forwards	23	–7	16
Other temporary differences	–4	–5	–9
Total	98	Recognised in statement of comprehensive income –115	213

Parent Company, SEKm	Balance on 1 Jan 2015	Recognised in statement of comprehensive income	Acquisitions and disposals of companies	Balance on 31 Dec 2015
Derivative instruments	206	–44	–	162
Capitalisation of the value of loss carry-forwards	16	–11	–	5
Other temporary differences	–9	–14	–	–23
Total	213	–69	–	144

Note 12 · Earnings per ordinary share

Earnings per ordinary share are calculated as follows:

Parent Company, SEKm	2015	2014
Net profit attributable to owners of the Parent Company	4,916	3,128
Departs - dividend preference shares	-200	-200
Total	4,716	2,928

Weighted average number of outstanding ordinary shares

Total number of shares, 1 January	162,396,852	159,537,252
Effect of disposal of treasury shares	-	2,248,507
Weighted average number of outstanding ordinary shares before dilution	162,396,852	161,785,759
Effect of newly issued shares	356,164	-
Weighted average number of outstanding ordinary shares after dilution	162,753,016	161,785,759
Earnings per ordinary share before dilution	29.04	18.10
Earnings per ordinary share after dilution	28.98	18.10

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 4,716m (2,928), 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 162,753,016 shares (161,785,759).

Note 13 · Investment properties

Group, SEKm	2015	2014
Opening fair value	37,382	27,532
Acquisitions	2,183	7,059
Acquisitions Sato Oyj	26,477	-
Investments in existing properties and projects	791	700
Changes in value	3,323	2,906
Divestments	-1,542	-971
Currency changes	-158	157
Closing fair value	68,456	37,382

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. 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, based on a ten-year cash flow model, of the entire property portfolio. 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 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 any changes in the occupancy rate and letting levels as well as operating and maintenance payments. An inflation rate of 2 per cent has been assumed in

all cash flow calculations.

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 per cent and should be regarded as the uncertainty that 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 per cent means a value range of SEK +/- 3,423m, equivalent to SEK 65,033–71,879m.

In order to quality-assure its internal valuations, Balder allows parts of the portfolio to be externally valued regularly during the year. During the fourth quarter, Balder externally valued about one third of its properties including Sato's property holdings. The external valuation was less than 1 per cent lower than Balder's internal valuation at year-end. Historically, deviations between external and internal valuations have been insignificant.

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 level, 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 5.4 per cent (5.5).

On 31 December 2015, after Balder's valuation, the company's total property value amounted to SEK 68,456m (37,382). For more information see the Report of the Board of Directors and Sensitivity analysis on page 60.

Future investments

On 31 December, Balder had ongoing residential projects with an expected total investment of SEK 8,000m, of which about SEK 4,400m was already invested. The most large-scale investments are in Copenhagen and Helsinki and mainly relate to condominiums that are let. In Copenhagen, there are currently about 1,000 apartments under construction as well as about 1,100 apartments in Finland and about 350 tenant-owner's apartments in Sweden. We expect to complete about 500 apartments during the first half of 2016.

On 31 December 2015, Balder's investment undertakings amounted to approximately SEK 3,600m (570), of which Sato Oyj's investment undertakings amounted to about SEK 1,500m.

Note 13 • Continued

**Sensitivity analysis +/- 1 percentage
Impact on the value, SEKm**

	Residential properties	Commercial properties
Rental value	+/- 638	+/- 296
Economic occupancy rate	+/- 638	+/- 296
Property costs	+/- 234	+/- 57
Yield	- 6,581/+ 9,575	- 3,925/+ 5,738

The sensitivity analysis on the left shows how a +/- one percentage point change in cash flow and yield requirement will affect the valuation. One parameter in the sensitivity analysis rarely changes in isolation, but different assumptions are interconnected as regards cash flow and yield requirement.

Region	Residential properties		Commercial properties		The average yield requirement for assessment of residual value, %
	Cost of capital requirement for discounting of future cash flows, %	Yield requirement for assessment of residual value, %	Cost of capital requirement for discounting of future cash flows, %	Yield requirement for assessment of residual value, %	
Helsingfors	7.25–8.50	5.25–6.50	–	–	5.70
Stockholm	4.75–6.75	2.75–4.75	6.00–9.00	4.00–7.00	4.72
Gothenburg	5.00–10.00	3.00–8.00	6.00–12.00	4.00–10.00	5.26
Öresund	5.45–7.50	3.45–5.50	6.50–8.50	4.50–6.50	4.92
East	6.25–8.50	4.25–6.50	7.75–12.00	5.75–10.00	5.94
North	6.00–7.75	4.00–5.75	7.50–8.50	5.50–6.50	4.90

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	
	2015	2014	2015	2014
Cost				
Opening balance	59	53	9	8
Acquisitions during the year	4	6	0	1
Increase by business combination (Sato Oyj)	37	–	–	–
Closing balance	100	59	9	9
Depreciation				
Opening balance	–40	–29	–7	–6
Retirements	–	–2	–	–
Depreciation during the year	–9	–10	–1	–1
Closing balance	–50	–40	–7	–7
Carrying amount	50	18	1	2
Wind turbines				
SEKm				
Cost				
Opening balance	164	164	30	30
Closing balance	164	164	30	30
Depreciation and impairments				
Opening balance	–86	–80	–10	–8
Depreciation during the year	–6	–6	–2	–2
Closing balance	–93	–86	–12	–10
Carrying amount	72	78	18	20
Total carrying amount	122	96	20	22

Depreciation is recognised in administrative expenses and media 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	
	2015	2014	2015	2014
Opening balance	1,489	1,020	536	483
Acquisition of associated companies ¹⁾	261	420	1	153
Disposal of associated Companies	–0	–224	–	–100
Associated companies reclassified to subsidiaries ²⁾	–300	–	–	–
Dividend associated companies	–1	–45	–	–
Participations in the profits of associated companies after tax	831	317	–	–
Change in shareholders' equity of associated companies	–5	1	–	–
Closing balance	2,276	1,489	536	536
Participating interest in associated companies' statements of comprehensive income				
Group, SEKm			2015	2014
Rental income			789	180
Property costs			–266	–35
Net operating income			523	145
Changes in value of properties, unrealised			318	176
Changes in value of properties, realised			85	–
Management and administrative costs			–77	–13
Other operating income ³⁾			289	131
Operating profit			1,138	439
Net interest income/expenses			–153	–68
Changes in value of derivatives, unrealised			1	–
Profit before tax			987	371
Tax			–155	–54
Net profit for the year			831	317
Profit from property management before tax			457	195
Summary of participating interest in associated companies' statements of financial position ⁴⁾				
Group, SEKm			2015	2014
Assets			6,034	3,717
Shareholders' equity including shareholders' loan			2,276	1,489
Liabilities			3,758	2,228

1) Acquisitions of associated companies refers to shares in Tornet Bostadsproduktion AB, Brinova Fastigheter AB, Murbruket Holding Fastighets AB, Balder 24 AB samt Balder Administration ApS.

2) This item refers to Sato Oyj and Bovieran Holding AB.

3) The majority relates to Collector AB. Including income from property management amounted to 163 SEKm.

4) The items do not include Sato Oyj samt Bovieran Holding AB which during 2015 has gone from being associated companies to being subsidiaries.

Group holdings of participations in associated companies in 2015

Company	Corporate identity number	Registered office	Number of shares	Share, %	Value of share of equity in the Group, SEKm	Carrying amount in Parent Company, SEKm
Collector AB ¹⁾	556560-0797	Gothenburg	41,136,900	44	951	517
Tulia AB	556712-9811	Gothenburg	50,000	50	331	–
Fastighets AB Centur	556813-6369	Stockholm	500	50	371	4
Mötesplatsen Intressenter AB	556859-0417	Alingsås	320	32	11	15
Bergsspiran AB	556736-4475	Gothenburg	250	25	0	0
Fix Holding AB	556949-3702	Gothenburg	50,000	50	0	–
Proximon Holding AB	556915-7331	Stockholm	50,000	34	6	–
Balder Skåne AB	556899-9230	Gothenburg	1,000	50	46	–
Första Långgatan Fastigheter i GBG HB	916851-7259	Gothenburg	–	50	259	–

Note 15 • Continued

Company	Corporate identity number	Registered office	Number of shares	Share, %	Value of share of equity in the Group, SEKm	Carrying amount in Parent Company, SEKm
Tornet Bostadsproduktion AB	556796-2682	Stockholm	1,550,000	31	102	–
Brinova Fastigheter AB	556840-3918	Skåne	14,778,978	35	188	–
Murbruket Holding Fastighets AB	556940-2877	Gothenburg	250	50	6	–
Balder 24 AB	559008-2912	Gothenburg	500	50	4	–
Balder Administration ApS	31585457	Copenhagen	20,000	40	0	–
Total					2,276	536

1) Balders market value of Collector AB (publ) as of December 31, 2015 amounted to SEKm 5,224.

Group holdings of participations in associated companies in 2014

Company	Corporate identity number	Registered office	Number of shares	Share, %	Value of share of equity in the Group, SEKm	Carrying amount in Parent Company, SEKm
Collector AB	556560-0797	Gothenburg	41,136,900	48	698	517
Tulia AB	556712-9811	Gothenburg	50,000	50	243	–
Bovieran Holding AB	556813-3168	Gothenburg	8,070	80	68	–
Fastighets AB Centur	556813-6369	Stockholm	500	50	195	4
Mötesplatsen Intressenter AB	556859-0417	Alingsås	320	32	12	15
Bergsspiran AB	556736-4475	Gothenburg	250	25	0	0
Fix Holding AB	556949-3702	Gothenburg	50,000	50	0	–
Proximion Holding AB	556915-7331	Stockholm	50,000	34	6	–
Balder Skåne AB	556899-9230	Gothenburg	1,000	50	36	–
Första Långgatan Fastigheter i GBG HB	916851-7259	Gothenburg	–	50	231	–
Total					1,489	536

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 2015 were charged with SEK 8m (9) 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 and at fair value.

Age distribution of trade receivables

Group, SEKm	2015	2014
–30 days	109	10
31–60 days	20	9
61–90 days	1	0
91 days–	24	17
Total	155	36
Doubtful trade receivables	–24	–17
Trade receivables, net	130	19

Doubtful trade receivables

Group, SEKm	2015	2014
Opening balance	–17	–25
Acquired opening balance	–9	–
Debt losses of the year	5	9
Doubtful trade receivables during the year	–3	–0
Closing balance	–24	–17

Note 17 • Other longterm receivables

SEKm	Group		Parent Company	
	2015	2014	2015	2014
Receivables associated companies	894	616	894	616
Other receivables	279	–	141	–
Total	1 173	616	1 036	616

Note 18 • Prepaid expenses and accrued income

SEKm	Group		Parent Company	
	2015	2014	2015	2014
Insurance	2	4	–	–
Interest income	3	2	2	2
Rental income	27	16	–	–
Property expenses	60	14	–	–
Other items	15	9	2	5
Total	107	45	4	7

Note 19 • Financial investments

SEKm	Group		Parent Company	
	2015	2014	2015	2014
<i>Quoted securities</i>				
Shares and bonds	405	257	390	257
Total	405	257	390	257

Financial investments are measured at fair value through profit and loss (see Note 9).

Note 20 • Share capital

On 31 December 2015, the registered share capital consisted of 182,396,852 shares, of which 11,229,432 were ordinary shares of Class A and 161,167,420 ordinary shares of Class B, and 10,000,000 preference shares. Balder carried out a directed new issue of 10 million ordinary shares, in December, which brought in SEK 1,705 million after issue costs of SEK 15m. The issue has

provided Balder with a number of new Swedish and foreign shareholders. For existing ordinary shareholders, the issue implied a dilutive effect of 6 per cent of the capital. After the issue and as of 31 December, the share capital in Balder thus amounted to SEK 182,396,852, distributed among 182,396,852 shares. Each Class A share

carries one vote, and each Class B share and preference share carries one tenth of one vote. An ordinary share entitles its holder to a dividend that is determined in due course while a preference share entitles its holder to an annual dividend of SEK 20.00 per share. All shares entitle holders to voting rights at the Annual General Meeting.

Share capital trend

Day	Month	Year	Event	Change in number of shares	Total number of shares	Total number of outstanding shares	Quota value per share, SEK	Change in 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
31	December	2015			182,396,852	182,396,852	1.00		182,396,852

The Group has made the assessment that the outstanding preference shares constitute equity instruments. This assessment is based on the fact that both the dividend and redemption of preference shares require a resolution of the general meeting of shareholders where the

ordinary shareholders have a majority. Thus for the company it is discretionary whether payment or redemption of these preference shares occurs and consequently no contractual obligation exists to pay out funds, which means that the instrument should be classified as equity.

The Board will propose to the Annual General Meeting for the financial year 2015 that no dividend on ordinary shares (–) should be declared and a dividend of SEK 20.00 per share for preference shares should be declared (20.00). All issued shares are fully paid-up.

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 per cent over time and that the interest coverage ratio should not be less than 2.0 times.

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.

Financial policy goals:

- the equity/assets ratio should exceed 35 per cent over time,
- the interest coverage ratio should not be less than 2.0 times,

- secure the short-term and long-term supply of capital,
 - obtain a stable long-term capital structure.
- The Group has market-related covenants for its funding. These were fulfilled during the financial year.

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

Financial goals	Outcome		
	Goal	2015	2014
Equity/assets ratio, %		34.1	35.5
Equity/assets ratio (including Collector AB at market value), %	35.0	37.8	35.5
Interest coverage ratio, times	2.0	5.1	3.4

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.

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 4,745m, of which SEK 4,545m 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 per cent of the loan portfolio should have a credit term of more than two years and not more than 35 per cent of the loans should mature during a single year.

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, amortisation and dividend on preference shares. 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 Mayor transactions. On the closing date, Balder's cash and cash equivalents, financial investments and unutilised credit facilities amounted to SEK 1,339m (806). 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 limits for risk.

Duration analysis of financial liabilities

The tables on the right 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.

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

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

Group 2015-12-31

SEKm	Within one year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
Maturity structure, loans	11,201	10,269	3,190	2,150	5,763	8,491
Interest expenses ¹⁾	878	873	868	863	858	4,231
Trade payables	179	–	–	–	–	–
Other liabilities	542	–	–	–	–	–
Total	12,799	11,141	4,058	3,013	6,620	12,704

Group 2014-12-31

SEKm	Within one year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
Maturity structure, loans	11,363	1,107	4,270	600	600	4,438
Interest expenses ¹⁾	582	576	570	564	558	2,701
Trade payables	74	–	–	–	–	–
Other liabilities	297	–	–	–	–	–
Total	12,316	1,683	4,841	1,164	1,158	7,139

Parent Company 2015-12-31

SEKm	Within one year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
Maturity structure, loans	3,733	5,246	600	600	433	356
Interest expenses ¹⁾	241	240	239	238	237	1,168
Trade payables	4	–	–	–	–	–
Other liabilities	187	–	–	–	–	–
Total	4,165	5,485	839	838	670	1,524

Parent Company 2014-12-31

SEKm	Within one year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
Maturity structure, loans	4,208	500	1,146	600	600	789
Interest expenses ¹⁾	203	203	202	201	200	983
Trade payables	5	–	–	–	–	–
Other liabilities	145	–	–	–	–	–
Total	4,561	703	1,348	801	800	1,772

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

Sensitivity analysis

Factor	Change	Earnings effect before tax, SEKm
Rental income	+/- 1 %	+/- 51
Economic occupancy rate	+/- 1 percentage unit	+/- 53
Interest-rate level of interest-bearing liabilities	+ 1 percentage unit	– 187
Property costs	+/- 1 %	+/- 16
Changes in value of properties	+/- 5 %	+/- 3,423

identifying and managing this exposure. The interest rate 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

Maturity structure derivatives

Year	Nominal amount, SEKm	Interest, %
2016	571	3.15
2017	610	2.04
2018	3,953	3.62
2019	650	1.53
2020	822	2.04
2021	4,485	2.53
2022	457	2.18
2023	1,011	1.39
2024	274	0.74
2025	1,820	1.39
2026	1,000	2.69
Total	15,653	

borrowing.

Balder has mainly used swaps and interest rate ceilings to manage its interest rate risk, which matures between 2016 and 2026. 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 2015 amounted to SEK 227m (–624). The fair value of

Note 21 • Continued

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 above.

Currency risk

Balder owns properties via subsidiaries in Denmark and in Finland. External financing always occurs in local currency, which means that the remaining currency risk corresponds to equity. At year-end, Balder had hedged the Majority of its own equity exposure via basis swaps, which means that the currency risk is relatively limited.

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 percentage point change in the rent level or the economic occupancy rate has an effect on profit before tax of +/- SEK 51m and +/- 53m, 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 guaran-

tees, 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 41,063m (22,378). Loans are raised in Swedish kronor, Danish krone and euro. At year-end, loans in Danish krone amounted to DKK 1,881m and loans in euro amounted to EUR 1,824m. The credit agreements mainly consist of bilateral contracts with Nordic banks as well as a certificate programme for SEK 3,827m (1,500). On 31 December, the outstanding certificate volume was SEK 2,680m (675). Net interest-bearing liabilities less cash and cash equivalents and financial investments of SEK 1,025m (456) amounted to SEK 40,038m (21,922).

Agreements can be divided into five categories:

- loans against security pledged in the form of promissory note receivables from subsidiaries. The security has been augmented by collateral in the shares of subsidiaries/limited-partnership shares,

- loans against pledging of mortgage deeds on property,
- certificate programme,
- bond loan

Interest-bearing liabilities for the most part are formally current but are non-current in character, as they are continually extended. One year of agreed amortisation is 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 4.4 years (4.3) on 31 December 2015. The maturity structure of loan agreements, presented in the table showing the loan terms, indicates when loan agreements are due for renegotiation or repayment. The average effective interest on the closing date amounted to 2.2 per cent (2.6) including the effect of accrued interest from Balder's interest rate derivatives. The average interest rate refixing period on the same date was 2.9 years (2.3). The proportion of loans with interest dates during the coming 3-year period amounted to 64 per cent (65).

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 1.5 and 3.8 per cent.

Interest rate refixing period

Year	Carrying amount, SEKm		Interest, %		Share, %		Fair value, SEKm ³⁾	
	2015	2014	2015	2014	2015	2014	2015	2014
Within one year	21,512	13,960	1.1	1.8	52	62	21,522	13,960
1–2 years	304	500	3.3	4.3	1	2	304	500
2–3 years	4,470	–	4.5	–	11	–	4,507	–
3–4 years	1,631	3,000	3.1	4.7	4	13	1,689	3,000
4–5 years	4,012	–	2.6	–	10	–	4,068	–
>5 years	9,134	4,918	3.2	3.6	22	22	9,143	4,918
Total	41,063	22,378	2.2	2.6	100	100	41,234	22,378

Carrying amount and fair value of financial instruments

Group, SEKm	Trade and loan receivables		Financial assets/liabilities measured at fair value through profit or loss ⁴⁾		Other liabilities		Total carrying amount		Total fair value	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Trade receivables	130	19	–	–	–	–	130	19	130	19
Other long-term trade receivables ³⁾	1,173	616	–	–	–	–	1,173	616	1,173	616
Cash and cash equivalents	620	199	–	–	–	–	620	199	620	199
Financial investments ³⁾	–	–	405	257	–	–	405	257	405	257
Total receivables	1,923	834	405	257	–	–	2,328	1,091	2,328	1,091
Non-current interest-bearing liabilities ³⁾	–	–	–	–	39,095	22,157	39,095	22,157	39,266	22,157
Other long-term liabilities ³⁾	–	–	–	–	331	–	331	–	331	–
Credit facilities	–	–	–	–	36	–	36	–	36	–
Derivatives ^{2,5)}	–	–	1,294	1,086	–	–	1,294	1,086	1,294	1,086
Current interest-bearing liabilities ³⁾	–	–	–	–	1,933	221	1,933	221	1,933	221
Trade payables	–	–	–	–	179	74	179	74	179	74
Total liabilities	–	–	1,294	1,086	41,573	22,452	42,867	23,538	43,038	23,538

Note 21 • Continued

Parent Company, SEKm	Trade and loan receivables		Financial assets/liabilities measured at fair value through profit or loss ⁴⁾		Other liabilities		Total carrying amount		Total fair value	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Receivables from group companies ³⁾	21,676	15,777	–	–	–	–	21,676	15,777	21,676	15,777
Other long-term trade receivables ³⁾	1,036	616	–	–	–	–	1,036	616	1,036	616
Cash and cash equivalents	4	165	–	–	–	–	4	165	4	165
Financial investments ¹⁾	–	–	390	257	–	–	390	257	390	257
Total receivables	22,715	16,558	390	257	–	–	23,106	16,815	23,106	16,815
Non-current liabilities to credit institutions ³⁾	–	–	–	–	10,887	7,806	10,887	7,806	10,887	7,806
Other long-term liabilities ³⁾	–	–	–	–	126	–	126	–	126	–
Credit facilities	–	–	–	–	36	–	36	–	36	–
Derivatives ^{2,5)}	–	–	737	936	–	–	737	936	737	936
Liabilities to group companies ³⁾	–	–	–	–	4,507	3,952	4,507	3,952	4,507	3,952
Current liabilities to credit institutions ³⁾	–	–	–	–	45	37	45	37	45	37
Trade payables	–	–	–	–	4	5	4	5	4	5
Total liabilities	–	–	737	936	15,604	11,801	16,341	12,736	16,341	12,736

1) Level 1 – measured at fair values obtained from quoted market prices in active markets for identical assets.

2) Level 2 – measured at fair values obtained from inputs other than quoted market prices included within Level 1 that are observable for the assets and liabilities.

3) Level 3 – measured at fair values obtained from information and data for the assets and liabilities which is not based on observable market inputs.

4) Financial assets/liabilities held for trading.

5) Derivative instruments have been recognised net as a liability. This liability includes positives values in Group of 20 SEKm (–) in Parent Company of 10 SEKm (–).

Note 22 • Credit facilities

SEKm	Group		Parent Company	
	2015	2014	2015	2014
Granted credit facility	350	350	300	300
Utilised portion	–36	–	–36	–
Unutilised portion	314	350	264	300

Note 23 • Accrued expenses and deferred income

SEKm	Group		Parent Company	
	2015	2014	2015	2014
Personnel expenses	63	22	8	7
Interest expenses	166	70	35	34
Prepaid rents	392	361	–	–
Property costs	186	69	–	–
Other items	38	17	3	2
Total	845	538	47	44

Note 24 • Pledged assets and contingent liabilities

Pledged assets SEKm	Group		Parent Company	
	2015	2014	2015	2014
Real estate mortgages	31,945	22,358	–	–
Shares in group companies	13,377	2,255	–	–
Promissory notes	–	–	6,819	5,898
Total	45,322	24,613	6,819	5,898

Contingent liabilities SEKm	Group		Parent Company	
	2015	2014	2015	2014
Guarantees for subsidiaries	–	–	13,986	13,542
Guarantees for associated companies	1,596	1,486	1,596	1,486
Other guarantees	321	–	–	–
Total	1,916	1,486	15,582	15,028

Note 25 • Cash flow statement

Cash and cash equivalents SEKm	Group		Parent Company	
	2015	2014	2015	2014
The following sub-components are included in cash and cash equivalents:				
Cash and bank balances	620	199	4	165
Total according to the balance sheet	620	199	4	165
Total according to the cash flow statement	620	199	4	165

Interest and derivative expenses paid SEKm	Group		Parent Company	
	2015	2014	2015	2014
Interest received	32	27	18	16
Interest paid	-330	-419	-92	-147
Derivative expense paid	-288	-198	-242	-161
Total	-586	-591	-315	-292

Intra-group interest income and interest expenses for 2015 and 2014 did not affect the cash flow.

Note 26 • Participations in group companies

Specification of the Parent Company's direct holdings of participations in subsidiaries					Carrying amount	
Subsidiaries	Corporate identity number	Registered office	Number of shares	Share, %	2015	2014
Balder Storstad AB	556676-4378	Gothenburg	1,172,306	100	1,046	1,046
Balder Mellanstad AB	556514-4291	Gothenburg	1,938,000	100	150	150
Din Bostad Sverige AB	556541-1898	Gothenburg	18,500,000	100	626	626
Egby Vindkraftverk AB	556760-5919	Gothenburg	1,000	100	0	0
Balder Danmark ApS	34058016	Copenhagen	80,000	100	0	0
Total					1,822	1,822

The Balder Group owns 100 per cent in 263 companies (238) via the above-mentioned subsidiaries, as presented in each subsidiary's annual accounts.

Parent Company, SEKm	2015	2014
Accumulated cost		
Opening balance	1,822	1,822
Change for the year	–	–
Closing balance	1,822	1,822

Note 27 • Receivables from/liabilities to Group companies

Parent Company, SEKm	Receivables		Liabilities	
	2015	2014	2015	2014
Opening balance	15,777	11,506	3,952	2,782
Change in lending to subsidiaries	5,900	4,271	555	1,170
Closing balance	21,676	15,777	4,507	3,952

There is no fixed amortisation plan.

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

Fastighets AB Balder's cooperation with the Third Swedish National Pension Fund was conditional upon approval from the Swedish Competition Authority. This approval was given and the deal was completed. After the end of the financial year, Balder also acquired

49 per cent of Sjaelsö Management Aps in Denmark. Sjaelsö Management is one of the largest players within project development and construction management in Denmark. In January, all properties in Skara and Töreboda were divested as well as the property Miklaholt 2 in Stockholm.

Note 29 • Related parties

Related parties

Group

The Group is under the control of Erik Selin Fastigheter AB, which holds 49.5 per cent (51.3) 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 117m (98). The parent company functions as an internal bank. On the closing date, receivables from subsidiaries amounted to SEK 21,676m (15,777). The price of the administrative and financial services is based on market-related terms.

Associated companies

Apart from the related 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 27m (23). In addition to this, services were purchased from Collector AB (publ). Net receivables from associated companies amounted to SEK 910m (616) 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 65.3 per cent (66.9) 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 judgements

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.

Taxes

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, with the exception of the acquisition of Sato Oyj, which is classified as a business combination.

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, 400 15 Gothenburg, Sweden. The visiting address is Vasagatan 54.

The consolidated accounts for 2015 include the parent company and its subsidiaries, together referred to as the Group.

Note 32 • Business combination

Information about purchase price and acquired net assets is presented below:

SEKm

Purchase price

Cash and cash equivalents	444
Ordinary shares issued, after issue expenses	1,705
Total purchase price paid for 22.9 per cent of the outstanding shares in Sato	2,149
Fair value of the participations acquired in Q2 and Q3 (30.4 per cent) (before the business combination resulting in control) ¹⁾	2,855
Purchase price	5,004

1) The remeasurement effect amounted to SEK 9m and is recognised in the line Non-recurring items in the consolidated statement of comprehensive income.

On 1 April 2015, Balder carried out its first acquisition of shares in Sato Oyj equivalent to about 21 per cent of the outstanding shares and voting rights. Balder subsequently acquired additional shares and the total holding of shares and voting rights in Sato amounted to 30.4 per cent before the acquisition of a controlling influence. On 30 December 2015, Balder took possession of a further 22.9 per cent of the outstanding shares, and after that Balder's ownership in Sato amounted to 53.3 per cent. As control was obtained; Sato was consolidated in the Group's balance sheet as of 31 December 2015. Sato is one of Finland's largest residential property companies with high-quality properties in excellent locations that complement Balder's existing operations and property portfolio. The number of employees in Sato amounted to 170 people on 31 December, of which 110 were women.

Note 32 · Continued

The assets and liabilities recognised as a consequence of the acquisition were as follows:

SEKm

Assets and liabilities in Sato ¹⁾

Investment properties	26,477
Other property, plant and equipment	37
Current receivables	236
Cash and cash equivalents and financial investments	569
Deferred tax liability	-1,691
Interest-bearing liabilities	-15,312
Derivatives	-435
Other liabilities	-499
Acquired identifiable net assets	9,382
Non-controlling interests	-4,377
Acquired net assets	5,004

1) Carrying amount in the Group, 31 December 2015.

Cash flow to acquire subsidiary, after addition of acquired cash and cash equivalents:

SEKm

Cash purchase price	-3,068
Ordinary shares issued, after issue costs	-1,705
Total cash flow to acquire subsidiary	-4,773
Less: Acquired balances	
Acquired cash and cash equivalents	554
Total acquired cash and cash equivalents	554
Net outflow of cash and cash equivalents, investing activities	-4,219

Choice of accounting policy for non-controlling interests

The Group recognises non-controlling interests in an acquired entity, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This choice of policy is made for every individu-

al business combination. For non-controlling interests in Sato, the Group has chosen to recognise non-controlling interests at the fair value of the acquired identifiable net assets.

Revenue and profit in acquired operations

If the acquisition had been carried out on 1 January 2015, the consolidated pro-forma financial statements as of 31 December 2015 would show rental income of SEK 5,044m and net profit for the year of SEK 5,873m. These amounts were calculated using the subsidiary's results while adjusting for any differences in accounting policies between the Group and the subsidiary.

Acquisition-related costs

Acquisition-related costs of SEK 94m (of which Finnish stamp duty SEK 83m), that were not directly related to the new issue, are included in the line Non-recurring items in the consolidated statement of comprehensive income and in operating activities in the cash flow statement.

Note 33 · Other income/expenses

The item Other income/expenses includes SEK 9m related to the business combination of Sato

Oyj, for more information See Note 32 relating to Business combinations.

The annual accounts and the consolidated financial statements were approved for publication by the Board of Directors and CEO on 6 April 2016. 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 10 May 2016. The Board will propose to the AGM that no dividend (-) be declared for ordinary shares and that a dividend of SEK 20.00 per share (20.00) be declared for prefe-

rence shares for the financial year 2015.

The annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements 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, 6 April 2016

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 6 April 2016
Öhrlings PricewaterhouseCoopers AB

Helén Olsson Svärdröm
Authorised Public Accountant

Audit Report

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

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and consolidated financial statements of Fastighets AB Balder (publ) for 2015. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 59–92.

The Board of Directors and the Managing Director are responsible for the annual accounts and consolidated financial statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we adhere to professional ethics and that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The auditor determines which actions to perform, in part by assessing the risk of material misstatement in the annual accounts and consolidated financial statements, whether resulting from fraud or er-

ror. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the annual accounts 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 2015 and of its financial performance and its cash flows for the year in accordance with the 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 group as of 31 December 2015 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report and the corporate governance report are 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 group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed allocation of the company's

profit or loss and the administration of the Board of Directors and the Managing Director of Fastighets AB Balder (publ) for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' explanatory statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend that the Annual General Meeting allocate the earnings 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.

Gothenburg, 6 April 2016
Öhrlings PricewaterhouseCoopers AB

Helén Olsson Svärström
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 Code of Corporate Governance 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 are 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 Code of Corporate Governance is administered by the Swedish Corporate Governance Board and is available on www.bolagsstyrning.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 com-

pany 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 2015

At the AGM on 6 May 2015 in the Radisson BLU Scandinavia Hotel in Gothenburg, 239 shareholders were represented, holding 75 per cent 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 2014 and discharged the Board and CEO from liability for the financial year 2014.

The following resolutions were passed by the AGM on 6 May 2015;

- 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 460,000 should be paid to the Board, of which SEK 160,000 to the Chairman of the Board and SEK 100,000 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 Wernergren. All members are elected until the AGM 2016. 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 per cent 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 6 May 2015 are available on the company's website. The AGM will take place on 10 May 2016 at 4 p.m. at Elite Park Avenue Hotel, Kungsporsavenyn 36–38 in Gothenburg. Information concerning the AGM is published on www.balder.se.

The share and owners

The Balder share is listed on Nasdaq Stockholm, Large Cap. At year-end, the number of shareholders amounted to 17,155. Balder carried out a directed new issue of 10 million ordinary shares in December, which brought in SEK 1,705 million after issue costs. For existing ordinary shareholders, the issue implies a dilutive effect of 6 per cent of the capital. Balder's share capital after the new issue and on 31 December 2015 amounted to SEK 182,396,852 distributed among 182,396,852 shares. Each share has a quota value of SEK 1.00, whereof 11,229,432 shares are of Class A, 161,167,420 of Class B and 10,000,000 preference shares. Each Class A share carries one vote, and each Class B share and preference 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 13–15, 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 2015, 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 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 authorised 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 com-

pliance 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.

Chairman of the Board

It is the duty of the Chairman to ensure that the Board's work is conducted effectively and that the Board fulfils its duties. The duties of the Chairman include, but are not limited to the following:

- organising and leading the Board's work and creating the best possible basis for the Board's work,
- ensuring that the Board's work occurs in accordance with the provisions of the articles of association, the Companies Act and the formal work plan of the Board,
- monitoring that the Board's decisions are executed effectively,
- continually monitoring the company's development through contact with the CEO and acting as a discussion partner,
- ensuring that the Board members, through the agency of the CEO, receive sufficient information and decision data for their work,
- making sure that each new Board member is given a proper introduction upon joining the Board.

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 when more than half of the Board members are present. The Chairman has the casting vote in the event of the same number of votes

The Board of Directors' work

Balders' Board held nine board meetings during 2015 of which one was the statutory meeting. Under the current formal work plan, the Board shall hold at least five ordinary Board meetings, including 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 2015, included acquisition strategies, capital structure and financing position, common corporate policies and formal work plan for the Board. At the extraordinary Board meetings, decisions were taken about the new issue and acquisition of shares in Sato Oyj, among other things.

Evaluation of the Board's work

The Board conducted an evaluation of its work during the year. 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 2015, related to the Board's composition, competencies, efficiency and focus areas going forward. The areas covered by the Board evaluation may

Board members, meetings and attendance

Name	Elected	Independent ¹⁾	Attendance at meetings		
			Board meetings	Audit committee	Remuneration-committee
Christina Rogestam	2006	Yes	9/9	1/1	1/1
Erik Selin	2005	No	9/9	—	—
Fredrik Svensson	2005	No	9/9	1/1	1/1
Sten Dunér	2007	Yes	8/9	1/1	1/1
Anders Wennergren	2009	Yes	9/9	1/1	1/1

1) Independence is based both on independent of the company, corporate management as on the major shareholders (>10 %).

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 2015, 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 2015 resolved that a nomination committee should be established before the 2016 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 2015 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 2016 is composed of Christian Hahne, 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 personnel. More information about the company's CEO and Management is found on page 100.

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 her audit plan for the year and her views on the accounts and annual accounts.

Öhrlings PriceWaterhouseCoopers AB was elected at the AGM on 7 May 2013 as auditor for a period of four years until the AGM 2017. The auditor in charge is Helén Olsson Svårdström.

Ahead of the Annual General Meeting 2016

Ahead of the AGM on 10 May 2016, the Board of Directors proposes:

- that no share dividend shall be declared to the ordinary shareholders,
- A quarterly dividend of SEK 5 per share shall be declared to the preference

shareholders, however, a maximum of SEK 20,

- guidelines for remuneration of senior executives,
- a renewed mandate for the Board until the next AGM, to repurchase and transfer B shares in Balder equivalent to not more than 10 per cent of all shares in the company,
- a renewed mandate for the Board until the next AGM, on one or more occasions, to resolve on new issue of preference shares and/or ordinary shares of Class B equivalent to not more than 10 per cent 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 10 May 2016, 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 160,000 to the Chairman of the Board and SEK 100,000 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 2015 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 www.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 over 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 1,177 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 financial statements 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. 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 for 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 1,177 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, 6 April 2016

Christina Rogestam
Chairman of the Board

Sten Dunér
Board member

Fredrik Svensson
Board member

Anders Wennergren
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

The Board of Directors is responsible for the corporate governance report for 2015 on pages 94-98 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on this review and on

our knowledge of the company and the Group, we believe we have a sufficient basis for our opinion. This statutory review 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 consider that a corporate gover-

nance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated financial statements.

Gothenburg, 6 April 2016

Öhrlings PricewaterhouseCoopers AB

Helén Olsson Svärström
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

66,000 B shares, 3,000 B shares and 2,080 preference 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

2,050 B shares and 245 000 B shares via company.



Sten Dunér

Born 1951.
Board member since 2007.

Education and experience

Bachelor of Science (Econ.). CEO of Länsförsäkringar AB. chairman of Länsförsäkringar Bank, Länsförsäkringar Sak and Länsförsäkringar Fondliv. Board member of Länsförsäkringar Liv and 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 (Econ.). CEO of AB Arvid Svensson, chairman of Klöver 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 Banks AB (publ), board member of Västsvenska Retailskammaren, Astrid Lindgrens värld and Hexatronic Scandinavia AB.

Shareholding in Balder

10,500 B shares and 500 preference 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: Helén Olsson Svärström, born 1962. Auditor in the company since 2015. Öhrlings PriceWaterhouseCoopers AB was elected at the AGM on 7 May 2013 as auditor for a period of four years.

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 500 preference 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 (Econ.). Employed since 2008.

Shareholding in Balder
21,000 B shares.



Petra Sprangers

Born 1965.
Head of Personnel and Administration.

Education and experience
Business school economist Employed since 2007.

Shareholding in Balder
No shareholding in Balder.



Benny Ivarsson

Born 1955.
Head of Property.

Education and experience
Bachelor of Science (Econ.). Employed since 2006.

Shareholding in Balder
12,494 B shares and 8,500 preference shares and 12,720 B shares via company.



Sharam Rahi

Born 1973.
Head of Property Management and Vice CEO.

Education and experience
Compulsory school Employed since 2005.

Shareholding in Balder
737,822 B shares and 788,978 B shares and 20,000 preference shares via company.



Marcus Hansson

Born 1974.
Head of Finance.

Education and experience
Bachelor of Science (Econ.). Employed since 2007.

Shareholding in Balder
156,500 B shares.

Property list

Lettable area, sq.m.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.							Tax assessment value, SEKm		
						Office	Industrial/ Retail Warehouse	Education/ Care	Hotel Residential	Other	Total				
Region Helsinki															
●	Fi, Sato	Several properties		Residential						942,551		942,551			
Total Helsinki										942,551		942,551			
Region Stockholm															
	Botkyrka	Freja 2	Balders väg 10	1973	Residential					7,060	220	7,280	51		
	Botkyrka	Freja 3	Balders väg 1	1973	Residential					7,060	220	7,280	50		
	Botkyrka	Hallunda 4:11	Iduns väg 1-16	1900	Other	Yes									
	Botkyrka	Hallunda 4:9	Balders väg 1-16	1900	Other	Yes									
	Botkyrka	Idun 2	Iduns väg 10	1972	Residential					7,060	256	7,316	51		
	Botkyrka	Idun 3	Iduns väg 1	1972	Residential			255		6,795		7,050	52		
	Huddinge	Bäckgården 8	Vårby Centrum	1974	Office	Yes	2,719	2,550	381			2,238	7,888	49	
	Huddinge	Vårby Gård 1:16	Krongårdsvägen 1	1973	Residential		352	37	439			49,688	4,262	54,778	375
	Järfälla	Säby 3:29	Korpralsvägen 10	2008	Residential		10					4,962	8	5,352	81
	Lidingö	Fjällräven 1	Karins Allé 3-7, Vesslevägen 3	1900	Residential				100	4,300		2,561		6,961	
	Nacka	Sicklaön 354:1	Ektorpsvägen 2	1979	Office		6,111	3,925	1,134	5,726	1,385		320	18,601	113
	Nacka	Sicklaön 363:2	Värmdövägen 84	1986	Hotel		2,368			8,365				10,733	94
	Nacka	Älta 9:130	Ältavägen 170	1992	Retail			960				880		1,840	19
	Nynäshamn	Musköten 1	Björn Barkmans väg 1	1968	Residential		206		132			21,275	1,204	22,817	140
	Solna	Banken 14	Hotelgatan 11	1965	Hotel		93				11,444			11,537	113
	Solna	Puman 1	Bangatan 21	1972	Office		2,004		131					2,135	16
	Stockholm	Berget 2	Västmannagatan 13	1929	Hotel					1,176	339			1,515	31
	Stockholm	Doggen 1	Vinthundsvägen 157	1974	Office		1,650							1,650	7
	Stockholm	Doggen 2	Vinthundsvägen 159	1984	Office	Yes	4,721							4,721	28
	Stockholm	Fiskaren Större 3	Götgatan 21	1929	Residential		235	993				1,375		2,603	53
	Stockholm	Gladan 3	Sankt Göransgatan 159	1948	Office	Yes	5,346		124					5,470	83
	Stockholm	Granen 21	Floragatan 13	1972	Office		4,295		9					4,304	161
	Stockholm	Göta Ark 18	Göta Ark 100	1985	Office	Yes	17,835	300	640					18,775	376
	Stockholm	Havsfrun 26	Artillerigatan 42	1929	Office		3,267		239					3,506	83
	Stockholm	Holar 3	Skalholtsgatan 10	1985	Other		6,133		1,072					7,205	77
	Stockholm	Islandet 4	Adolf Fredriks Kyrkogata 13	1908	Office		1,845	245	125					2,215	48
	Stockholm	Järnplåten 23	Kungsgatan 37	1937	Office		4,496						2,048	6,544	237
	Stockholm	Katthavet 8	Näckströmsgatan 8	1929	Retail					8,022				8,022	212
	Stockholm	Kilaberg 1	Kilabergsvägen	1975	Office	Yes	8,193		4,709					12,902	73
	Stockholm	Kungsbacken 8	Drottninggatan 108	1929	Office		1,787	563	56				25	2,431	55
	Stockholm	Kvasten 8	Mäster Samuelsgatan 10	1929	Office		1,336	614	81				10	2,041	159
	Stockholm	Lindansaren 23	Flaggstång, Holländargatan 22	1929	Office		7,126	863	603			293		8,885	181
	Stockholm	Luftspringaren 10	Saltmätargatan 10	1900	Office		498		18					516	
	Stockholm	Luftspringaren 16	Saltmätargatan 19A	1929	Office		615	372	88			613	794	2,482	37
	Stockholm	Lärfvet 2	Brommaplan 407	1941	Residential	Yes	204	530	120			895		1,749	22
	Stockholm	Magneten 32	Voltavägen 13	1982	Office	Yes	7,196	450	2,461					10,107	81
	Stockholm	Meteorologen 4	Finn Malmgrens Väg 9	1991	Residential	Yes		399				725		1,124	17
	Stockholm	Meteorologen 5	Finn Malmgrens Väg 11	1991	Residential	Yes		1,090	74			1,235		2,399	34
	Stockholm	Miklaholt 2	Haukadalsgatan 10	1981	Office	Yes	1,128		788					1,916	
	Stockholm	Murmästaren 7	Hantverkargatan 31	1929	Office		2,448	462	89				83	3,082	75
	Stockholm	Prästgårdsängen 3	Götalandsvägen 218	1986	Office	Yes	5,385	847	15					6,247	47
	Stockholm	Silket 2	Brommabågen 4	1941	Retail	Yes	174	602	94			555	7	1,432	19
	Stockholm	Singeln 9	Sorterargatan 8	1970	Office	Yes	5,072		170					5,242	26
	Stockholm	SkeppsRetailn 1	Hammarby Allé 45	2013	Retail		2,143	3,033	210		8,550			13,936	331
●	Stockholm	Snöflingan 3	Drottningholmsvägen 59	2009	Hotel						22,000			22,000	382
	Stockholm	Spelbomskan 14	Gyldéngatan 6, Sandåsgatan 2	1939	Other				147	2,553				2,700	
	Stockholm	Spårvagnen 4	Birger Jarlsgatan 57	1995	Office		18,893	3,084	1,106				191	23,274	761
	Stockholm	Tråden 1	Brommaplan 418-420	1941	Retail	Yes	555		41			537		1,133	14
	Stockholm	Vattenkraften 1	Solkraftsvägen 13	1989	Office	Yes	6,408	734		3,689			4	10,835	4
	Stockholm	Vilunda 6:48	Hotellvägen 1	1986	Hotel					6,955				6,955	50
	Stockholm	Årstaäng 4 & 6	Fredsborgsgatan 24	1900	Office	Yes	28,011	930	5,173				19	34,133	28
	Södertälje	Yxan 8	Täppgatan 15	1975	Hotel					14,115				14,115	75
	Uppsala	Berthåga 53:1	Naturstenvägen 101	2007	Residential						3,814			3,814	48
	Uppsala	Dragarbrunn 16:4	Dragarbrunns torg 18	1962	Hotel			680	51		5,275			6,006	64
	Uppsala	Kvarngärdet 3:2	Gamla Uppsalagatan 50	1983	Hotel					7,518				7,518	38
	Uppsala	Årsta 94:1	Stålgatan 101	1988	Residential						5,274	39		5,313	67
●	Uppsala	Årsta 2015	Stålgatan 35	2005	Residential						4,117	8		4,125	51
Total Stockholm							160,858	24,263	21,247	16,268	94,805	127,113	11,956	456,509	5,076

Lettable area, sq.m.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Industrial/ Education/ Hotel Residential Other						Tax assessment value, SEKm	
						Office	Retail Warehouse	Care	Hotel	Residential	Other	Total	SEKm
Region Gothenburg													
Ale	Nödinge 38:14	Ale Torg 10	2007	Retail		3,920	10,399	30				14,349	112
Ale	Surte 1:245	Gothenburgsvägen 64 B	1967	Residential		215	337			1,216	90	1,858	12
Ale	Surte 1:293	Gothenburgsvägen 93 A	1946	Residential					424	356		780	4
Ale	Surte 1:294	Brattåsstigen 6	1992	Residential					455	330		785	
Ale	Surte 4:119	Gothenburgsvägen 64	1987	Retail		808	1,560	272		457	114	3,211	15
Alingsås	Bagaren 14	Hantverksgatan 2	1991	Residential						556		556	5
Alingsås	Bagaren 2	Hantverksgatan 4	1992	Residential						424	9	433	4
Alingsås	Björkhagen 1	Björkhagegatan 2 A	2008	Residential						3,212		3,212	41
Alingsås	Bolltorp 4:13	Bolltorp	2003	Residential						14,166		14,166	168
Alingsås	Dryckeshornet 1	Bankgatan 1	1929	Hotel			219			5,362		5,581	29
Falköping	Agaten 11	Peter Ryttings väg 20	1962	Residential						880	51	931	4
Falköping	Agaten 6	Sigurd Kochs Gata 4	1964	Residential						466		466	2
Falköping	Anden 16	Banérgatan 16	1929	Residential			135			568		703	3
Falköping	Ansgar 1	Sankt Sigfridsgatan 45	1965	Residential				9		2,022	247	2,278	9
Falköping	Apotekaren 2	Sankt Olofsgatan 9 A-B	1991	Residential		515				710		1,225	5
Falköping	Avenboken 1	Idrottsgatan 49	1961	Residential				7		1,234		1,241	6
Falköping	Avenboken 2	Idrottsgatan 47	1961	Residential						1,234		1,234	6
Falköping	Bagaren 7	Nygatan 2	1995	Residential		994				2,409		3,403	22
Falköping	Byggmästaren 9	Odengatan 16 A	1959	Residential		100				2,240		2,340	9
Falköping	Draken 8	Dotorpsgatan 28	1929	Residential						660		660	2
Falköping	Ejdern 14	Banérgatan 1 A	1962	Residential						2,236	69	2,305	11
Falköping	Flugsnapparen 1	Kapellsgatan 1	1959	Residential						570	30	600	3
Falköping	Flugsnapparen 2	Allégatan 3	1959	Residential						570		570	3
Falköping	Flugsnapparen 6	Kapellsgatan 3	1959	Residential						570		570	3
Falköping	Guldsmeden 21	Trädgårdsgatan 22	1939	Office		325	78			220		623	2
Falköping	Guldsmeden 7	Ekmansgränd	1987	Retail		220	827			468	20	1,535	6
Falköping	Göken 12	Allégatan 11	1952	Residential						423		423	1
Falköping	Hammaren 7	Eriksgratan 33	1943	Residential						376		376	2
Falköping	Hovslagaren 16	Jakobsgatan 18 / Högarensgratan 9	1960	Residential						2,082	87	2,169	10
Falköping	Hytten 1	Storgatan 34		Saknas	Ground								
Falköping	Kemisten 1	Stora Torget 7	1929	Retail			316			215		531	2
Falköping	Lejonet 2	Hjelmarsrörsg 24-32, 43-46	1971	Residential				118		6,640		6,758	30
Falköping	Mejseln 4	Sankt Sigfridsgatan 20	1942	Residential				18		312		330	1
Falköping	Muraren 15	Sigurd Kochs gata 16	1964	Residential						1,536	15	1,551	7
Falköping	Muraren 3	Hwassgatan 7 A	1960	Residential						960		960	5
Falköping	Muraren 4	Hwassgatan 5 A	1952	Residential						745		745	4
Falköping	Muraren 5	Gärdesgatan 18	1959	Residential						787		787	7
Falköping	Muraren 6	Gärdesgatan 18 A	1959	Residential						787		787	7
Falköping	Oxeln 1	Idrottsgatan 51	1952	Residential						1,357	25	1,382	7
Falköping	S:t Lars 1	Per Larsgatan 4	1961	Residential		69				810		879	4
Falköping	Sankt Jakob 14	Sankt Sigfridsgatan 27	1940	Residential						316		316	2
Falköping	Sankt Jakob 18	Eriksgratan 29	1940	Residential						293		293	1
Falköping	Sankt Johannes 18	Sankt Sigfridsgatan 5	1939	Residential						400		400	2
Falköping	Sankt Olof 17	Sankt Olofsgatan 10		Saknas	Ground								
Falköping	Sankt Olof 18	Sankt Olofsgatan 14	1990	Residential		432				1,599		2,031	9
Falköping	Sankt Staffan 13	Bryngelsgatan 6	1929	Office		1,691					698	2,389	7
Falköping	Sankt Tomas 13	Warenbergsgatan 11	1938	Residential						393		393	2
Falköping	Skalbaggen 1	Scheelegatan 21 A	1957	Residential						748	108	856	3
Falköping	Skalbaggen 11	Kapellsgatan 19	1959	Residential						434		434	2
Falköping	Skalbaggen 12	Kapellsgatan 27	1954	Residential						540		540	3
Falköping	Skalbaggen 5	Danska vägen 148	1954	Residential			8			540		548	3
Falköping	Skogslinden 3	Idrottsgatan 39	1948	Residential			24			716		740	4
Falköping	Skogslinden 4	Idrottsgatan 37	1946	Residential			18			712		730	4
Falköping	Spettet 1	Grönelundsgatan 14	1952	Residential			27			1,308	27	1,362	6
Falköping	Svanen 24	Danska vägen 129	1970	Residential						1,099		1,099	5
Falköping	Trädgårdsmästaren 18	Groundnadsgatan 7	1971	Residential			66			1,272	28	1,366	6
Falköping	Trädgårdsmästaren 19	Högarensgratan 8 A	1989	Residential						1,018		1,018	5
Falköping	Trädgårdsmästaren 22	Groundnadsgatan 11	1969	Residential						2,020		2,020	10
Falköping	Urd 3	Odengatan 19	1965	Residential		745	1,186			1,844		3,775	11
Falköping	Vargen 1	Wetterlinsgatan 13	1955	Residential				10		1,441		1,451	7
Falköping	Vargen 2	Dotorpsgatan 67	1955	Residential						1,163	43	1,206	6
Falköping	Vargen 3	Wetterlinsgatan 13 F	1955	Residential		242				832		1,074	5
Falköping	Vargen 4	Wetterlinsgatan 11 G	1957	Residential						1,130	521	1,651	6
Falköping	Vargen 5	Wetterlinsgatan 11 A	1956	Residential				19		1,086	357	1,462	6
Falköping	Vargen 6 & 8	Wetterlinsgatan 11	1956	Residential				20		1,503	23	1,546	7
Falköping	Vargen 7	Wetterlinsgatan 11 F	1957	Residential						981	51	1,032	5
Falköping	Vitsippan 2	Hagbergsgatan 4	1956	Residential						532		532	2

Lettable area, sq.m.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Industrial/							Tax assessment value, SEKm	
						Office	Retail	Ware-house	Education/Care	Hotel Residential	Other	Total		
forts. Region Gothenburg														
Gothenburg	Askim 243:20	Askims torg	1972	Office		1,923	638	553	1,251		39	4,404	25	
Gothenburg	Backa 169:3	Södra Deltavägen 3 A	2006	Retail			1,975					1,975	40	
Gothenburg	Backa 171:3	Backavägen 1	1955	Retail			4,417					4,417	50	
Gothenburg	Backa 21:14	Exportgatan 47 B	1989	Other		608		1,784			108	2,500	11	
Gothenburg	Bagaregården 5:8	Kungälvsgatan 6 A	1929	Residential						584		584	8	
Gothenburg	Bagaregården 5:9	Kungälvsgatan 6 A	1929	Residential						581		581	8	
Gothenburg	Bergsjön 34:1	Atmosfärgatan 1	1970	Residential		115		281		22,271		22,667	103	
Gothenburg	Bergsjön 9:6	Kosmosgatan 1	1967	Residential		77	162	350		41,817	3,523	45,929	200	
Gothenburg	Biskopsgården 7:1	Långströmsgatan 26	1967	Residential	Yes			377		15,378		15,755	82	
Gothenburg	Biskopsgården 7:2	Långströmsgatan 14 C	1967	Residential	Yes	1,130		215		13,842		15,187	75	
Gothenburg	Biskopsgården 7:3	Långströmsgatan 10 A	1968	Residential	Yes			278		13,887		14,165	73	
Gothenburg	Bråmaregården 72:4	Hisingsgatan 28	1959	Office	Yes	2,495	889	42			20	3,446	22	
Gothenburg	Bur 134:1	Oxholmogatan 28	1989	Residential							302	302		
Gothenburg	Bö 93:2	Sofierogatan 1	1940	Office		8,302		472			316	9,090	81	
Gothenburg	Gamelestaden 25:11	Mariehölmogatan 4	1990	Office	Yes	3,058	681	178				3,917	24	
Gothenburg	Gamelestaden 26:13	Vassgatan 3	1988	Office	Yes	3,484		6,840			3,937	14,261	64	
Gothenburg	Gullbergsvass 11:2	Gullbergs Strandgata 40	1977	Other	Yes			5,865				5,865	24	
Gothenburg	Gårda 15:1	Fabriksgatan 7	1929	Office		7,158	207	487				7,852	122	
Gothenburg	Gårda 15:1 (15:12)	Drakegatan 2	1937	Residential		1,587	87			6,717		8,391	150	
Gothenburg	Heden 24:11	Engelbrektsgatan 73	1964	Hotel	Yes					17,875		17,875	218	
Gothenburg	Högsbo 1:1	J A Wettergrens gata 7	1967	Office		11,149		3,836			70	15,055	60	
Gothenburg	Högsbo 11:10	Victor Hasselbladsgata 8	1982	Office		4,050						4,050	18	
Gothenburg	Högsbo 38:17	Sisjö Kullegata 5	1986	Office		1,680					26	1,706	12	
Gothenburg	Högsbo 38:20	Sisjö Kullegata 6	1989	Office		2,010		780				2,790	19	
Gothenburg	Högsbo 38:8	Sisjö Kullegata 8	1990	Office		4,837		2,190			1	7,028	41	
Gothenburg	Inom Vallgraven 1:13	Drottninggatan 62	1986	Hotel						26,656		26,656	271	
Gothenburg	Inom Vallgraven 14:1	Södra Hamngatan 2	1929	Retail			2,637			2,190		4,827	80	
Gothenburg	Inom Vallgraven 15:3	Drottninggatan 30	1980	Office		3,847	379	108				4,334	86	
Gothenburg	Inom Vallgraven 16:21	Drottninggatan 10	1929	Retail		2,365	321	86			200	2,972	55	
Gothenburg	Inom Vallgraven 19:6	Drottninggatan 35	1929	Office		525	597					1,122	17	
Gothenburg	Inom Vallgraven 2:2	Drottninggatan 69	1929	Office		1,038	254					1,292	21	
Gothenburg	Inom Vallgraven 22:6	Kungsgatan 41	1869	Office		405	468					873	32	
Gothenburg	Inom Vallgraven 33:7	Magasinsgatan 26	1929	Office		2,189	897				258	387	3,731	46
Gothenburg	Inom Vallgraven 36:4	Kaserntorget 11 A	1912	Office		2,447		10	9,494		4,859	16,810		
Gothenburg	Inom Vallgraven 4:2	Lilla Kungsgatan 1	1929	Office		2,068	630	62			1,001	3,761	61	
Gothenburg	Inom Vallgraven 4:4	Lilla Kungsgatan 3	1929	Office		5,819						5,819	68	
Gothenburg	Inom Vallgraven 54:10	Lilla Torget 3	1929	Office		700	175					875	11	
Gothenburg	Inom Vallgraven 54:9	Lilla Torget 4	1929	Office		802		8				810	14	
Gothenburg	Inom Vallgraven 58:6	Kungsgatan 34	1989	Retail		1,767	230	10			2,728	4,735	106	
Gothenburg	Inom Vallgraven 8:1	Kyrkogatan 29-31	1850	Retail		1,526	1,668				10	3,204	110	
Gothenburg	Inom Vallgraven 8:19	Kungsgatan 56	1962	Office		712	409					1,121	47	
Gothenburg	Inom Vallgraven 8:20	Kyrkogatan 33	Saknas	Retail			803					803	17	
Gothenburg	Järnbrott 145:6	Svägrumsgatan 45	1963	Residential							3,844	13	3,857	29
Gothenburg	Kobbegården 6:725	Datavägen 12 A	1988	Office		3,268						3,268	22	
Gothenburg	Kyrkbyn 147:1	Almquistgatan 1	1967	Other	Yes				520			520		
Gothenburg	Källtorp 36:7	Solrosogatan 13 A	1935	Residential							769	105	874	11
Gothenburg	Källtorp 39:1	Råstensgatan 2 A	1936	Residential							791		791	10
Gothenburg	Lindholmen 39:2	Lindholmospiren 4	2013	Hotel						13,299		13,299	188	
Gothenburg	Lorensberg 46:1	Storgatan 45	1929	Retail		299	1,288	42			316	1,945	30	
Gothenburg	Lorensberg 46:10	Kungsportsavenyn 17	1944	Office		983	572					1,555	32	
Gothenburg	Lorensberg 46:11	Teatergatan 18	1929	Retail							1,203	1,203	19	
Gothenburg	Lorensberg 46:12	Kungsportsavenyn 11	1929	Retail			2,394					2,394	55	
Gothenburg	Lorensberg 46:5	Kungsportsavenyn 7	1929	Retail		201	766					967	20	
Gothenburg	Lorensberg 46:6	Kungsportsavenyn 9	1950	Retail							1,176	1,176	31	
Gothenburg	Nordstaden 10:15	Köpmansgatan 27	1900	Office		1,031	590				812	2,433	64	
Gothenburg	Nordstaden 10:16 & 10:17	Köpmansgatan 29	1929	Hotel			113			7,753		7,866	117	
Gothenburg	Olskroken 10:5	Olskroksgatan 30	1985	Office		1,974			2,501			4,475		
Gothenburg	Olskroken 25:11	Falkgatan 7	1932	Other					1,969		292	2,261		
Gothenburg	Rud 8:10	Munspelsgatan 10	1962	Residential		255		614			43,673	805	45,347	331
Gothenburg	Sannegården 25:1	Säterigatan 20	1971	Other		2,912		222				3,134	18	
Gothenburg	Sannegården 28:5	Sjöporten 1	1945	Office		69	307			1,161		1,537	23	
Gothenburg	Tingstadsvassen 3:6	Krokegårdsgatan 3	1944	Retail		65	3,493	230			6	3,794	77	
Gothenburg	Tingstadsvassen 3:7	Krokegårdsgatan 7	1987	Retail			5,243					5,243	91	
Gothenburg	Torslanda 153:1	Mossfyndsgatan 15	1989	Residential	Yes	362						362		
Gothenburg	Torslanda 155:3	Mossfyndsgatan 10	1989	Residential	Yes	300						300		
Gothenburg	Torslanda 95:1	Torslanda torg 2	1973	Retail		231	4,578	26			871	968	6,674	48
Gothenburg	Utby 39:11	Västra Tvärskedet 3	1990	Residential					116		351	467		

● Acquisitions during 2015.

Lettable area, sq.m.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Tax assessment value, SEKm		
						Office	Retail	Warehouse	Education/ Care	Hotel Residential	Other	Total	SEKm	
forts. Region Gothenburg														
Kungälv	Klocktornet 36	Västra gatan 57	1972	Retail			3,351				423	3,774	28	
Kungälv	Krabbetorget 1&35	Västra Gatan 84	1938	Retail		391	840				272	1,503	12	
Kungälv	Nedre Platt 1	Eastra Gatan 1		Saknas										
Kungälv	Rhodin 19	Strandgatan 77	1967	Retail			2,822	91			7	2,920	27	
Kungälv	Skomakaren 10	Fabriksgatan 10	1988	Office		1,781	478	79	1,474		312	4,124	31	
Kungälv	Slottsträdgården 5	Gamla torget	1958	Hotel					6,100			6,100	26	
Lerum	Floda 3:121	Gamla Vägen 26	1991	Residential							1,016	1,016	11	
Lerum	Lerum 43:21	Skattgårdsbacken 10	1991	Residential							1,383	1,383	3	
Lerum	Torp 1:328	Lindvägen 34 A	1988	Residential							428	11	439	4
Mariestad	Enen 23	Viktoriagatan 16	1985	Retail			3,889				1,952	5,841	40	
Mariestad	Furan 11	Stockholmsvägen 23	1962	Residential		121					1,620	637	2,378	32
Mariestad	Furan 12	Stockholmsvägen 25	1962	Residential				6			4,254	4,260	24	
Mariestad	Fårtickan 1	Bergsgatan 20	1968	Residential							4,632	4,632	24	
Mariestad	Granen 8	Viktoriagatan 17	1900	Other										
Mariestad	Hunden 3	Nya Torget 1	1900	Retail			2,187	260			158	1,251	3,856	14
Mariestad	Murklan 1	Bergsgatan 18	2005	Residential							12,599	12,599	60	
Mariestad	Staren 8	Nygatan 14	1900	Retail		355	1,621				86	2,062	9	
Mölnådal	Stockrosen 10	Northa Ågatan 26 C	1973	Office		1,648		53			35	1,736	10	
Mölnådal	Stockrosen 3	Northa Ågatan 38	1964	Office		604	408	5,017			190	6,219	17	
Mölnådal	Stockrosen 6	Northa Ågatan 34	1948	Office		551	1,212	252				2,015	10	
Skara	Almen 4	Sankta Annagatan 12 m fl	1986	Residential				17			602	90	709	
Skara	Aspen 1	Malmgatan 9 A-C m fl	1929	Residential							1,415	50	1,465	
Skara	Bisittaren 2	Stenåsgatan 4	1900	Residential							354	354		
Skara	Bisittaren 6	Härlundagatan 41 m fl	1990	Residential							300	300		
Skara	Boken 38	Brinkagatan 2 A-C m fl	1929	Residential							967	967		
Skara	Bromsen 5	Richertsgatan 1	1990	Residential							534	534		
Skara	Fjärilen 6	Folkungagatan 15 m fl	1929	Residential							350	350		
Skara	Frigga 4	Mariebergsgatan 4 A-B	1900	Residential							824	824		
Skara	Frigga 5	Mariebergsgatan 6 A-B	1900	Residential							828	828		
Skara	Heimdals 1	Hindsbogatan 43 A-B m fl	1900	Residential							632	50	682	
Skara	Heimdals 4	Hindsbogatan 37 A-B m fl	1900	Residential							647	25	672	
Skara	Plymen 4, 5	Vallgatan 36 A-B	1900	Residential							705	705		
Skara	Rådhuset 40	Nicolai Gränd 1-3 m fl	1900	Residential		198					1,905	2,103		
Skara	Sländan 1	Borggatan 8 A-C	1954	Residential							1,434	1,434		
Skara	Smörberget 2	Stenåsgatan 10	1900	Residential							410	410		
Skara	Svärdet 11	Vallgatan 30	1990	Residential							412	412		
Skara	Tallen 7	Hindsbogatan 20	1937	Residential							852	852		
Skara	Tor 10	Hindsbogatan 17	1929	Residential							689	689		
Skara	Tor 6	Marumsgatan 16	1900	Residential			312				829	1,141		
Skara	Tyr 1	Hindsbogatan 45 A-B m fl	1947	Residential							623	57	680	
Skövde	Dagslåndan 10	Bakvägen 2-32	1972	Residential		165					22,212	22,377	71	
Skövde	Ekoxen 10	Barkvägen 32	1974	Residential		2,453	180				21,826	6,166	30,625	96
Skövde	Mellomkvarn 1	Mellomkvarnsvägen 2	1972	Retail				10,959				10,959	32	
Skövde	Smeden 5	Petter Heléns Gata 2	1900	Office	Yes	2,598						2,598	15	
Skövde	Storängen 13	Kåsatörpavägen 5	1900	Office		2,181		70				2,251	9	
Trollhättan	Hoppet 1	Drottningg 13, Staveredsg 19	1992	Residential		295					2,341	265	2,901	21
Trollhättan	Ploggen 1	Lantmannavägen	1969	Residential	Yes	32		316			11,156	11,504	43	
Trollhättan	Ploggen 2	Lantmannavägen	1967	Residential	Yes						10,555	10,555	32	
Trollhättan	Propellern 7	Saabvägen 1	1992	Office		4,759					9	4,768	21	
Trollhättan	Sjöfrun 5	Magasinsg 4A-4B, Storgatan 35	1936	Residential			193				1,367	161	1,721	11
Trollhättan	Strandpiparen 12	Slättbergsvägen 22	1952	Residential							654	110	764	6
Trollhättan	Svan 7	Storgatan 47	1989	Hotel						11,632		11,632	53	
Trollhättan	Venus 9	Föreningsg 10A-10C, Easterlångg 44-46	1989	Residential		1,250	475				1,594	3,319	22	
Trollhättan	Verkmästaren 14	Ekholmmsg 11, Wallströmsg 9	1910	Other					1,421		75	1,496		
Töreboda	Advokaten 1	Northa Torggatan 7	1985	Retail	Yes		1,286				842	2,128		
Töreboda	Byggmästaren 5	Northa Torggatan 10	1929/1992	Residential			239				1,142	1,381		
Töreboda	Plåtslagaren 9	Stora Bergsgatan 4 A-B	1947-48/1992	Residential							1,849	1,849		
Töreboda	Rönnen 11	Stora Bergsgatan 20 A-B	1957	Residential		217					822	1,039		
Töreboda	Sotaren 12	Vadsbogatan 10 A-12 B	1947	Residential							976	976		
Uddevalla	Bagge 7	Kungsgatan 10	1968	Retail		1,239	1,380	103				2,722	22	
Uddevalla	Kålgården 51	Kyrkogårdsgatan 1, 3, 5	1930	Hotel		1,189	590	500	294	6,500	10	9,083	42	
Uddevalla	Sälghugget 1	Lillbräkegatan	1972	Residential	Yes	243	239	206			14,420	15,108	95	
Vänersborg	Resedan 15	Kungsgatan 5	1994	Residential			1,168				1,203	35	2,406	15
Total Gothenburg						124,368	75,795	44,521	19,919	98,528	381,028	35,804	779,963	5,448

Lettable area, sq.m.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Tax assessment value, SEKm		
						Office	Retail	Industrial/ Warehouse	Education/ Care	Hotel Residential	Other		Total	
Region Öresund														
DK, Greve	Ventrupparken 6	Ventrupparken 6	1900	Retail			4,723					4,723		
DK, Copenhagen	Staevnen	Robert Jacobsens Vej	2009	Residential						6,807		6,807		
DK, Copenhagen	Vestervold Kvarter	Jernbanegade 8	1900	Retail		5,300						5,300		
DK, Copenhagen	Easterfaelled	Marskengade 13	1996	Residential						43,528		43,528		
Helsingborg	Amerika Södra 28	Bryggaregatan 7	1950	Residential		561	501	20		5,163	1,363	7,608		
Helsingborg	Skalbaggen 15	Gustav Adolfs Gata 13	1939	Residential						762	19	781		
Helsingborg	Skalbaggen 16	Gasverksgatan 32 A	1935	Residential			195			2,155	65	2,415		
Helsingborg	Skalbaggen 17	Gasverksgatan 34	1935	Residential			83			712	32	827		
Helsingborg	Skalbaggen 18	Gasverksgatan 36	1933	Residential			34			818	66	918		
Helsingborg	Skalbaggen 19	Gasverksgatan 38	1935	Residential						708	57	765		
Helsingborg	Skalbaggen 20	Gasverksgatan 40	1935	Residential			83			632	109	824		
Helsingborg	Skalbaggen 21	Gasverksgatan 42	1935	Residential						711	103	814		
Helsingborg	Skalbaggen 22	Gasverksgatan 44 A	1930	Residential			143			1,905		2,048		
Helsingborg	Skalbaggen 23	Gustav Adolfs Gata 17	1967	Residential						3,685	60	3,745		
Helsingborg	Skalbaggen 24	Gustav Adolfs Gata 15	1983	Residential						2,134		2,134		
Helsingborg	Skalbaggen 7	Drakegatan 5	1929	Residential						688	111	799		
Helsingborg	Verdandi 1	Bifrostgatan 71	2006	Residential			62			3,763		3,825		
Helsingborg	Württemberg 20	Furutorpsgatan 29	1937	Retail		1,589	6,176	15		4,786	1,314	13,880		
Kristianstad	Hovrätten 41	Västra Storgatan 13	1985	Hotel			380		7,075			7,455		
Lund	Dioriten 1	Brunnsgård, Råbyvägen 1	2001	Office		3,080						3,080		
Lund	Jöns Petter Borg 14	Hedvig Möllers gata 2	2013	Hotel					8,462			8,462		
Lund	Kalkstenen 1	Kalkstensvägen 32	2000	Retail			2,180					2,180		
Lund	Lagfarten 1 & 2	Magistratvägen 10	1968	Office		3,472	1,005	289				4,766		
Lund	Porfyren 2	Climmervägen 3	1991	Hotel					15,711			15,711		
Lund	Rügen 1	Stralsundsvägen 1-25	2006	Residential						3,083		3,083		
Lund	Rügen 2	Stralsundsvägen 29	2006	Residential						5,264	528	5,792		
Malmö	Ledebur 15	Amiralsgatan 20	1990	Office		6,135					1,300	7,435		
Malmö	Lejonet 2	Lilla Torg 1	1929	Office		4,896	39	68		314	504	5,821		
Malmö	Rosen 9	Engelbrektsgratan 2	1960	Hotel			1,430		9,777			11,207		
Malmö	Spinneriet 8	Baltzarsgatan 20	1957	Office		12,487	3,053	2,137		5,540	1,454	24,671		
Malmö	Spännbucklan 12 & 13	Agnesfridsvägen 180	1983	Retail	Yes		5,320					5,320		
Malmö	Von Conow 54	Baltzarsgatan 31	1964	Office		9,316	4,398	491		2,584	4,185	20,974		
Trelleborg	Lavetten 41	Hedvägen 167-173	1987	Retail			990					990		
Växjö	Elden Södra 17	Biblioteksgatan 7	1985	Hotel			65		6,888		57	7,010		
Växjö	Kocken 3	Hejaregatan 19	1969	Hotel					3,982			3,982		
Åstorp	Asken 14	Esplanaden 15	1952	Residential		167	239	53		771		1,230		
Åstorp	Blålockan 9	Fågelsångsgatan 32 A	1966	Residential						808		808		
Åstorp	Boken 4	Esplanaden 19 A	1945	Residential		235	1,207	154		7,606		9,202		
Åstorp	Ekorren 27	Skolgatan 7	1929	Residential			337			639		976		
Åstorp	Hyllinge 5:122	Postgatan 12 A	1963	Residential				164	120	7,431	134	7,849		
Åstorp	Hästhoven 12	Fabriksgratan 19 A	1960	Residential			704	103		2,633		3,440		
Åstorp	Kastanjen 16	Esplanaden 7	1972	Residential		1,873	833			3,458	156	6,320		
Åstorp	Linden 11	Nyvängsgatan 1 A	1961	Residential						340		340		
Åstorp	Lotusblomman 15	Nyvängsgatan 31	1961	Residential						340		340		
Åstorp	Lungörten 1	Nyvängsgatan 2 A	1961	Residential						792		792		
Åstorp	Lärksoppen 10	Ekebrogatan 100	1972	Residential				42		8,030	165	8,237		
Åstorp	Lärkrädet 10	Ekebrogatan 1	1970	Residential				42		5,799	142	5,983		
Åstorp	Moroten 10	Torggatan 35 A	1954	Residential						776		776		
Åstorp	Resedan 1	Northa Storgatan 10 A	1964	Residential				28		1,061		1,089		
Åstorp	Svärdsliljan 7	Eastergatan 16 A	1958	Residential		245	457			6,457		7,159		
Åstorp	Tranan 1	Fjällvägen 10 A	1991	Residential						3,820		3,820		
Total Öresund						44,056	35,214	8,329	120	57,435	140,963	11,924	298,041	2,251
Region East														
Arboga	Gesällen 15	Bergsgränd 3 A	1958	Residential		436		230		5,048		5,714		
Arboga	Getingen 1	Västermovägen	1969	Residential						9,515	20	9,535		
Arboga	Hjulmakaren 25	Vikingagatan	1978	Residential						3,497		3,497		
Arboga	Ringsborg 1	Kapellgatan 29	1981	Office		1,488						1,488		
Arboga	Riskan 1	Trädgårdsgatan	1963	Residential		283		71		3,846		4,200		
Arboga	Vilsta 10	Jädersvägen	1965	Residential		59		48		8,264		8,371		
Arboga	Vilsta 21	Lundborgsesplanaden	1970	Residential				40		6,532		6,572		
Arboga	Vilsta 9	Jädersvägen 1	1961	Residential		200	835	46		7,439		8,520		
FI, Keminmaa	Joulantie 1-3		2001/2002	Retail			12,337					12,337		
FI, Kuopio	Leväsentie 2B		2006	Retail			20,123					20,123		
FI, Kuusamo	Loumantie 1-3			Retail			12,623					12,623		

● Acquisitions during 2015.

Lettable area, sq.m.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Tax assessment value, SEKm		
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel Residential	Other		Total	
Fi, Kuusamo	Ouluntaival 1		1978	Retail			3,718					3,718		
Fi, Mäntsälä	Mäntsäläntie 1		1989	Retail			3,574					3,574		
Fi, Nurmijärvi	Isoseppälä 14		1996	Retail			2,777					2,777		
Fi, Raisio	Kauppakatu 2		1995	Retail			5,786					5,786		
Fi, Seinäjoki	Kauppakatu 4		1971/1982	Retail			4,591					4,591		
Gotland	Soldaten 1	Volontärgatan	2005	Residential					29		3,050	50	3,129	32
Gotland	Västerhejde Vibble 1:457	Tvinnaregatan 10	1989	Residential							7,734	127	7,861	51
Jönköping	Björnen 6	Tormenäsgatan 15	1991	Office		773					176		949	6
Jönköping	Hålan 6:2	Bågvägen 1	1972	Residential					89		9,692	187	9,968	47
Jönköping	Lejoninnan 10	Nygatan 2	1965	Residential				14			11,113		11,127	80
Jönköping	Mjälaryd 3:300	Mickels väg 10 A	1991	Residential							2,611	337	2,948	17
Jönköping	Tigern 7	Backgatan 2 A	1968	Residential				16			5,985		6,001	47
Köping	Disa 1	Stora Torget	1929	Residential			662				924		1,586	7
Köping	Fenja 10	Västra Åpromenaden 20	1965	Retail		1,548	1,958				1,169	578	5,253	16
Köping	Freja 11	Stora G. 8, Ö:A Långg. 8-10	1929	Residential		124	876				1,612	69	2,681	11
Köping	Freja 3	Stora Gatan	1979	Residential			416				1,324		1,740	8
Köping	Immanuel 2	Tunadalsgatan 28	1965	Residential		120					11,131	273	11,524	45
Köping	Inga 1	Sankt Olovsgratan 52	1947	Residential		177	97				2,271	179	2,724	12
Köping	Tunadal 6-8	Tunadalsgatan	1971	Residential		330					8,226	990	9,546	15
Northköping	Gärdet 1	Rågången 71	1958	Residential			491				4,609		5,100	33
Northköping	Lammet 2	Kungstorget 2	1939	Residential		173	1,950				2,379	60	4,562	27
Northköping	Lokatten 12	Hosp.Gat9-11,Olai Kyrkog12,Trädg.G 8b,10	1992	Residential		1,693	380				5,364	533	7,970	69
Northköping	Planket 20	Bråddgatan 54	1983	Residential							1,139		1,139	10
Northköping	Planket 23	Plankgatan 46	1940	Residential		25	60				940	600	1,625	9
Northköping	Prinsen 18	Hospitalsgatan 42	1967	Residential			30	99			9,453	11	9,593	79
Northköping	Sprutan 8	Gamla Rådstugugatan 52	1940	Residential			370				1,241	145	1,756	13
Northköping	Stenhuggaren 25	Sandgatan 28	1960	Residential							2,914		2,914	23
Northköping	Storgatan 10	Drottninggatan 10	1929	Residential		484					1,146	755	2,385	14
Northköping	Storgatan 9	Drott.G14,G:A Rådst.G3-7,Nya Rådst.G2-4	1985	Residential		252	355	15			5,953	231	6,806	58
Northköping	Stävan 2	Rösgången 32	1959	Residential	Yes						3,639		3,639	25
Northköping	Tullhuset 1	Gamla Rådstugugatan 11	1929	Residential			273				1,320		1,593	13
Nyköping	Brandholmen 1:72	Idrottsvägen 12 E	2014	Other								16,324	16,324	
Tranås	Bågskytten 4	Grännavägen 21	1949	Residential							478		478	2
Tranås	Bågskytten 5	Stjärngatan 13	1991	Residential							500		500	3
Tranås	Falkberget 24	Vallgatan 6	1969	Residential							1,017	70	1,087	5
Tranås	Flundran 2	Granitgatan 2	1966	Other										1
Tranås	Forellen 3	Beckhemsvägen	1972	Residential		56		55			5,577	95	5,783	21
Tranås	Forellen 4	Beckhemsvägen 21	1930	Other							150	250	400	1
Tranås	Forellen 5	Beckhemsvägen 14	1969	Residential		348					6,019	10	6,377	22
Tranås	Gäddan 2	Beckhemsvägen 2	1966	Residential							3,402		3,402	13
Tranås	Jupiter 17	Plangatan	1988	Residential							476		476	2
Tranås	Kometen 10	Nämndemansgatan 8	1944	Residential							708		708	3
Tranås	Kullen 1	Västra vägen 7 A	1946	Residential							670	34	704	3
Tranås	Laxen 2	Beckhemsvägen 10	1967	Residential		324		65			9,114	290	9,793	34
Tranås	Laxen 3	Beckhemsvägen 8	1973	Retail							575		575	1
Tranås	Lejonet 5	Sveagatan 4	1940	Residential							1,279	63	1,342	7
Tranås	Lindkullen 11	Majorsgatan 18 A	1929	Residential							814		814	3
Tranås	Lindkullen 12	Majorsgatan 20	1949	Residential							943	128	1,071	4
Tranås	Lindkullen 13	Majorsgatan 22	1946	Residential							999	10	1,009	4
Tranås	Nordstjärnan 7	Storgatan 38	1965	Residential		265	966				1,504	216	2,951	11
Tranås	Northa Gyllenfors 9	Missionsgatan 10	1950	Residential		369	4,938	45			5,613	65	11,030	59
Tranås	Oden 12	Nygatan 18	1992	Residential		367	1,213				1,997	110	3,687	19
Tranås	Sutaren 2	Beckhemsvägen 12 A	1968	Residential		496					2,752	551	3,799	13
Tranås	Södra Framnäs 20	Framnäsgatan 2	1984	Residential							402		402	1
Tranås	Tigern 14	Götgatan 29	1960	Residential							736		736	3
Tranås	Tjädern 23	Framnäsgatan 1	1983	Residential							684		684	4
Tranås	Tornsvälan 3	Eastra Järnvägsgatan 1	1985	Residential							2,073	10	2,083	11
Tranås	Västermalm 23	Storgatan 15	1955	Residential			3,310	15			2,913	617	6,855	25
Tranås	Öringen 1	Granitgatan 5	1971	Residential							3,040		3,040	13
Västerås	Fältsmössan 1	Rönnergagatan 1	1963	Residential			150	106			14,331		14,587	193
Västerås	Klockarkärleken 2	Rönnergagatan 4	1962	Residential				260			5,778		6,038	33
Västerås	Rödsklinten 2	Bangatan 15	1957	Residential			133	120			7,003	30	7,286	40
Västerås	Sågen 1	Pilgatan 33	1980	Hotel						8,317			8,317	27
Västerås	Vallmon 6	Bangatan 1 A	1968	Residential				84			13,914		13,998	78
Västerås	Vapenrocken 1	Regementsgatan 62	1963	Residential		441		114			19,194	2	19,751	
● Fi, Sato	Several properties			Residential							392,044		392,044	
Total East						10,831	84,992	1,561		8,317	657,379	24,595	787,675	1,589

Lettable area, sq.m.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Industrial/							Tax assessment value,		
						Office	Retail	Ware-house	Education/Care	Hotel Residential	Other	Total	SEKm		
Region North															
Gävle	Holmsund 11:1 mfl	Korsnäsavägen 108 m fl	1958	Residential						1,200	260	1,460	3		
Gävle	Holmsund 7:6	Holmsundsvägen 7, 17–29	1929	Residential						2,948		2,948	10		
Gävle	Kastet 8:1, 12:1 m fl	Forskarvägen 27 m fl	1929	Residential		1,271	104			12,467	1,781	15,623	45		
Gävle	Lillhagen 5:3	Torkarvägen 2–14	1958	Residential						2,871		2,871	10		
Gävle	North 18:6	Nygatan 37–39 m fl	1985	Residential		42	408			2,641	385	3,476	30		
Gävle	North 27:2	Stora Esplanadgatan 9 m fl	1920	Residential		127	480			2,185	40	2,832	23		
Gävle	Söder 58:7	Södra Kungsgatan 44 m fl	1969	Residential		289	941	252		2,004		3,486	23		
Gävle	Sörby 10:9	Falkvägen 5 A–B	1994	Residential						512		512	4		
Gävle	Valbo-Backa 6:12	Johanneslötsvägen 6	1981	Other					7,382			7,382	31		
Karlstad	Anden 9	Åttkantslunden 1 A–B, 3 A–B	1983	Residential						1,472	20	1,492	13		
Karlstad	Braxen 34	Östra Kanalvägen 8 m fl	1944	Residential			321			1,198	521	2,040	13		
Karlstad	Druvan 1	Drottninggatan 22 m fl	1929	Residential			459			1,443	681	2,583	30		
Karlstad	Ekorren 9	Sandbäcksgatan 5 m fl	1929	Residential		715	46			1,811		2,572	18		
Karlstad	Furan 5	Gillbergsgatan 3 A–D	1951	Residential			119			1,710		1,829	16		
Karlstad	Furan 7	Jössegatan 3 A–B	1968	Residential						925	97	1,022	9		
Karlstad	Granatkastaren 4	Artillerigatan 1–5	1945	Residential						748		748	6		
Karlstad	Gruvan 12	Västra Kanalvägen 3	1991	Residential			126			2,525		2,651	25		
Karlstad	Gruvan 2	Östra Kyrkogatan 4	1929	Residential						1,064	102	1,166	10		
Karlstad	Grävlingen 3	Sundbergsgatan 20 m fl	1929	Residential			138			1,030		1,168	10		
Karlstad	Höken 1	Hamngatan 16	1929	Other					5,890			5,890	52		
Karlstad	Pilbågen 1	Sandelsgatan 2, 4, 6, 8	1942	Residential						2,184		2,184	16		
Karlstad	Registratorn 1	Northa Allén 26 A–B	1949	Residential						502	56	558	4		
Karlstad	Registratorn 8	Northa Allén 30 A–B	1948	Residential						456	61	517	4		
Karlstad	Registratorn 9	Northa Allén 28	1946	Residential		100				466	29	595	4		
Karlstad	Spiran 1-6	Lignellsgatan 1 m fl	1940	Residential			95			4,456	59	4,610	40		
Karlstad	Trätälja 11	Drottninggatan 37 m fl	1959	Residential			259			4,567	35	4,861	42		
Karlstad	Tusenskönan 1	Älvdalsgatan 8 A–C	1950	Residential	Yes		69			1,288		1,357	12		
Karlstad	Väduren 3	Rudsvägen 1 A–D	1942	Residential						1,344	24	1,368	12		
Sundsvall	Aeolus 1	Nybrogatan 19 m fl	1944	Residential		89	501			872		1,462	8		
Sundsvall	Bredsand 1:13	Appelbergsvägen 3		Ground											
Sundsvall	Bredsand 1:14	Appelbergsvägen 4		Ground											
Sundsvall	Bredsand 1:3 mfl	Appelbergsvägen 1 A–B	1950	Residential						7,127	82	7,209	21		
Sundsvall	Bredsand 1:4 mfl	Appelbergsvägen 14–18	1950	Residential						4,479		4,479	12		
Sundsvall	Dingersjö 28:27 mfl	Appelbergsvägen 26–32 m fl	1989	Residential						9,464	50	9,514	27		
Sundsvall	Dingersjö 3:131 m fl	Bergsvägen 3 A–J	1964	Residential						20,176	5,077	25,253	52		
Sundsvall	Fliten 10	Skolhusallén 9	1990	Office		3,125					36	3,161	25		
Sundsvall	Fliten 11	Rådhusgatan 39 A–B m fl	1992	Residential		272				3,371		3,643	29		
Sundsvall	Kvissle 2:53 & 2:43	Affärsgatan 26 A–D	1962	Residential						1,468		1,468	3		
Sundsvall	Kvissle 22:2 & 39:1	Affärsgatan 22–24 m fl	1968	Residential		192	137			6,311	45	6,685	15		
Sundsvall	Lagmannen 10	Esplanaden 18–22 m fl	1962	Residential		757	240	70		3,980	1,099	6,146	32		
Sundsvall	Nolby 1:48, 40:1, 1:108	Skolgatan 4	1983	Residential		1,070				4,079	766	5,915	15		
Sundsvall	Nolby 3:268	Brovägen 9	1988	Residential						997		997	3		
Sundsvall	Nolby 40:2	Affärsgatan 18 A–C	1964	Residential			866			2,166	207	3,239	8		
Sundsvall	Nolby 41:3 & 37:1	Affärsgatan 14 A–H, 16 A–N	1974	Residential			1,006			5,328	43	6,377	16		
Total North						7,957	6,351	1,083		13,873	126,947	9,139	165,349	783	
Total Fastighets AB Balder						348,070	226,614	76,740		36,307	272,958	2,375,980	93,418	3,430,088	15,146



Balder's Annual Report 2016

The people behind Balder

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Annual General Meeting

The Annual General Meeting of Fastighets AB Balder (publ) will take place on 11 May 2017 at 4.00 p.m. at the Radisson Blu Scandinavia Hotel, Södra Hamngatan 59 in Gothenburg.

Shareholders who wish to participate in the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB no later than Friday, 5 May 2017, and must give notice of their attendance by letter to Computershare AB, "Balder's Annual General Meeting 2017", Box 610, 182 16 Danderyd, by telephone +46 771 24 64 00 or via balder.se.

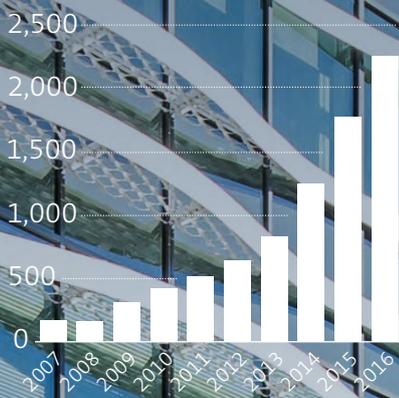
There are proxy forms available on balder.se for shareholders wishing to be represented by proxy. The final day for registration is 5 May 2017 at 4.00 p.m.

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 registration must be completed at Euroclear Sweden AB by Friday, 5 May 2017, at the latest.

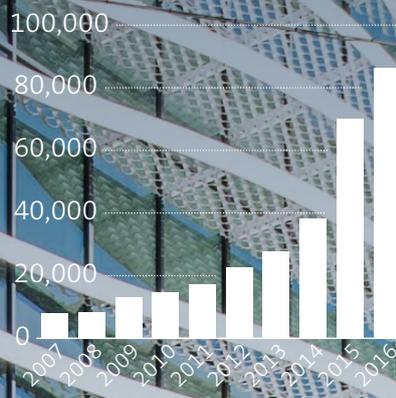
Where, how and why

Balder owns, manages and develops residential and commercial properties and hotels in Sweden, Denmark, Norway and Finland. Balder creates attractive and safe areas for people to live in and where new business can be developed. By having our own personnel in each location, we are always close to our tenants. In all of our locations, we want to be a committed, creative and long-term partner – regardless of whether you are a shareholder, business partner or tenant.

Profit from property management, SEKm



Property value, SEKm



Lettable area, %



CEO's comments

2016 was a positive year when, apart from financial key ratios, we also performed positively on many fronts. Balder invests in several countries, property categories and projects and through complete- and part-ownership.

Dear shareholder,

Profit from property management per ordinary share increased by 22 % during the year to SEK 11.89. The equivalent result for the fourth quarter 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 198.45.

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 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 for earnings and present value were equivalent to 31 December 2015.

In Collector, the value of the share was 19 % lower despite almost 40 % better key ratios per share. Using the same estimates as the previous year-end, the share price should therefore 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

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 %) with a net debt to

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

follow the changes over the years.

Operationally

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

It's a privilege for me to be able to work with all of you!

2017 and beyond

It is likely 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

total assets ratio (max. 55 %). These key ratios are obviously much alike, but the net debt to total assets key ratio is increasingly used, which means that it is good to clarify our goal for this key ratio.

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



"I personally believe that all parts of the company improved during 2016 and this is also generating more business opportunities."



Comments by the Chairman of the Board

The current housing shortage shows the challenge for companies like Balder in collaboration with the relevant municipalities to more rapidly start construction of housing projects.

The Swedish population is growing rapidly and with it the housing shortage. We now have more than 10 million inhabitants in our rectangular country. The increase has occurred quickly in recent years. Average life expectancy is increasing by 3.5 hours per day and this is an effect of the fact that more people are living longer. The number of new arrivals has increased in recent years and their families are coming with them.

Cities and metropolitan areas in particular are drawing and attracting people with their large choice. They offer jobs, a great variety of entertainment, places to see and shops to visit. What is lacking is good access to housing.

Young people who want to move from home, students who have obtained a desirable place in education, new arrivals who finally received their residence permit, older people who want to leave their house and move into a smaller centrally-located apartment – everyone is looking for apartments.

The current housing shortage shows

the challenge for companies like Balder, in collaboration with the relevant municipalities, to more rapidly start the construction of housing projects either in new areas or as additional housing in existing areas.

Housing demand is naturally greatest in growth regions such as Stockholm, Gothenburg and Malmö and surrounding municipalities. It is a challenge for Balder to find opportunities, produce plan decisions and build new housing for both younger and older people.

However, in many municipalities, the planning process needs to be accelerated and made more flexible. It takes far too long to start a construction project. Perhaps municipal leaders should rely more on serious companies and use their willingness to help in a constructive way.

This would be an opportunity that must be embraced with a sensible strategy, strong commitment on the part of Balder, close collaboration with the relevant municipalities and competent partners. The company is prepared to take its responsibility to create more residential properties!

The owners' instruction to the company is to create value.

The duties of Balder's Board of Directors include working on the Group's long-term development, follow up of the management's operational activities and to assure order and clarity in the company.

The duties of the Board also include advancing the work on sustainable development, in other words questions relating to ethics, diversity and the environment. Another important area is risk assessment in relation to demand, vacancies, the interest trend etc.

Balder has skilled and dedicated employees that implement the management's intentions efficiently in the day-to-day operations, and in the important meeting with tenants and partners. Combined with a management that skillfully makes the right deals at the right time, this guarantees that Balder will also continue to be a strong player in the property market.

Christina Rogestam
Chairman of the Board

Multi-year summary

Together with our shareholders, financiers, customers, suppliers and society at large, we look forward to good business opportunities for many years to come.

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Rental income, SEKm	5,373	2,711	2,525	1,884	1,701	1,466	1,333	854	633	678
Profit from property management before tax, SEKm ¹⁾	2,265	1,780	1,275	854	691	516	417	315	174	179
Changes in value of properties, SEKm	4,932	3,388	3,050	854	812	990	1,047	4	-201	642
Changes in value of interest rate derivatives, SEKm	-114	227	-624	433	-71	-520	148	-23	-333	7
Net profit for the year, SEKm ¹⁾	5,474	4,916	3,128	1,738	1,162	812	1,338	248	-388	785
Carrying amount of properties, SEKm	86,177	68,456	37,382	27,532	22,278	17,556	14,389	12,669	7,086	6,758
Data per ordinary share, including listed associated companies at market value ²⁾										
Average number of shares, thousands	173,598	162,753	161,786	159,537	159,537	158,656	149,487	112,902	95,910	97,318
Net profit for the year, SEK	30.38	28.98	18.10	10.11	6.69	4.87	8.95	2.20	-4.04	8.07
Profit from property management before tax, SEK	11.89	9.71	6.64	4.57	3.73	3.00	2.79	2.79	1.81	1.84
Outstanding number of shares, thousands	180,000	172,397	162,397	159,537	159,537	159,537	149,487	149,487	94,458	97,318
Shareholders' equity, SEK	157.63	128.03	70.10	52.14	42.15	35.57	31.13	22.19	19.63	23.49
Net asset value (EPRA NAV), SEK	198.49	159.14	86.33	60.50	50.37	41.84	32.89	22.16	20.95	22.33
Share price on the closing date, SEK	184.10	208.70	110.25	66.00	37.30	25.30	29.40	12.50	7.00	13.33
Changes in share price, %	-12	89	67	77	47	-14	135	79	-47	-22
Dividend, SEK	-	-	-	-	-	-	-	-	0.17	-
Data per preference share										
Share price at year-end, SEK	323.30	312.00	350.00	336.00	303.00	267.00	-	-	-	-
Total yield, %	10	-5	10	17	21	11	-	-	-	-
Dividend, SEK	20.00	20.00	20.00	20.00	20.00	20.00	-	-	-	-
Number registered, thousands	10,000	10,000	10,000	10,000	6,000	4,000	-	-	-	-
Property related										
Rental value full-year, SEK/sq.m.	1,583	1,508	1,325	1,216	1,247	1,163	1,087	1,072	1,298	1,193
Rental income full-year, SEK/sq.m.	1,507	1,455	1,254	1,148	1,166	1,088	1,016	1,002	1,218	1,107
Economic occupancy rate, %	95	96	95	94	94	94	94	94	94	93
Surplus ratio, %	68	72	70	68	68	68	66	69	70	70
Carrying amount, SEK/sq.m.	21,473	18,622	17,172	13,985	14,439	12,467	10,887	10,053	12,805	12,275
Number of properties	1,220	1,177	486	498	432	433	432	419	122	121
Lettable area, sq.m. thousands	3,806	3,430	2,177	1,969	1,543	1,408	1,322	1,260	553	551
Financial, including listed associated companies at market value ²⁾										
Return on equity ordinary share, %	20.9	28.2	29.7	21.5	17.0	14.3	33.6	9.6	-18.7	41.5
Interest coverage ratio, times	3.7	5.1	3.4	2.9	2.4	2.1	2.1	2.1	1.6	1.7
Equity/assets ratio, %	38.3	37.8	35.5	37.3	34.8	35.2	30.9	24.1	23.3	30.1
Debt/equity ratio, times	1.3	1.4	1.6	1.5	1.7	1.6	2.1	2.9	3.0	2.2
Net debt to total assets, %	50.0	51.6	54.6	53.3	57.3	56.0	62.3	68.9	69.4	66.5
EPRA key ratios										
EPRA NAV (Long-term net asset value), SEKm	35,728	27,436	14,019							
EPRA NAV, SEK per share	198.49	159.14	86.33							
EPRA Vacancy rate	5	4	5							

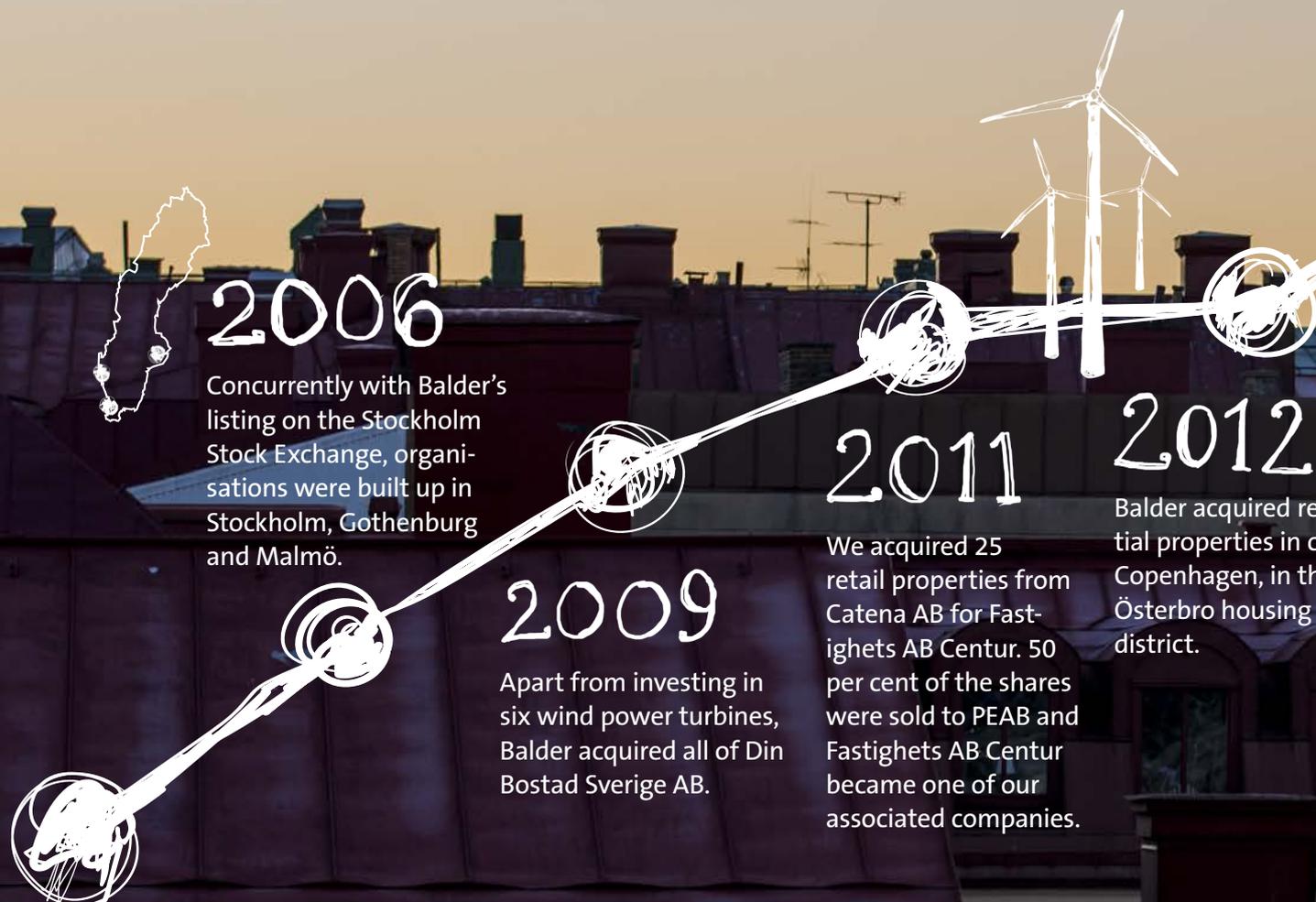
1) Attributable to owners of the Parent Company.

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 at market value.

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A lot can happen in 11 years

We have competed 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.



2006

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

2009

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

2011

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

2012

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

2005

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

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.

2015

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

2014

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

2013

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

Where are we going and how will we get there?

Balder's business concept is to acquire, develop and manage residential and commercial properties located in places that are growing and developing positively, based on local support.

Strategy

Balder creates value for its owners, customers, employees and the community. Balder accomplishes this by:

- Meeting and taking care of customer needs.
- Having short decision-making procedures.
- Carefully choosing cost-effective management solutions.
- Maintaining a high level of activity in all stages.
- Working actively on acquiring properties with development potential.
- Generating growth by investing and developing properties.
- Streamlining and improving the efficiency of property management.
- Being a long-term owner that bases its operations on stable cash flows and satisfied customers.

Overall goals

Balder's operations are focused on growth, positive cash flows and increased profit from property management. Balder shall achieve a position in each region whereby the company is a natural partner for potential customers.

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 a net debt to total assets ratio of not more than 55 %.

Operating goals

The company establishes quantitative and qualitative operating goals based on Balder's strategy, overall goals and financial policy. These are set for both the short-term and long-term. The goals relate to financial targets as well as goals relating to the environment and customer/employee satisfaction.

Dividend policy

Since Balder will prioritise growth, capital structure and liquidity over the next few years, the dividend for the ordinary share will be low or will not be declared at all. The dividend for the preference share amounts to SEK 20.00 per year.





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 by future property acquisitions and/or property divestments. Additional items affecting the operating result are changes in value of derivatives. None of these have 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 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 SEK million	2016 31 Dec	2015 31 Dec	2014 31 Dec	2013 31 Dec	2012 31 Dec	2011 31 Dec
Rental income	5,800	5,045	2,730	2,260	1,800	1,530
Property costs	-1,695	-1,635	-800	-735	-560	-465
Net operating income	4,105	3,410	1,930	1,525	1,240	1,065
Management costs and administrative costs	-490	-425	-165	-165	-120	-105
Profit from property management from associated companies	505	340	220	170	120	90
Operating profit	4,120	3,325	1,985	1,530	1,240	1,050
Net financial items	-1,040	-880	-585	-535	-495	-445
Of which non-controlling interests	-445	-410	-	-	-	-
Profit from property management	2,635	2,035	1,400	995	745	605
Taxes	-570	-439	-308	-219	-164	-159
Profit after tax	2,065	1,596	1,092	776	581	446
Profit after tax attributable to						
Ordinary shareholders	1,865	1,396	892	576	461	366
Preference shareholders	200	200	200	200	120	80
Profit from property management per ordinary share, SEK	13.52	10.64	7.39	4.99	3.92	3.29

The share and owners

Balder has two different Classes of shares quoted on Nasdaq Stockholm, Large Cap; an ordinary Class B share and a preference share.

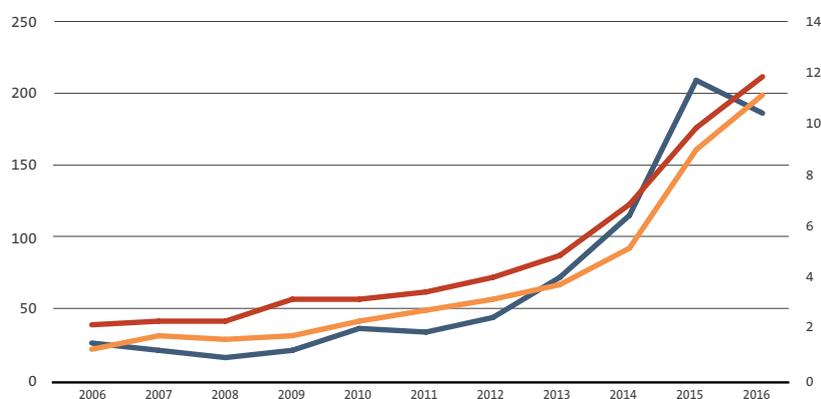
The company's overall market capitalisation as of 31 December amounted to SEK 36,371m (39,099) and the company had 22,000 shareholders (17,200) at year-end. Balder carried out a directed new issue of 3,000,633 ordinary Class B shares during September, which raised about SEK 681m after issue expenses. Subscribers in the issue were a large number of Swedish and foreign institutional investors. For existing ordinary shareholders, the issue implied a dilutive effect of 1.7 % of the capital. In late 2016, Balder also carried out a set-off

issue of 4,602,515 ordinary Class B shares, which raised about SEK 1,099m after issue expenses. The set-off issue was carried out in connection with the acquisition of all properties in the company I.A Hedin Fastighet AB from Anders Hedin Invest AB. The issue implied a dilutive effect of approx. 2.6 % of the capital for existing ordinary shareholders in Balder. Through the set-off issue, Anders Hedin Invest AB became one of the largest owners in Balder, with 2.6 % of the capital and 1.7 % of the number of votes. 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, of which 11,229,432 shares are of Class A, 168,770,568 of Class B and 10,000,000 preference shares. Balder has no repurchased ordinary shares, which means that the total number of outstanding ordinary shares amounts to 180,000,000. Each Class A share carries one vote, and each Class B share and preference share carries one tenth of one vote.

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

SEK/share



Performance of the ordinary share

The price of the ordinary share was SEK 184.10 (208.70) at year-end, equivalent to a decrease in value of 12 % (+89) during the year. The increase since 1 January 2006 amounted to 1 200 %. At year-end, the number of ordinary shareholders amounted to 14,000 (9,300).

— Share price
— Net asset value (EPRA NAV)
— Profit from property management

Share price/Net asset value and profit from property management

%



— Share price/Net asset value
— Share price/Profit from property management



During the year, 90.2 million ordinary shares were traded, equivalent to 357,000 shares per trading day (270,000) or SEK 74m (40) based on the average price during the year. The turnover corresponds to an annual turnover rate of 52 % (42) and if Erik Selin Fastigheter AB's shares are excluded, the annual turnover exceeded 83 % (70) of the outstanding ordinary shares. The proportion of foreign-owned shares amounted to 20.0 % (22.1).

Equity growth

Equity per ordinary share (account associated companies to market value) amounted to SEK 157.63 (128.03) on 31 December, corresponding to an increase of 23 % (83) during the year. Net asset value per ordinary share (EPRA NAV) increased during the same period by 25 % (84) to SEK 198.49 (159.14). The difference between equity and net asset value is that in the net asset value, derivatives and the net of deferred tax liabilities and deferred tax assets are reversed. In the past 10 years, net asset value increased by an average of 34 % per year (35). The share price/net asset value ratio was 93 % (131) at year-end.

Profit from property management before tax attributable to the parent

company's shareholders amounted to SEK 2,265m (1,780), which corresponds to an increase of 27 % (40) compared to the previous year. In the past 10 years, profit from property management increased by an average of 32 % per year (33). Profit from property management per ordinary share increased by 22 % (46) and in the past 10 years the average increase was 23 % (23).

Performance of the preference share

The price of the preference share was SEK 323.30 at year-end (312.00), corresponding to a total annual yield, including dividend, of 10.0 %. The number of shareholders amounted to about 9,300 (8,700) and 3.3 million shares were traded during the year (3.3), equivalent to just over 13,000 shares per trading day (13,000), corresponding to about SEK 4.2m (4.5), based on the average share price for the year. The annual turnover in the preference share corresponded to 33 % (33) of the total number of preference shares.

The preference share carries preferential right over the ordinary share to an annual dividend of SEK 20 with quarterly dividend of SEK 5. Record days for dividend are 10 January, 10 April, 10 July and 10 October.

If the dividend on the preference share is not paid in time or for a lower amount, the difference shall be added to amounts unpaid, including interest of 14 %.

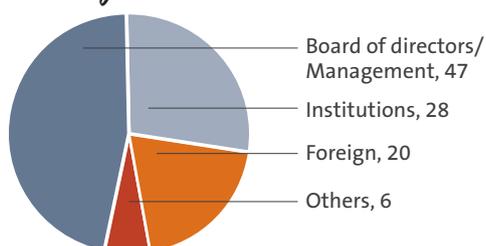
Dividend policy ordinary shareholders

Balder's goal is to generate the best total yield for its shareholders. We believe that we do 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 2016 financial year.

Shareholders

The principal owner in Fastighets AB Balder is Erik Selin Fastigheter AB, which holds 34.5 % of the capital and 48.2 % of the votes. Other large owners are Arvid Svensson Invest AB and Swedbank Robur fonder. At the end of 2016, the total number of shareholders amounted to about 22,000 (17,200). After the two issues carried out during 2016, 47 % (49) of the ordinary share capital is held by the Board and Management.

Ownership distribution, ordinary shares %



Analysts following Balder:

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

Performance of Balder's share

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Data per ordinary share, including listed associated companies at market value ¹⁾										
Share price at year-end, SEK	184.10	208.70	110.25	66.00	37.30	25.30	29.40	12.50	7.00	13.33
Profit from property management, SEK	11.89	9.71	6.64	4.57	3.73	3.00	2.79	2.79	1.81	1.84
Profit after tax, SEK	30.38	28.98	18.10	10.11	6.69	4.87	8.95	2.20	-4.04	8.07
Shareholders' equity, SEK	157.63	128.03	70.10	52.14	42.15	35.57	31.13	22.19	19.63	23.49
Long-term net asset value (EPRA NAV), SEK	198.49	159.14	86.33	60.50	50.37	41.83	32.89	22.16	20.95	22.33
Total yield, %	-12	89	67	77	47	-14	135	79	-46	-22
Dividend, SEK	-	-	-	-	-	-	-	-	0.17	-
Number registered, thousands	180,000	172,397	162,397	162,397	162,397	162,397	152,347	152,347	97,318	97,318
Number outstanding, thousands	180,000	172,397	162,397	159,537	159,537	159,537	149,487	149,487	94,458	97,318
Data per preference share										
Share price at year-end, SEK	323.30	312.00	350.00	336.00	303.00	267.00	-	-	-	-
Total yield, %	10	-5	10	17	21	11	-	-	-	-
Dividend, SEK	20.00	20.00	20.00	20.00	20.00	20.00	-	-	-	-
Number registered, thousands	10,000	10,000	10,000	10,000	6,000	4,000	-	-	-	-
Market capitalisation										
Market capitalisation, SEKm	36,371	39,099	21,404	13,889	7,800	5,104	1,395	1,869	661	1,298

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 December 2016

Owners	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
Total	11,229,432	168,770,568	10,000,000	190,000,000	100	100

Our customers

Local property management

Balder's business areas consists of the regions Helsinki, Stockholm, Gothenburg, Öresund, East and North and consists of 17 areas. In each region the property management is managed by own staff responsible for letting, operations, environment and maintenance. Balder's own management organisation enables fast decisions, proximity to the customer, good local knowledge and the opportunity to work on a long-term with property management. The company offers a wide range of commercial and residential premises in different locations with various rental levels.

Satisfied customers, year after year

Balder works actively to create and retain satisfied customers. We offer clear customer-oriented management with customer needs in focus. We conduct regular customer surveys in order to measure our Customer Satisfaction Index, (NKI).

During autumn 2016, Balder carried out its fourth CSI survey for Sweden in collaboration with AktivBo. The survey was sent out to half of the company's residential tenants and to all commercial tenants (approx. 9,000 tenants in total).

In all measurements carried out since 2011, Balder's customer satisfaction has improved steadily. This year's increase qualified us for the third time for a nomination for the sector's major CSI award "Kundkristallen". Our nomination was in the "Biggest boost in the service index" category for property companies with more than 9,000 apartments.

Valuable decision data

We use the results of our surveys as decision data in the organisation, which provides added value for customers, the company and society.

Balder's basic philosophy, long-term ownership, relationship-building management and local base, generated a very good response from our tenants. Despite Balder's geographical spread, there was only a difference of a few percentage

points between tenant answers.

Our tenants believe that Balder is very accessible and easy to reach. More than 90 % of our customers are very satisfied with accessibility by mail, telephone and with the possibility of a personal visit.

Staff are easy to recognise and Balder receives a particularly good result when it comes to customer treatment.

Waste management and the company's possibility to offer sorting of household waste continues to be something that is strongly requested by our tenants and where there is room for improvement.

Balder's efforts to improve information routines since the previous measurement delivered very good results and our tenants are very satisfied with the information from the company.

Personal case management

Customer service is an important function at Balder. Here we take care of the contact with customers so that possible defects and shortcomings can be discovered at an early stage.

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 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. The average lease term for the entire commercial portfolio amounted to 7.1 years (6.3).

The lease structure on 31 December 2016 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.

Balder's 10 largest costumers as of 31 December 2016

- I.A. Hedin Bil
- ICA Sverige
- Kopparbergs Bryggerier
- The Norwegian state
- Profilhotels
- Scandic Hotels
- SCA Hygiene Products
- City of Stockholm
- Stureplansgruppen
- Winn Hotel Group

Lease structure 31 December 2016

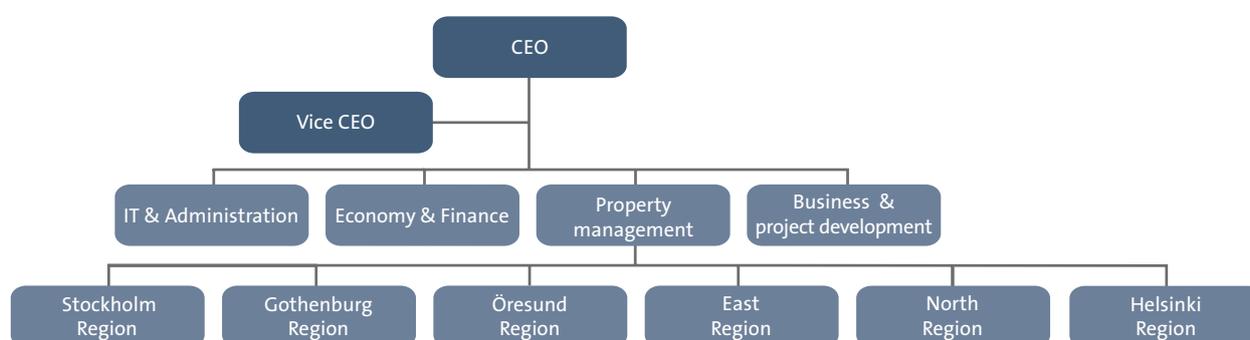
Maturity date	Number of leases	Share, %	Contracted rent, SEKm	Share, %
2017	1,071	37	176	3
2018	694	24	237	4
2019	491	17	270	5
2020	329	11	222	4
2021–	329	11	1,095	19
Total	2,914	100	2,000	34
Residential ¹⁾	38,000		3,740	64
Carpark ¹⁾	5,879		17	0
Garage ¹⁾	4,529		43	1
Total	51,322		5,800	100

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



Organisation and employees

Balder's employees are characterised by a strong drive to develop in their work and an interest in working in an organisation, which stands for a long-term approach, an entrepreneurial spirit and fellow-feeling.



The company's rapid development, is due, among other things, to Balder's committed and knowledgeable employees who create results based on a team spirit and collaboration. We take advantage of each other's strengths and experience and launch new ideas for further development of both the operations and personnel. To be part of Balder imposes high demands but also provides excellent development opportunities. Balder has short decision-making paths and an open atmosphere and promotes respect and honesty. We have a shared responsibility for creating confidence among our customers and employees.

Balder as an employer

Balder's employees are characterised by a strong drive to develop in their work and an interest in working in an organisation which stands for a long-term approach, an entrepreneurial spirit and fellow-feeling. Balder creates work satisfaction by allowing employees to participate in development of their duties. We are proud of not being like the others. Through our

employee's commitment, competencies and development, we create a culture of diversity with a pleasant atmosphere. The company offers different opportunities for our employees to develop in their existing roles and the chance of seeking new internal challenges.

Balder's organisation

Balder is in continual development. The company's project departments for new construction and conversions expanded during the year and contributed to the company's continued increase in personnel. The property management organisation, excluding Sato, on 31 December consisted of 334 (315) employees and is geographically divided into regions with local offices, which are responsible for letting, operations as well as the environment and property management. To support property management operations, group-wide resources are located in Malmö and also at the head office in Gothenburg. At year-end, 37 people (37) worked within these support functions, excluding Sato.

Balder's social engagement

Balder is continuing to engage itself in the areas it operates in. We want to be an involved and responsible corporate citizen, which can contribute experience and resources. In all contexts, we work actively to ensure a safe and pleasant residential environment.

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.

Employees	2016-12-31	2015-12-31
Number of employees ¹⁾	546	522
– of which women ²⁾	255	234

1) Of which 175 (170) employees in Sato.

2) Of which 121 (110) women in Sato.



"I work as a Business & Project developer at Balder and am in charge of the group that works with Balder's project development and new production in the Gothenburg region. The most fun aspect of my job is to be part of developing Gothenburg. Creating new attractive city districts with housing for people to live their lives in and new buildings and premises for people to work and run their companies in.

The positive atmosphere at Balder and in the Group and the really excellent project portfolio means I have the best job in Gothenburg, if you like project development and I do.

Most things are possible at Balder and new deals and exciting projects ideas constantly turn up."

Erik Lavehall, Business & Project developer at Balder



Sustainable Business

Balder strives to be a long-term owner that takes responsibility by growing and developing in line with our sustainability work. Every day and in every process, we strive to improve our working methods and thereby reduce the environmental impact from our operations.

We also have the ambition to build a company that creates value for its owners, customers, employees and the community. Thus social responsibility is a natural part of Balder's day-to-day work.

Engagement fosters good initiatives

Work, education and housing are three basic factors that improve people's sense of participation and inclusion in society. This in turn creates a positive value for the individual, for us as a property owner and for society in general. Therefore we are locally involved in our property areas. One example of how Balder's engagement has led to one of our important initiatives is the Bergsjön initiative.

The Bergsjön initiative

Balder owns more than 800 apartments in the Bergsjön district of Gothenburg. Many residents in Bergsjön lack a business network and there is also high unemployment here. During 2014, Balder started the Bergsjön pool, an initiative where Balder employed young adults in the immediate surroundings in order to work with basic property maintenance. The project was successful and Balder employed a further 16 people during 2015. Through the work in the Bergsjön pool, many of the employees gained work experience and a reference to facilitate future job searches. Of the 16 people in the Bergsjön pool, nine people in 2016 went on to secure another job and two of them gained permanent employment with Balder. When the decision was taken to create the Bergsjön pool in 2016/2017, we asked ourselves how Balder could help more people in the area to enter the labour market. The answer was the Bergsjön initiative – which aims to make a network available as well as

contacts for working life.

The initiative will also make it easier for workers and employers to find each other.

Read more about the Bergsjön initiative at balder.se.

Long-term approach

Balder strives to be a long-term owner that bases its operations on stable cash flows and satisfied customers. Therefore we impose demands on ourselves, but also on our business partners. Our operations should radiate honesty and trustworthiness. We should analyse our decisions carefully in order to stand over them and we should not obtain benefits through our position. We subject all major purchasing to competition and conduct central procurement processes to obtain better control over our suppliers and the entire sourcing chain. Handling our business relationships with trustworthiness and honesty is very important to us and also that our business partners respect and act in the same way towards us.

Balder is investing in new production

One of Balder's watchwords is sustainability. Therefore it is important for us to be involved in the entire chain from concept to finished project.

Balder is currently working actively with development of residential projects. One of our watchwords is sustainability and therefore we consider it important for Balder to monitor the entire chain from concept to finished project. Through great dedication and solid knowledge, Balder wants to create modern, attractive and good-value apartments in lively and safe residential areas. Our ambition is to be a long-term player in urban and property development in the Nordic region.

Balder's residential projects are mostly planned in areas where we currently own properties. Before start of construction, we conduct a dialogue with existing tenants, municipalities and nearby residents in order to find out what is perceived as positive and also less positive in the residential area. Are the footpaths in the area safe or is further lighting required along certain thoroughfares? Are there good communications at present? Are services in the area good? These are examples of questions we ask with the aim of improving the zoning plan and creating as safe and pleasant residential areas as possible.

Balder believes that diversity is important to create attractive and lively residential areas. Therefore we also aim to create better variation in our residential areas, both in terms of housing forms and new building design.

We want to create housing for more

people and we want our tenants to long for home.

Today there is a housing shortage in large areas of our country. Having your own home is not a given but at the same time is a requirement for living a secure and independent life. Thus new construction is something that Balder has very much at heart.

Balder wants to build homes for more people. Social engagement is a natural part of our work and a way to help promote sustainable social development. Every day and in every process, we aim to reduce our environmental impacts, from minor day-to-day ones to larger impacts in major projects. As far as possible, we should always choose the better environmental alternative without compromising on quality.

We are engaged in these issues both locally and regionally. In order to succeed with this, great commitment is required from our employees but we also collaborate with other players.



Balder's environmental responsibility

Balder is committed to sustainable social development both locally and regionally and strives to ensure that people feel comfortable in and around its properties.

During the year, the government decided that all large companies need to prepare a sustainability report, which should describe the company's work relating to the environment, social conditions, personnel, human rights and anti-corruption. The requirements come from an EU directive, aimed at making sustainability work more transparent and comparable among different companies.

Fastighets AB Balder is included in the companies that will need to report sustainability starting from 2017. We will prepare our sustainability report as a combined part of our annual report.

We see great benefits in working strategically with ecological, economic and social sustainability work. Balder wants to contribute to a sustainable society through social engagement, a positive environmental trend and by being a stable economic player over time. Balder is committed to sustainable social development both locally and regionally and strives to ensure that people feel comfortable in and around its properties. To achieve this, committed employees are required but also that we collaborate with other social actors.

Energy

During 2016, Balder had a goal of reducing its energy consumption and the outcome was 1.8 % lower than 2015. We will intensify this work during 2017.

Balder's 10 wind turbines generated 24.2 million kWh which is 1,7 million kWh more than the previous year, equivalent to an increase of 8 %.

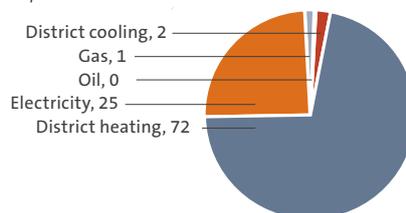
A small number of properties still have a heating system, which is partly based on fossil fuels. These systems are only put into operation when the regular heating

system is insufficient. Work on phasing out these systems is ongoing and other solutions will continue to be evaluated and implemented.

Fastighets AB Balder, according to the EU is defined as a *large company* and is thus subject to the EU's energy efficiency directive (2012/27/EU) and the *Act on Energy Audits of Large Companies* (2014:266). The property sector has been identified as one of the largest users of energy. Together with the services sector, the property sector accounts for about 40 % of Sweden's total energy usage.

In order to meet the requirements, Balder has chosen 65 properties and about 480,000 m² where energy audits will be performed during 2017. The selection made was based on geographical position, type of building and on how representative the building is of the rest of Balder's portfolio. The properties are divided into 12 different categories. No properties built after 1995 were included in the selection as the energy reduction potential is small compared to what can be achieved in older properties. The energy audits will produce a report per property and will provide a basis for deciding what investments are appropriate and cost estimates for each measure. This will then be used as a basis for maintenance plans and for establishing goals and actions plans going forward.

Total power consumption per source, %



Environment

Balder works actively to achieve a *Good built environment*, which is one of Sweden's 16 environmental goals. One of the indicators for reaching this goal relates to Radon management efforts. The Public Health Agency of Sweden has set a maximum threshold of 200 becquerel/m³ in apartments, schools, nursery schools and public buildings up to 2020. During the year, Balder started work on measuring large parts of the holdings. We are focusing on residential properties and premises for care facilities and education. During the winter months of 2016/2017, we will measure about 200 of our properties. Based on the measurement results, we will put together action plans for the properties where the reading is higher than 200 Bq/m³.

During the year, Balder reduced its emissions by about 230 tonnes of carbon dioxide through waste recycling, which is equivalent to 460 charter trips by air between Sweden and Thailand. Balder's goal has been that the existing commercial property portfolio should have a sorting rate of > 55 %, which for 2016 came in at 74 %, which was an increase compared to the previous year (58 %).

During the autumn, we engaged a new contractor for waste management in our properties. With this change, all refuse rooms will be checked to make an inventory of what is there today and what improvement measures are possible. The hope is that all factions of household waste can be sorted in the properties. Furthermore, all displays in refuse rooms will be altered in connection with the change and information about the factions will be available in several languages.

Systematic fire protection

As a property owner, Balder is responsible for ensuring that its properties maintain adequate fire protection according to *Civil Protection Act (SFS 2003:778)*. Balder works systematically with fire protection. During spring 2016, we started our systematic fire protection work in the whole country, in respect of residential properties and commercial properties.

The work was initiated after signing a nationwide agreement with a supplier, which has assumed responsibility for making a risk and fire protection inventory of all of Balder's properties in Sweden.

The work produced an action list for existing shortcomings and provided an

overall view of the different fire protection installations in our properties.

The inventory-taking started in May 2016 and was compiled and completed in December 2016. In 2017, all information from this work will be used to update our internal property operation & maintenance programmes, where installations and inspections are managed and planned.

In order to achieve higher fire protection in our properties, an entirely new inspection round concept, focused against fire has started, and will be performed using our own personnel.

In order to keep these inspection rounds and the overall competencies of

personnel at a high level, we trained all staff during the year that actively work in our properties in fire protection.

We have also produced a new fire protection policy and created a new fire protection organisation.

What added value will be created by our systematic fire protection work?

We enter 2017 with better control over fire protection in our properties and with that knowledge, we can create better operation & maintenance routines for our fire protection installations, resulting in improved personal protection for our tenants and for our properties generally.





Space for business acumen since 1808

Chalmersska huset has been a residential building and bank, meeting place and dining hall. The building is an important part of Gothenburg's history and Balder is happy to manage the part of the building that houses a magnificent bank vault.

Businessman and university founder William Chalmers was an important man for the city of Gothenburg. He was a gifted merchant who was interested in both knowledge and art. Towards the end of the 18th century, he accompanied the Swedish East India Company to China, which resulted in successful business trips and he also became a director of the company. In his will, he set aside funds to establish an apprentice training school in Gothenburg. A couple of years after his death, the Chalmers School of Arts and Crafts was founded today renamed

Chalmers University of Technology. A world-famous university that has educated many inventors, company leaders, architects and engineers over the years.

Chalmersska huset

In 1805, William Chalmers started to construct a new residential property. The building was designed by the Gothenburg city architect Carl Wilhelm Carlberg and was furnished with Swedish-made furniture and Chinese influences from the East India Company's trading trips.

The building is strategically positioned close to the port, on Södra Hamngatan 11. William Chalmers moved into his building in 1808, but he only managed to live there for 3 years before he passed away in 1811.

Many famous Gothenburgers have lived in the building since then. Among other people, the industrialist David Carnegie used the building as a warehouse, office and as a residence for employees. Carnegie's partner Oscar Ekman moved into the building in 1849 and with short interruptions the Ekman family lived in



“During the second half of the 19th century Gothenburgers acquired their most valuable possessions in the Chalmersska huset’s bank vault. Even today, you can sense the vault’s importance and history, it makes the property even more exciting to manage and preserve.”

Erik Selin, Chief Executive Officer, Balder

Gothenburg’s public bank vault

On 1 April 1864, Oscar Ekman with business partners opened a bank in the Chalmersska huset. They called their company Skandinaviska Kreditaktiebolaget and later bought the adjacent building in order to construct Gothenburg’s first public bank vault. Here the public could rent a compartment to store their savings and articles of great value, which was an appreciated modern innovation. In 1980, Chalmersska huset was declared a listed building by the County Administrative Board and in 2006, SEB bequested the build-

ding to Chalmers University of Technology.

Meetings, dinners and deals

Today the remaining part of the building is owned by Chalmers Fastigheter and the building serves as a meeting place for conferences, seminars, workshops, entertainment, lunches and dinners. Here Nobel Laureates receive a dignified welcome, doctor’s degrees are conferred and board meetings and banquets are held.

A guided tour of the building provides an idea of the splendour that is still apparent. Dining rooms and lounges are decorated in a spirit characteristic of the period and paintings from famous artists

hang on the walls.

Skandinaviska Kreditaktiebolaget moved from Chalmersska huset to the Antikhallarna premises in 1882. Balder has managed the bank vault since 2014 and we are very proud to look after such a distinguished building. In collaboration with Chalmers Fastigheter, which manages the remaining part of the building, we ensure the preservation of part of Gothenburg’s history.

Sources:

Heidi Holst, manager, Chalmersska huset
<http://www.chalmersskahuset.se>

<https://www.chalmers.se/sv/om-chalmers/chalmersska-huset/Sidor/Chalmersska-huset.aspx>



The property market

The low interest environment is continuing and the gap between property yields and the lending rate means that the investment climate for properties is still extremely favourable and we continue to see a strong performance in the Swedish property market.

The Swedish property market

2016 will go down in history as a record year in the Swedish property market. Record-low interest rates have meant a favourable climate for property investments.

The low interest rate situation and the opportunities for returns offered by property investments, relative to other asset classes, have meant that capital has flowed into the property segment. The transaction volume totalled a record SEK 218 billion (transactions >SEK 10m) and the proportion accounted for by Swedish investors alone exceeded the

total volume during the previous record year of 2006.

New tax rules for disposal of shares in subsidiaries and packaging of properties as well as stamp duty and transaction tax can mean that transaction volume will be lower in 2017 than 2016. Information about new legislation is expected to be presented during March 2017.

According to MSCI/IDP Swedish Property index, the total yield on property investments amounted to about 13.9 % during 2016. The change in value increased from 8.7 % during 2015 to 9.1 %

while the yield showed the lowest level since 1990 and amounted to 4.4 %. The highest total yield was shown by offices at 16 %. The total yield for residential decreased and amounted to 11.9 %. Direct investments in properties generally continued to display a higher yield than the stock market during 2016, 13.9 % compared to 9.6 % according to SIXRX.

All in all, we can now sum up seven good years in the Swedish property market with falling yield requirements and positive changes in value.



Aerial photo Stockholm

The residential market

In the residential segment, which has been the dominant investment class in the Swedish property market, the price trend in the private residential market has been positive since 1996 and the total yield for residential apartment buildings, with the exception of 2008, since 1993. Risk capital has increased noticeably, which is seen in the way that “million programme” properties, despite significant maintenance needs, represent attractive investment objects in submarkets with strong population growth and low rental risk. This is also seen in a number of large transactions in smaller submarkets.

Institutional players are large investors in the property market and in recent years have increased their properties holdings both in Sweden and in other markets. The largest players in the Swedish property market mainly include insurance companies and pension funds and in particular the Swedish National Pension Funds.

New production

Several players have chosen to diversify their operations with investments in pro-

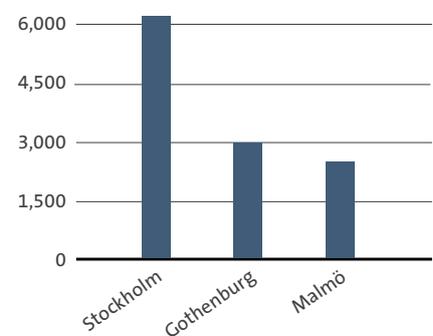
perty development and new apartment production. Pressed yield requirements together with a positive development in the rental market, with low vacancies in metropolitan areas on the office side and a housing shortage in most Swedish municipalities, means that investments in new production have become even more attractive.

2017 looks like it will be another strong year for the property market. A shortage of modern efficient offices will maintain rents at a high level. The housing shortage means strong cash flows and low vacancy rates on the residential side and a continued low interest environment means that properties will continue to be attractive for Swedish and foreign investors.

Source: NAI Svefa

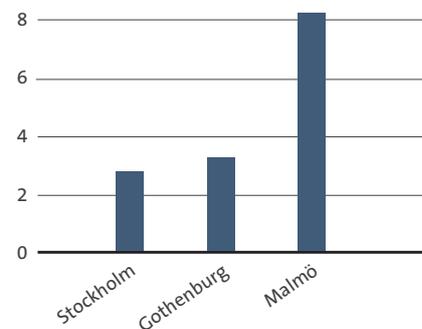
Rental levels (highest rent)

Office CBD, SEK/sq.m.



Vacancy rate

Office CBD, %



CBD = Central Business District

Source: Fastighetsvärlden



The Danish property market

Demand for investment properties in Denmark continues to display a rising trend from both foreign and domestic investors. Denmark with a good economy, high population increase, low interest rates and a pegged exchange rate to the Euro is a stable market from an investment perspective. In addition, lenders have increased their willingness to provide financing for property transactions, which is an important driver of the trend.

The most attractive investment areas are residential properties in Greater Copenhagen, Århus and Ålborg and office properties in central parts of Copenhagen.

High price increases, especially for residential properties in Copenhagen have meant that many investors see the potential in new construction. Older office properties with historically high vacancy rates have begun to be converted into modern residential properties. New residential areas are emerging, including in Örestad, Amager and Nordhavn.

The total transaction volume is estimated to amount to DKK 64 billion during 2016 compared to DKK 51 billion in 2015, i.e. an increase of 25 %. The Copenhagen region accounted for approx. 77 % of the total volume. The buyers were mainly foreign investors along with Danish pension funds.

The residential market

The strong residential market for con-

dominiums continued in 2016. Prices in the entire country rose by 7.4 % during 2016 compared to 2015. In Copenhagen, prices rose by 7.5 – 8.8 % during 2016. This means a total price increase of about 10 % compared to 2006, which was the previous record year for prices.

The residential transaction volume fell by 5 % during 2016. This may be explained by the fact that 2015 was a year with an unusually large increase in transaction volume, 23 % in total.

Copenhagen like previous years, is the most attractive for investors.

With a population increase in Denmark of about 4 % over the coming five years, favourable transaction conditions and low vacancy rates, the apartment market will remain positive in 2017, particularly in Copenhagen and other big cities

In Copenhagen alone, the city expects a population increase of 14 % until 2025.

In view of the low level of housing construction from the crisis year 2008 until 2013, a severe imbalance prevails between supply and demand of apartments. New production of apartments did not gain momentum until 2015 and 2016.

During 2016, the number of completed apartments was estimated at 4,100 units. This is equivalent to almost the same number of apartments completed during the period 2009-2013.

In Copenhagen, it is expected that 45,000 apartments will be built during

the coming 10-year period. The estimated need is 60,000 new apartments.

Average prices in Denmark, DKK/sq.m. (apartment size, 85 sq.m.), 31 December 2016:

Copenhagen	DKK 37,000
Århus	DKK 28,000
All of Denmark	DKK 27,000

Source: Home, Denmark

The office market

The rental market is recovering slowly based on factors such as good economic growth, low interest rate situation and a slow increase in the employment rate.

The vacancy rate for unlet offices in Copenhagen inner city is around 8 % and up to around 11 % in greater Copenhagen. Office properties, with the right geographical location, close to communications, modern functional premises, are highly sought after and this is leading to higher rental rates and property values. Vacancies are mainly found in old office properties, which have not been renovated or converted.

Office rents were stable during 2016 and prime rents tend to lie around 1,600 – 1,950 DKK/sq. m., excluding property tax and operating costs.

The yield requirement for offices in A locations is around 4 %, which is lower than ever and reflects the current imbalance between supply and demand of attractive office properties.

The Finnish property market

The transaction volume in Finland broke all records in 2016 and amounted to EUR 7.1 billion. The volume was about 40 % higher than in 2015.

The investment market for residential properties is continuing to attract domestic and foreign buyers. The transaction volume for residential properties rose from 23 % to 38 % of total volume.

Investors include domestic pension funds and institutions and foreign players, particularly from other Nordic countries, the UK and Germany.

Some brighter signals were noted in Finland's economy during 2016. Turnover in industry, exports and GDP all increased. During 2016, GDP growth was 1.6 %.

The residential market

The prices of apartments and rents have increased in recent years. It is mainly demand for smaller good value apartments that has increased because there is a large proportion of households with one of two persons in the bigger cities.

Many property companies and investors, are also focusing on new apartment production.

During 2016, residential property prices increased by 5 % according to KTI Finland.

The office market

Even though growth in Finland has now started to recover compared to previous years, the rental market for office properties is still challenging. Old-fashioned premises and properties in secondary locations face the risk of even higher vacancy rates and lower rents while rents in attractive areas have returned to the level they were at before the previous year's downturn.

The investment market for attractive and central office properties is expected to also remain strong in the coming years. Low interest rates and a slowly improving economy in Finland means that investors view the Finnish property market as attractive, and also since yield levels are slightly higher than in the other Nordic countries.

The yield levels for modern centrally-located office properties in Helsinki mainly lie in the range 4.0 – 5.0 %.



Helsinki, Finland

We shall succeed together

Balder is continuing to grow and develop. The most important explanations 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.

Gothenburg Region

183 employees
194 properties

Öresund Region

49 employees
71 properties

North Region

28 employees
79 properties

Stockholm Region

72 employees
61 properties

Helsinki Region

175 employees
501 properties

East Region

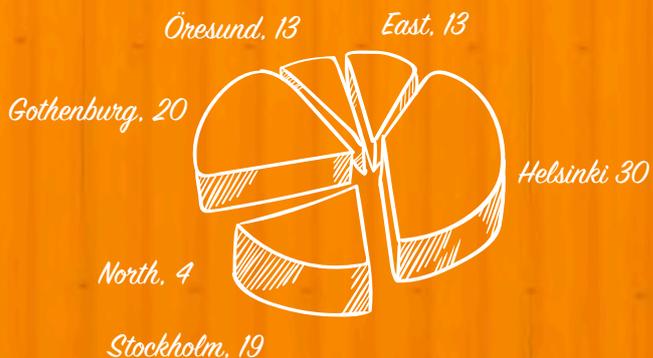
39 employees
314 properties

Balders real estate holdings on 2016-12-31¹⁾

	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	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	922	1,309	949	96	11,021	13
North	79	181,755	209	1,150	206	99	3,086	4
Total	1,220	3,805,512	6,025	1,583	5,736	95	81,718	95
Project			64		64		4,459	5
Total	1,220	3,805,512	6,089	1,583	5,800	95	86,177	100
Distributed by property category								
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
Total	1,220	3,805,512	6,025	1,583	5,736	95	81,718	95
Project			64		64		4,459	5
Total	1,220	3,805,512	6,089	1,583	5,800	95	86,177	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, %





Balder's residential properties

The market for Swedish residential properties is still very strong and demand for this property class continues to increase.

The market for Swedish residential properties is still very strong and demand for this property class continues to increase. There is currently a housing shortage in many Swedish municipalities and together with the low rate of new apartment production this means that the shortage will persist for a long time in many places. Balder owns apartments in 40 Swedish municipalities and vacancy rates are very low in the entire residential portfolio. For more information about Balder's Finnish and Danish residential properties, see sato.fi and balder.dk

Associated companies

During the year, 21 residential properties were acquired, through the associated company Trenum AB, with about 1,200 apartments located in Stockholm and in the Öresund region. In Malmö, collabora-

tion was initiated with several players as part of the Culture Casbah project. MKB Fastighets AB, Balder, Heimstaden and Victoria Park have formed a joint enterprise, which acquired 1,650 existing apartments in the immediate surroundings, and will be responsible for new production of 200 apartments and 30 business premises and a new landmark 22 -floor tower.

Transactions

Balder sold all its residential properties during the year in Skara, Töreboda and in Jönköping. This was part of a refinement of the residential portfolio.

A more detailed description of the transactions is available on pages 36-38.

New production

In several of our residential locations,

work is ongoing with planning of new production of rental apartments as well as tenant-owner's apartments. The most large-scale investments are in Copenhagen and Helsinki and mainly relate to condominiums, which are let. The fact that the apartments are condominiums means that they may be sold separately. However, Balder has not sold any apartments in Copenhagen but will opt to rent them out to create a portfolio of residential properties in the city. There are currently about 1,400 apartments under construction in Copenhagen and about 1,300 apartments in Helsinki. The total project value amounts to about SEK 8.0 billion. The apartments will be completed between 2017 and 2018. In the Gothenburg region, Balder has an extensive project portfolio and its first project is 134 rental apart-



ments in Kungälv, which are expected to be completed in 2018. In the coming years, the production rate is expected to increase significantly, see also page 44.

HOME concept

For development and refinement of the existing holdings, Balder works with a standardised concept called HOME. The apartments in the HOME concept are upgraded and converted. Material and design are top class and are produced for long-term, economic and environmental sustainability. We work in a structured way with sourcing of material and continually sign framework agreements with contractors in all cities where Balder operates. Demand for Balder's HOME apartments is very strong and the upgrades will continue in all areas in the coming years.

Property Management

The management of Balder's properties is handled by our own personnel, which gives key proximity to the customer. Regular customer surveys are carried out to continually monitor customer needs and expectations. In most of Balder's residential areas, property management is accessible for the customer via their own residential office.

Estimated and recorded yield values and price levels for residential properties in A locations were as follows:

Place	Yield, %	Price per sq.m., SEK
Stockholm	1.20 – 1.40	55,000 – 70,000
Gothenburg	2.00 – 2.25	24,000 – 28,000
Malmö	3.00 – 3.25	21,000 – 23,000
Copenhagen	2.50 – 5.50	32,000 – 36,000
Helsinki	4.00 – 4.50	50,000 – 55,000

Source: Fastighetsvärlden, Home och KTI Finland.

Balder's residential properties

Number of properties	1,020
Lettable area, sq.m. thousands	2,532
Number of apartments	39,500
Rental value, SEKm	3,973
Economic occupancy rate, %	96
Carrying amount, SEKm	48,775

Residential properties, per region

Region	Sq.m. thousands	%
Helsinki	1,011	40
Stockholm	140	6
Gothenburg	386	15
Öresund	181	7
East	665	26
North	149	6
Total	2,532	100



Balder's commercial properties

The property market continues to display a strong trend and parameters such as rising rental rates, decreased vacancies and low interest rates make us confident about the future.

The property market is still interesting for investors and most of Sweden's large property companies are continuing to grow. Yield requirements have fallen further. Good opportunities for access to capital and a good willingness to invest are creating strong demand for properties in all locations, particularly in metropolitan areas. A continued low interest rate level with an expected negative repo rate until late 2018, have meant that the market

for commercial properties in Sweden also remained very strong in 2016.

Stockholm and Gothenburg

The trend of rising rental rates in Stockholm and Gothenburg is continuing at the same rate as recent years. In the rental market, there are many more serious inquiries for rentals in previous secondary locations around Stockholm and Gothenburg. Even in this respect, the markets

in the country's two largest cities also show similarities. The supply of vacant premises decreased further in central locations, particularly smaller premises, which are often occupied the same day as they are vacated. The market in the country's two biggest cities also shows largely the same pattern when it comes to new construction of commercial space. Few new projects will start until 2019.



Hotel Scandic Opalen, Gothenburg

Malmö

For Balder, there was an increase in demand for premises in Malmö City during 2016. In recent years, which among other things saw new construction of major new commercial areas in Hyllie and Västra Hamnen where many tenants moved, some tenants are now once again trying to establish a presence in Malmö City. For Balder, the number of viewings for prospective tenants has more than doubled compared to the previous year.

Commercial letting

Balder's letting organisation focused during the year on developing the strategic letting work, which has delivered results. Part of this work involved establishing a new central function "Strategic Letting" in order to carry out targeted efforts and to understand what in our work is of value from a letting standpoint and what areas need improvement. During 2016, about 50 % of Balder's inquiries came from existing tenants who recommended Balder or via spontaneous

questions from Balder employees. In other words, we are good at asking spontaneous questions at all meetings in order to identify potential interested parties.

Hotels

During the year, two acquisitions of hotel properties were made. The total number of hotel contracts amounts to 33 and the portfolio now includes about 5,400 rooms in total. During 2017, a new hotel will be ready in one of the most distinguished buildings in central Copenhagen. Business travel, the conference market and the tourist trade have grown strongly in the Nordic region. Over the past ten years, the number of hotel nights increased by about 40 % in Sweden. This has also contributed to increasing market interest in owning hotel properties.

A more detailed description of Balder's transactions is available on pages 36-38.

Estimated and recorded yield values and price levels for residential properties in A locations were as follows:

Place	Yield, %	Price per sq.m., SEK
Stockholm	3.50 – 3.75	90,000 – 110,000
Gothenburg	4.25 – 4.50	34,000 – 44,000
Malmö	5.10 – 5.60	21,000 – 36,000

Source: Fastighetsvärlden

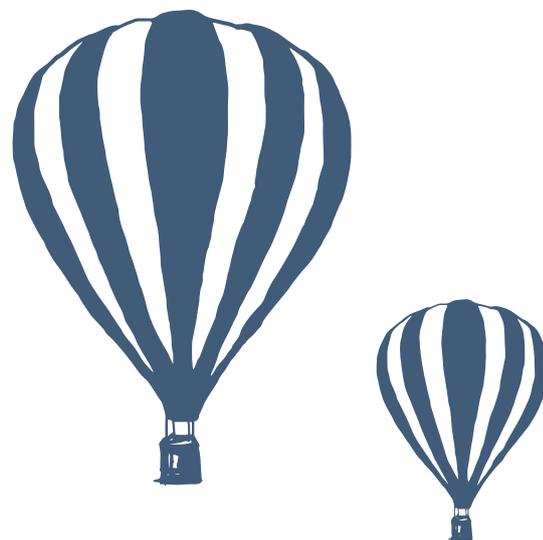
Balder's commercial properties

Number of properties	200
Lettable area, sq.m. thousands	1,274
Rental value, SEKm	2,052
Economic occupancy rate, %	93
Carrying amount, SEKm	32,943

Commercial properties, geographical distribution

Area	Sq.m. thousands	%
Helsinki	0	0
Stockholm	394	31
Gothenburg	517	41
Öresund	237	19
East	93	7
North	33	3
Total	1,274	100

Transactions



During 2016, Balder continued to broaden its property holdings in the Nordic region and acquired its first property in Norway. In Sweden, a portfolio of retail properties was acquired from Anders Hedin Invest AB. Divestments of properties in smaller cities continued.

The transaction market in Sweden remained strong during the past year and property prices continued to rise. Balder has continued to broaden its property holdings in the other Nordic countries and acquired a property in Norway during the year. On 31 December, Balder had 47 % of its property value outside Sweden.

Acquisitions

Balder's strategy is to own centrally-located commercial properties in Stockholm, Gothenburg and Malmö. Balder's strategy is also to create long-term relationships with strong tenants. During the year, all properties were acquired from Anders Hedin Invest AB, where Hedin Bil entered into 12-year leases. The property portfolio, which was acquired from Anders Hedin Invest AB consists of retail properties with a property value of SEK 4,208m after a number of ongoing new constructions and conversions have been completed. Most of the property value is located in Stockholm and Gothenburg and the remainder is in Malmö, Helsingborg, Jönköping, Linköping, and Uppsala, among other places. The lettable area amounts to about 290,000 sq.m. and the properties are fully let, primarily to the Hedin Bil group on triple net agreements. The initial rental income amounts to SEK 276m on an annual basis.

In Norway, Hedmark University of Applied Sciences was acquired during the

year, where the Norwegian state is the dominant tenant with a lease that has a remaining term of 24 years. The property is located in Elverum about 150 km north of Oslo. The building was completed in 2010 and today the University has more than 8,000 students. During the last years, Balder has investigated the possibility of acquiring properties in Norway and now hope this will be the first step towards becoming a significant property owner in all Nordic countries. In Finland, 3,307 apartments were acquired by our Finnish subsidiary Sato. The acquisitions were mainly carried out in three different transactions. The majority of the apartments are located in Helsinki.

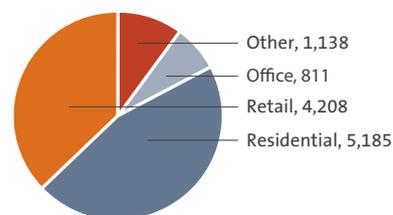
Divestments

In 2016, Balder continued to divest properties in the suburbs of metropolitan areas and 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 central parts of the big cities of Stockholm, Gothenburg and Malmö as well as residential properties in metropolitan areas and in places that are growing and developing positively. Consequently, Balder sold all its residential properties during the year in Jönköping, Huskvarna, Töreboda and Skara. In Finland, 1,267 apartments were sold for a sales value of EUR 67.7m. The divested properties are not in Sato's focus areas.

During 2016, Balder sold properties for a total sales value of SEK 1,990m. The divestments carried out generated a profit of SEK 85m, equivalent to a selling price of 5 % above the carrying amount.

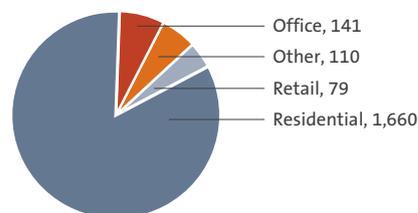
Acquisitions

per property category, SEKm



Divestments

per property category, SEKm



Property transactions 2016

Acquisitions

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
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, Copenhagen	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	Kärra 32:22	Gothenburg	Retail	2,800
Four	1	Leoparden 2	Mölnadal	Retail	22,640
Four	1	Pianot 5	Mölnadal	Retail	2,329
Four	1	Högsbo 36:2	Gothenburg	Retail	6,053
Four	1	Kardananen 4	Varberg	Retail	3,847
Four	1	Gaslyktan 2	Mölnadal	Retail	3,564
Four	1	Frölandsgärdet 2	Uddevalla	Retail	5,651
Four	1	Fullriggaren 1	Trollhättan	Retail	2,200
Four	1	Smedjan 3	Alingsås	Retail	3,222
Four	1	Presenten 1	Mölnadal	Retail	13,577
Four	1	Kärra 95:3	Gothenburg	Retail	7,209
Four	1	Presenten 2	Mölnadal	Retail	2,325
Four	1	Kärra 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

Cont'd. Property transactions 2016

Acquisitions

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
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
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
Total	116				505,302

Divestments

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
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	Tenhult	Residential	2,948
Three	1	Hålan 6:2	Jönköping	Residential	10,280
Three	1	Lejoninnan 10	Huskvarna	Residential	11,161
Three	1	Björnen 6	Huskvarna	Office	949
Three	1	Tigern 7	Huskvarna	Residential	6,001
Three	7	Sato Oyj	Finland	Residential	28,458
Four	1	Resedan 15	Vänernsberg	Residential	2,406
Four	21	Sato Oyj	Finland	Residential	36,004
Total	71				132,222



Sato, Finland

Sato Oyj

Sato invested EUR 572m during 2016 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 property company with apartments in focus and on 31 December it owned a total of 25,344 (23,551) apartments.

The number of apartments increased during the year by 1,793 units. In total, 2,679 apartments were acquired and 702 new constructed apartments were completed.

Sato's focus is to invest in apartments,

which are located in Greater Helsinki, Tampere and Turku. Today, 79 % of the apartments are located in Helsinki and 13 % in Tampere and Turku. The remaining apartments are located in Jyväskylä, Oulu and St Petersburg. Sato's apartments have an average area of 56 sq.m.

On 31 December, Sato had 1,200 apartments under construction, of which 900 are expected to be completed in 2017. The market value of Sato's property portfolio has developed positively in recent years both through acquisitions and new construction under own management.

The residential market

The residential market in Finland consists of 2.6 million apartments, of which two thirds are condominiums and one third are rental apartments. Sato's share of the rental market is about 3 %. The largest owners in the Finnish market are insurance companies, pension funds and municipalities, where municipalities usually own apartments for social purposes. Demand for smaller apartments exceeds supply, especially in the Helsinki region.

For more information, visit Sato's website sato.fi



Bovieran

Bovieran

Relaxation and enjoying time with neighbours is a good description of Bovieran, which is a modern housing concept for people aged 55+.

Bovieran plans, develops and builds concept properties in the form of tenant-owner's apartments.

Relaxation and enjoying time with neighbours is a good description of Bovieran, which is a modern housing concept for people aged 55+.

Sweden's greenest senior housing

Bovieran invites residents and visitors to enjoy a green and relaxing environment. Bovieran's heart and natural meeting place is the unique 1,600-sq.m. winter garden. This offers a thermally-operated climate modelled on the French Riviera, featuring exocotic plants from all over the world.

The housing format provides good opportunities for getting to know new people and learning new things. The concept allows the resident to get the most out of every moment. The apartments are bright with an open layout. Combined with a decent ceiling height and generous windows, the apartments are characterized by light and space. Read more on bovieran.se

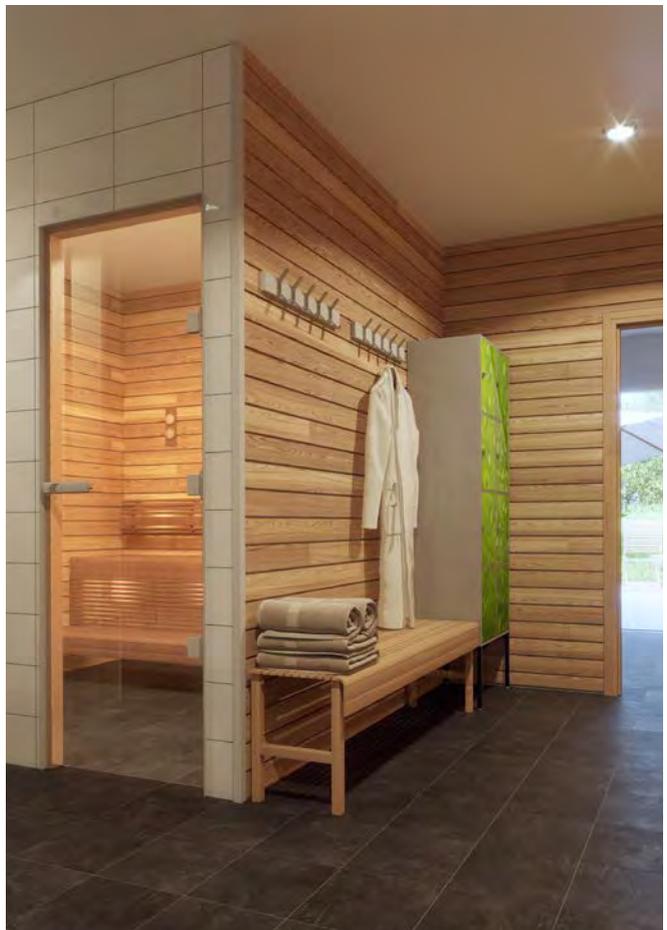
Quick facts 2016

Ongoing construction projects:
Skövde och Strängnäs

Occupation:
Enköping, Helsingborg, Falun och Sala

Sales in progress:
Skövde, Borgholm, Oskarshamn, Örebro-Södra Bettorp, Landskrona och Vänersborg

Planned projects:
Eskilstuna, Haninge-Vega, Karlstad, Kalmar-Rinkabyholm, Salem, Staffanstorps, Stenungssund, Svedala, Södertälje, Trelleborg, Viken-Höganäs, Växjö och Ystad





Property and project development

Balder considers that it is important in its property development to be able to control the entire value chain, from acquisition of land to completion of the project. By improving the existing property portfolio, land allocations and acquisitions, Balder wants to be a long-term player in property and urban development.

Balder is continuing the work on building up a business area for property development. During the year, the organisation was expanded and key people were recruited. The operations and real estate projects are concentrated in the metropolitan regions of Stockholm, Gothenburg and Copenhagen.

Work with a large number of zoning plans is ongoing, including densification and development of the existing property portfolio and with externally acquired real estate projects and municipal land allocations. The ambition is to create an extensive portfolio over time of building rights for development properties and real estate projects, with the aim of constantly producing new rental apart-

ments and tenant-owner's apartments for our own management.

In 2016, we started construction of 450 apartments and we have 2,700 apartments in total under construction, primarily in Copenhagen and Helsinki.

Property development will mainly concentrate on residential projects. Commercial property development will concentrate on supporting housing projects and will be part of the requirements in new zoning plans. Through active property development, we are participating in changes to city districts, as well as individual property's conditions or use and can thereby create value. By improving the existing property portfolio, land allocations and acquisitions, Balder wants

to be a long-term player in property and urban development. Where Balder is already a property owner, the company will focus on creating new building rights on existing land. Where there are opportunities for conversions to tenant-owner's associations, 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, including Copenhagen.

Balder considers that it is important in its property development to be able to control the entire value chain, from acquisition of land to completion of a project. The development process occurs in different phases and can take several years, and therefore it is important that it proceeds in close cooperation with municipalities and other stakeholders.

A small selection of projects in progress

Stockholm

During the summer, Balder won a land allocation competition in Väsjön, Sollentuna. Väsjön is a very exciting development area with many qualities. The vision is a small-scale, varied and natural urban area with an active life in focus. The district borders a nature reserve with unspoiled countryside and four beautiful lakes. The new development is concentrated around Väsjön with connecting squares, park areas and promenades.

Balder's winning proposal includes 86 tenant-owner's apartments in two high-rises with brick façades in varied colours. The composition with simple and austere façades is lightened up by balconies that crosses between the floors, providing light and space for residents. The zoning plan work has begun and start of construction is expected in autumn 2019.



Copenhagen

This beautiful turn-of-the-century property is located on prestigious Nils Brocks Gade, just beside Tivoli in Copenhagen. The property is undergoing a careful renovation into a hotel property of 77 exclusive rooms. The hotel is planned to open during summer 2017.

During the second quarter of 2016, 184 apartments were completed at Skibbroen close to Fisketorvet shopping centre in central Copenhagen. The immediate surroundings are full of life featuring a mix of offices, residential properties, stores and cafés. The apartments are very modern with spacious patios and roof terraces. The large windows provide wonderful natural light and stunning views over the nearby dock. The promenade along the pier where the houseboats call is a picturesque feature of the area.





Gothenburg

Backplan

Backplan will be developed from a marketplace into a densely developed green and lively urban environment. Centrala Hisingen is a continuation of Gothenburg centre north of Göta älv. The district is an important area linking together the city across the river.

Together with the City of Gothenburg and other property owners in Backplan, a new city district is planned of about 5,000 apartments and around 60,000 sq.m. of retail space and premises. Backplan's central location with good infrastructure means that the area has good potential to meet the city's need of centrally-located housing, retail space and offices. Balder is planning about 2,000 new apartments here. The zoning plan work is in progress with start of construction expected in 2019. Preliminary occupation from autumn 2021.

Kongahällatomten

In September, the first sod was turned by Balder in Kungälv. Here Balder will construct 134 modern rental apartments with smart layouts in sizes ranging from 1-4 rooms of 35-90 sq.m. The construction will be certified according to Sweden Green Building Council's silver rating.

Kongahällatomten is the largest new construction project in Kungälv in modern times. Besides 900 new apartments, which

are being constructed by a number of developers, Kungälv will gain a new shopping centre and travel centre. Where the blocks meet, there are natural meeting places and small squares.

The area has good communication possibilities within walking or cycling distance of most things in Kungälv municipality, which makes it easy to live a sustainable and environmentally-friendly urban life. Letting is expected to start in August 2017 with preliminary occupation in summer 2018.



Property valuation

Balder's property portfolio consists of more than 1,200 properties, of which over 1,000 are residential properties.

The market value of the property holdings amounted to SEK 86,177m at the end of 2016. The value of the properties is based on internal 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 CPI, consumer price index, 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 amounted to SEK 6,089m on 31 December 2016.

Valuation methods

Three different valuation methods are used in the internal valuations. These are the yield method, the acquisition cost method and the sales comparison method. For property valuations in Sweden, Norway and Denmark, the investment method is used and for 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 tenants, 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 leases have an average lease term of 7.1 years. The 10 largest leases represent 5.6 % of total rental income, with an average lease

term of 11.8 years. These circumstances mean that a lot 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 towards the central areas of the large cities of Stockholm, Gothenburg and Malmö. It is in these properties that Balder is most dependent on future lettings. But it is also where an estimate must be made in the valuations of what rent a premises 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 required for further letting is more difficult to determine, which means that an assessment must be made based on market demand, historical interest, similar premises etc. 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. For valuation of these properties, quoted prices in the market for comparable objects during the past 24 months are used as a basis. Using quoted prices as a starting point, an average price is calculated, which is adjusted by a "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 acquisition cost with addition of transaction costs and subsequently at acquisition cost less depreciation and impairment losses. For other properties in Finland, the yield method is used as above.

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 costs 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 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 5.3 % (5.4). The yield requirement for commercial properties amounted on average to 5.1 % (5.3) and to 5.6 % (5.4) for residential properties.

Property valuation *cont' d.*

Change in value of the property portfolio

In 2016, Balder acquired properties for SEK 11,342m (28,660) in total. Divestments during the year amounted to SEK 1,990m (1,613), which generated a profit of SEK 85m (65). According to Balder's internal valuations, the carrying amount of the properties at year-end amounted to SEK 86,177m (68,456), which corresponds to an unrealised change in value of SEK 4,847m (3,323).

The largest share of the market value is found in the Stockholm, Helsinki and Gothenburg regions, which combined represent a property value of SEK 57,243m.

External valuations

In order to quality-assure its internal valuations, Balder allows parts of the portfolio to be externally valued regularly during the year. During 2016, about 40 % of the property portfolio was externally

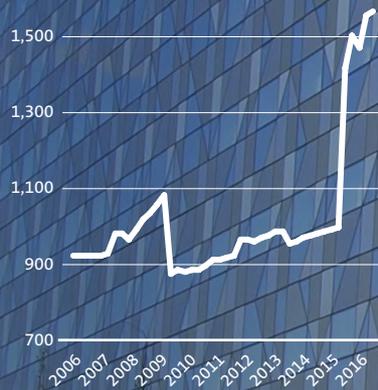
valued including Sato's properties. Every quarter, Sato's internal valuations are also reviewed by an external party. The external valuations were carried out during the year by Newsec and JLL and reviews of Sato's valuations were carried out by JLL. At year-end, the external valuations were less than 1 % lower than Balder's internal valuation. 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	5.00 – 8.00	—	5.35
Stockholm	2.75 – 4.75	3.00 – 7.25	4.59
Gothenburg	2.75 – 6.75	4.00 – 10.00	5.14
Öresund	4.00 – 5.50	4.50 – 7.50	4.61
East	4.00 – 6.50	4.75 – 10.00	5.92
North	3.90 – 5.75	5.50 – 6.50	4.86

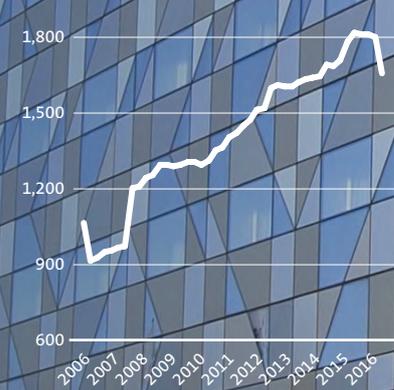
Net operating income
rolling annual value, SEK/share



Rental value, residential
SEK/sq.m.



Rental value, commercial
SEK/sq.m.





BLU



Financing

Balder is financed through loan capital and equity. The goal is that the equity/assets ratio over time shall exceed 35 %, and that the net debt to total assets ratio shall not exceed 55 %.

Balder's largest asset class is residential properties, which are characterised by stable cash flows over time as the tenant risk is spread over a large number of payers. This also means that residential properties can be pledged to a higher degree than commercial properties by virtue of security in the cash flow. Today Balder has more than 60 % of its property value in residential properties and the majority of the other properties are commercial properties located in the central parts of the Stockholm, Gothenburg and Malmö metropolitan areas. The location of the assets forms a central part of lenders' credit risk assessments. Other important factors include diversification in the form of geography and asset class. Balder has chosen to own residential properties in Copenhagen and Helsinki in order to have a presence in several markets. Today about 45 % of the property value is located in these cities and a few other growth areas in Finland. Although Balder has chosen to concentrate to date on residential properties outside Sweden, the assets in Sweden are more diversified in the form of office, hotel, retail and

residential properties.

During December 2016, Balder obtained an investment grade rating from Moody's of Baa3 with a stable outlook. Through the rating, Balder now has an official assessment of credit risk, which is important for the company's continued growth via the capital market. Since Balder some years ago invested in both Denmark and Finland, the company has exposure to the Euro and DKK and with a Moody's rating, Balder can access the European capital market. By using the European capital market, Balder can obtain capital tied up for long terms, diversify the funding base and thus secure capital for continued long-term growth. According to Moody's, the rating, among other things, reflects Balder's focus on stable residential properties in Sweden and Finland and Balder's commercial properties in central locations. The rating also reflects Balder's conservative dividend policy. Balder's subsidiary Sato also obtained a rating from Moody's of Baa3 with a stable outlook. In order to further stabilise financing costs and improve access to financing, Sato's goal is to obtain a higher rating.

Interest-bearing liabilities

Of Balder's total financing, about 28 % consists of capital market financing and the remainder is bank financing and subsidised governmental loans, where the latter are held in Finland. Balder's interest-bearing liabilities amounted to SEK 49,580m on 31 December. Secured liabilities in relation to total assets amounted to 39.6 % (42.2) as of 31 December. On the same date, the net debt to total assets ratio was 50.0 % (51.6). Balder's fixed credit term amounted to 4.2 years (4.4), the interest rate refixing period was 2.4 years (2.9) and the average interest rate amounted to 2.1 % (2.2) including the effect from interest rate derivatives.

Net financial items

Net financial items, excluding changes in value of interest rate derivatives, amounted to SEK -973m (-437), 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 2.1 % (2.2).



Sketch, Gothenburg

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
Total	49,580	2.1	100

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
Total	49,580	100

Liquidity

Balder utilises overdraft facilities in order to balance its liquidity needs. At year-end, Balder's disposable liquidity amounted to SEK 1,942m (1,339), 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 4,827m (4,745), of which SEK 4,827m (4,545) were unutilised. Balder also has credit facilities that fully cover future payments for new construction projects in progress. Balder's cash flow is relatively evenly distributed during the year as about 66 % 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 exposed to, which mainly relate to interest, refinancing and liquidity risk. 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 2.0 times,
- that the net debt to total assets ratio should not exceed 55 %.

Net debt to total assets ratio



Financial targets

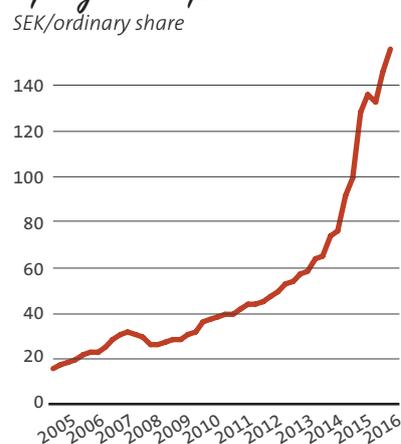
	Outcome		
	Target	2016	2015
Equity/assets ratio, %	35.0	38.3	37.8
Interest coverage ratio, times	2.0	3.7	5.1
Net debt to total assets, %	55.0	50.0	51.6

Key ratios including listed associated companies at market value.

Key ratios

	2016	2015
Return on equity, ordinary share, %	20.9	28.2
Return on total assets, %	9.9	10.5
Net debt to total assets ratio, %	50.0	51.6
Debt/equity ratio, times	1.3	1.4
Interest coverage ratio, times	3.7	5.1
Equity/assets ratio, %	38.3	37.8
Average fixed credit term, years	4.2	4.4
Average interest rate refixing period, years	2.4	2.9

Equity development



Associated companies

Balder's part-owned associated companies together own 81 investment properties, where our share of the carrying amount is SEK 4,885m. 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 two new partners. Balder now owns 50 % of the shares in Trenum AB and 49 % of Sjaelsö Management ApS.

The property-managing associated companies also include Centur, Tulia, Balder Skåne and Första Långgatan Fastigheter while Fix Holding and Murbruket Holding have project development in focus.

The property-managing associated companies together own 81 investment properties (55) and real estate projects with a total carrying amount of SEK 11,982m (8,828), a total lettable area of about 438,000 sq.m. (367,000) and a ren-

tal value amounting to SEK 666m (552). Profit from property management, i.e. profit excluding changes in value and tax, amounted to SEK 921m (1,193), of which Balder's participation amounted to SEK 419m (457). The companies' profit after tax amounted to SEK 1,331m (1,777), of which Balder's participation amounted to SEK 590m (831).

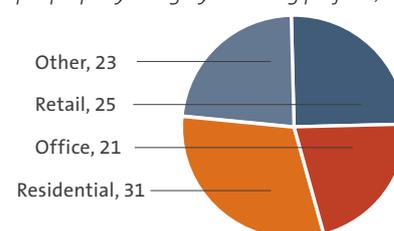
Balder's results were affected by changes in value of properties and derivatives of SEK 343m (410) before tax. For more information about Balder's associated companies, see Note 15, Participations in associated companies.

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

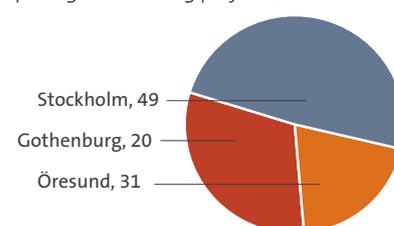
Carrying amount

per property category including projects, %



Carrying amount

per region including projects, %



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

2016-12-31	Number of properties ²⁾	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/s.q.m.	Rental income, SEK	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
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
Total	81	218,836	313	1,429	303	97	4,885	82
Project			21		21		1,106	18
Total	81	218,836	333	1,429	324	97	5,991	100
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
Total	81	218,836	313	1,429	303	97	4,885	82
Project			21		21		1,106	18
Total	81	218,836	333	1,429	324	97	5,991	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.



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.

At year-end, the company owned 30 investment properties (28) with a lettable area of 209,000 sq.m. (202,000) and a rental value of SEK 260m (246) and 2 real estate projects (4). The carrying amount of the properties amounted to SEK 4,666m (4,355). The properties are located in Stockholm, Gothenburg and in 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 24 properties (22) with mainly central locations in Stockholm. The company's total lettable area at year-end amounted to 78,000 sq.m. (73,000) and the carrying amount of the properties totalled SEK 2,520m (2,227) with a rental value amounting to SEK 152m (140).

Första Långgatan Fastigheter i GBG HB

Balder together with Elof Hansson owns the company Första Långgatan Fastighe-

ter i GBG HB, 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 50m. (48).

Fix Holding AB

The company is owned in equal shares by Balder and HSB Göteborg and it owns Fixfabriken in Majorna, which is a fully let building. Fix Holding will develop almost 500 new apartments here with complementary business premises. The objective is to have a zoning plan in place by 2017. See also fixfabriken.se

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 3 investment properties (3) and 1 real estate project (1) with a value of SEK 437m (322).

The total lettable area amounted to 12,000 sq.m. (12,000) with a rental value amounting to SEK 20m (20).

Murbruket Holding Fastighets AB

Balder together with Oscar Properties owns Murbruket Holding Property AB, which owns the office property Murmästaren 3 on Kungsholmen in Stockholm.

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

SEKm	2016	2015	2014
Rental income	282	244	180
Property costs	-50	-53	-35
Net operating income	232	191	145
	2016-12-31	2015-12-31	2014-12-31
Carrying amount properties, SEKm	5,991	4,414	3,396
Number of properties	81	55	57
Lettable area, sq.m. thousands	219	183	158

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

	2016-12-31	2015-12-31
Assets		
Properties	5,991	4,414
Other assets	54	247
Cash and cash equivalents	203	61
Total assets	6,248	4,723
Equity and liabilities		
Equity/ shareholders' loan	2,549	1,726
Interest-bearing liabilities	3,319	2,501
Other liabilities	380	496
Total equity and liabilities	6,248	4,723



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 15 investment properties (13) and 8 real estate projects (7) with a value of SEK 2,234m (1,845). The properties are located in Stockholm, Gothenburg and in the Öresund region. The total lettable area amounted to 57,000 sq.m. (45,000) with a rental value amounting to SEK 104m (78). See also tornet.se

Brinova Fastigheter AB

Balder together with Backahill is the main owner in the company. The company has been listed on Nasdaq First North since 30 September 2016 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 50

investment properties (38) with a value of SEK 2,491m (976). The properties are located in the Öresund region.

The total lettable area amounted to 184,000 sq.m. (109,000) with a rental value amounting to SEK 205m (105). See also brinova.se

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.

The balance sheet total at year-end amounted to SEK 15,155m (10,057), sales amounted to SEK 1,513m (1,187), profit before tax to SEK 521m (371) and the market capitalisation was SEK 10,577m.

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

Trenum AB

The company started its operations

during 2016 and is 50%-owned by Tredje AP-fonden 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 apartments in Swedish growth regions. Apart from the three major metropolitan regions, growth areas with positive population trends are also in focus.

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

Sjaelsö Management ApS

Since the start of the year, Balder owns 49 % of the company and the remaining 51 % is owned by the company's CEO Flemming Joseph Jensen. The company, with almost 40 employees, is one of the larger players in project development and construction management in Denmark.

The balance sheet total at year-end amounted to SEK 67m, sales amounted to SEK 103m, and profit before tax to SEK 30m.

Opportunities and risks

Business activity is associated with risks and these must be handled responsibly and controlled. Handled correctly, they can provide opportunities and create value. Balder works actively with diversification of risks in order to limit the company's risk exposure.

Sensitivity analysis

Factor	Change	Earnings effect before tax, SEKm
Rental income	+/- 1 %	+/- 58
Economic occupancy rate	+/- 1 percentage unit	+/- 61
Interest-rate level of interest-bearing liabilities	+ 1 percentage unit	- 374
Property costs	+/- 1 %	-/+ 17
Changes in value of properties	+/- 5 %	+/- 4,309

Rental income, rental trend and occupancy rate

Of Balder's contracted rental income, 66 % relates to residential properties and 34 % 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 5.6 % of total rental income and their average lease term amounts to 11.8 years. No individual lease accounts for more than 0.8 % of Balder's total rental income and no individual customer accounts for more than 4.0 % 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 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 95 %, which means that the vacancy at year-end amounted to SEK 289m 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 level and +/- 1 % in the economic occupancy rate.

Operating and maintenance costs

Operating costs mainly consist of costs that are based on usage such as electricity, cleaning, 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.

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 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 the execution and product, and that sustainability requirements are met. 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.

Change in value of the properties

83 % of the value of Balder's property port-



folio is found in the four metropolitan regions 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 the income statement. 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.

Dependence on key people

Balder's future growth is dependent on the knowledge, experience and commitment of the Management team and other key people. The company could be affected negatively if one or more of these people would leave the Group.

Operational risks

Balder can incur losses within the framework of its operating activities due to defective routines or irregularities. 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. Balder continually works on monitoring the company's administrative security and control.

Taxes and changed legislation

Changes in corporate and property taxes, as well as other government levies, rent allowance and interest allowance 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 real estate ownership. In most leases, the customer pays his share of the currently charged property tax. Changes in corporate taxation 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 in relation to the equity/assets ratio, net debt to total assets 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. Interest



Gothenburg

expense is Balder's single largest cost item. Interest expenses are mainly affected by the current 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.

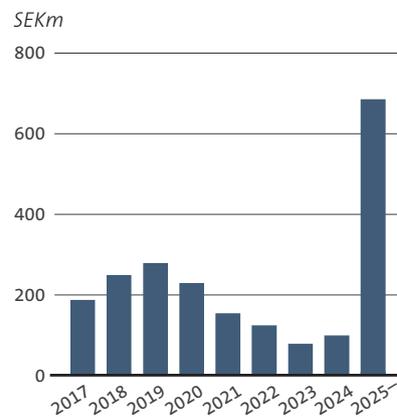
Currency risk

Balder owns properties via subsidiaries in Denmark, Finland and Norway. Companies' 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.

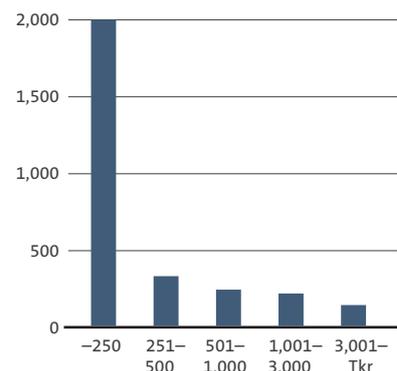
Environmental risk

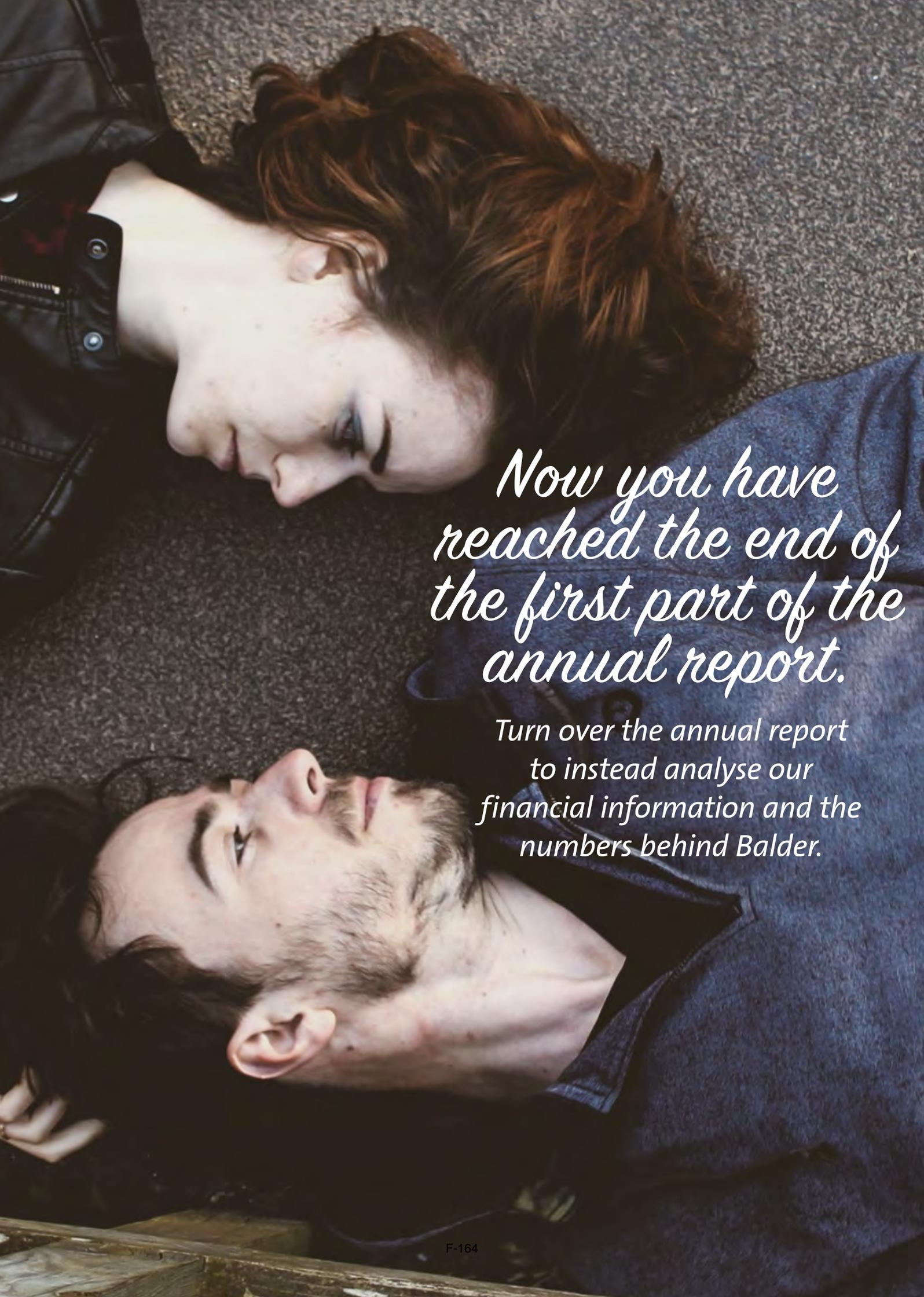
Property management and property development have an environmental impact. Balder has established an environmental policy and works actively with environmental issues. Under the Environmental Code, the party conducting an activity which has contributed to pollution is also responsible for after-treatment. 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.

Maturity structure of commercial lease contracts



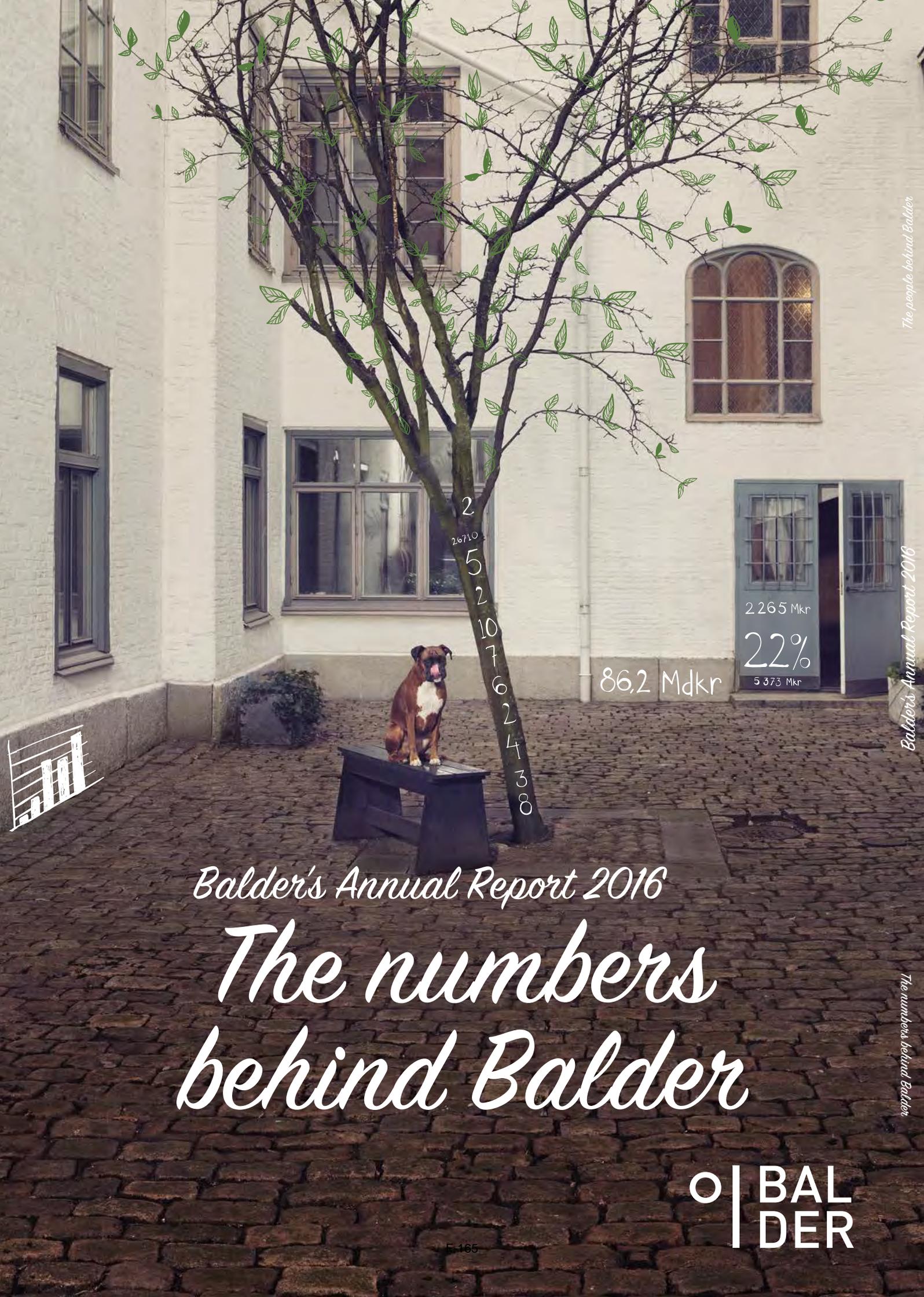
Number of commercial leases per rental value



A man and a woman are lying on their backs on a grey carpeted floor. The woman is on the left, wearing a black leather jacket, and the man is on the right, wearing a blue long-sleeved shirt. They are both looking towards each other with neutral expressions. The lighting is soft and even.

*Now you have
reached the end of
the first part of the
annual report.*

*Turn over the annual report
to instead analyse our
financial information and the
numbers behind Balder.*



The people behind Balder

Balder's Annual Report 2016

The numbers behind Balder

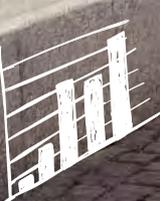
2
26710
5
2
10
7
6
2
4
3
8

2 265 Mkr

22%

5 373 Mkr

86,2 Mdkr



Balder's Annual Report 2016

The numbers behind Balder

**BAL
DER**

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 before tax, SEKm ²⁾

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.

Net debt to total assets ratio, %

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 in participations in profits from 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 minority in relation to the balance sheet total at year-end.

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 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, 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, %

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) In estimation of the Profit from property management before tax, attributable to the parent company's shareholders, the profit from property management is also reduced by the participation of non-controlling interests.

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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 31 December. Brinova Fastigheter AB (publ) is included from 30 September 2016 when the company was listed.

SEKm	31 Dec 2016	31 Dec 2015
Assets		
Investment properties	86,177	68,456
Other property, plant and equipment	136	122
Participations in associated companies ^{1,2)}	6,673	6,549
Receivables	1,357	1,497
Cash and cash equivalents and financial investments	1,592	1,025
Total assets	95,935	77,649
Equity and liabilities		
Equity ³⁾	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
Total equity and liabilities	95,935	77,649
1) Including Balder's market value of Collector AB (publ)	4,661	5,224
Collector's market price (SEK)	103.00	127.00
2) Including Balder's market value of Brinova Fastigheter AB (publ)	282	–
Brinova's market price (SEK)	15.30	–
3) Of which, non-controlling interests	5,540	4,377

Consolidated statement of changes in equity

SEKm	31 Dec 2016	31 Dec 2015
Opening equity	29,325	14,261
Comprehensive income for the year	6,507	4,909
Dividend approved and entered as a liability to preference shareholders	–200	–200
New issue, after issue expenses	1,780	1,705
Transactions with non-controlling interests	–107	–
Dividends to non-controlling interests	–107	–
Non-controlling interests that arose during acquisition of subsidiaries	–	4,377
Non-controlling interests that arose during new issue in subsidiaries	554	–
Change in listed associated companies to market value during the year	–962	4,273
Closing equity	36,791	29,325

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Annual General Meeting 11 May 2017

Interim report 11 May 2017
Jan–Mar 2017

Interim report 22 August 2017
Jan–Jun 2017

Interim report 2 November 2017
Jan–Sep 2017

Year-end report 22 February 2018
Jan–Dec 2017

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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 accounts of the Group and the Parent Company for the financial year 2016. Fastighets AB Balder is listed on Nasdaq Stockholm, Large Cap segment. The company has approximately 22,000 shareholders (17,200). 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 shall not exceed 55 %. The outcome in 2016 was 36.1 % (34.1) and 3.7 times (5.1), and 51.8 % (54.6), respectively. Including the listed associated companies at market value, the equity/assets ratio was 38.3 % (37.8) and the net debt to total assets ratio was 50.0 % (51.6).

Organisation

Balder's business areas consist of the regions Helsinki, Stockholm, Gothenburg, Öresund, East and North, which are made up of 17 areas. 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 546 employees (522) on 31 December, of whom 255 (234) 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 2017.

Significant events during the fiscal year

Balder obtained an investment grade rating from Moody's of Baa3 with a stable outlook.

During September, Balder's associated company Brinova Fastigheter AB (publ) was listed, Balder's participating interest was 25.5 % on 31 December.

Acquisitions

During the year, Balder acquired all properties in the company I.A Hedin Fastighet AB from Anders Hedin Invest AB. The number of acquired retail properties was 43 in total with a property value of SEK 4,208m. In 2016, Balder also acquired its first property in Norway, Hedmark University of Applied Sciences, where the Norwegian state is the dominant tenant with a lease that has a remaining term of 24 years. During the year, 116 properties were acquired with a property value of SEK 11,432m. The largest part of

the property acquisitions during the year related to acquisitions in Balder's Finnish subsidiary Sato Oyj and the acquired properties from the company I.A Hedin Fastighet AB.

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 Töreboda, Skara and Jönköping. Balder divested 71 properties in total during the year with a property value of SEK 1,990m including sales that occurred in the subsidiary Sato Oyj. The divestments carried out, generated a profit of SEK 85m, equivalent to 5 % over the carrying amount.

Other

In September, a directed share issue of 3,000,633 ordinary shares was carried out, which raised SEK 681m after issue expenses. In December, a set-off issue of 4,602,515 ordinary shares was completed, which raised SEK 1,099m after issue expenses.

The property portfolio

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

On 31 December, Balder owned 1,220 investment properties (1,177) with a lettable area of 3,806,000 sq.m. (3,430,000) and a carrying amount of SEK 86.2 billion (68.5), including project real estate. During the year, 116 investment

properties (723) with a lettable area of approximately 505,000 sq.m. (1,405,000) were acquired for SEK 11,342m (28,660). 71 properties (23) were divested during the year with a total lettable area of 132,000 sq.m. (108,000) for SEK 1,990m (1,613), which generated a profit of SEK 85m (65).

In 2017, Balder will continue the work on consolidating its property portfolio.

When allocating carrying amounts by region, Helsinki's share amounted to 30 % (31), Stockholm to 19 % (20), Gothenburg 20 % (20), Öresund 13 % (12), East 13 % (14) and North 4 % (3). Of the carrying amounts, 39 % (36) related to commercial properties and 61 % (64) to residential properties.

Profit from property management

Profit from property management amounted to SEK 2,653m (1,780) during the year. Profit from property management attributable to the parent company's shareholders increased by 27 % and amounted to SEK 2,265m (1,780), which corresponds to SEK 11.89 per ordinary share (9.71). Profit from property management includes SEK 419m (457) 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 6,093m (4,916). Profit after tax attributable to the parent company's shareholders amounted to SEK 5,474m (4,916), corresponding to SEK 30.38 per ordinary share (28.98).

The result was impacted by realised changes in value of properties of SEK 85m (65), unrealised changes in value of properties of SEK 4,847m (3,323), 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 mainly due to Sato Oyj, whose income statement was consolidated for the first time from 1 January 2016. The leasing portfolio was estimated to have a rental value on 31 December of SEK 6,089m (5,257) on a full-year basis. The average rental

level for the entire property portfolio amounted to 1,583 SEK/sq.m. (1,508) excluding project real estate. The increase in the average rental rate was mainly due to changes in the property portfolio. The rental income shows a considerable diversification of risks as regards tenants, sectors and locations.

The economic occupancy rate amounted to 95 % (96) on the closing date.

On 31 December, the total rental value for unlet areas amounted to SEK 289m (182) on a full-year 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 provided 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.

Net financial items and changes in value of derivatives

Net financial items, excluding changes in value of derivatives amounted to SEK -973m (-437) and changes in value of interest rate derivatives amounted to SEK -114m (227). The negative change in value during the year was due to the decrease 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 increased.

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 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 amounted to SEK

1,547m (1,294) 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 1,547m 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.

Net financial items are equivalent to an average interest rate of 2.1 % (1.8) including the effect of accrued interest from Balder's interest rate derivatives.

Multi-year summary

See page 7.

Value of the 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 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 regularly allows parts of the portfolio to be externally valued during the year. During the year, Balder externally valued about 40 % of its properties including Sato Oyj's property holdings. The external valuations were

Sensitivity analysis

Factor	Change	Earnings effect before tax, SEKm
Rental income	+/-1 %	+/-58
Economic occupancy rate	+/-1 percentage point	+/-61
Interest rate level of interest-bearing liabilities	+1 percentage point	-374
Property costs	+/-1 %	-/+17
Changes in value of investment properties	+/-5 %	+/-4,309

less than 1 % higher than the internal valuations at year-end.

On 31 December, Balder's average yield requirement amounted to 5.3 % (5.4), excluding 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 investment properties amounted to SEK 86,177m (68,456), according to the individual internal valuation, which implied an unrealised change in value of SEK 4,847m (3,323).

Taxes

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

Current tax and deferred tax have been calculated based on the applicable tax rate for 2016. 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 5,808m (4,071). For more detailed information, see Note 11, Taxes.

Cash flow and financial position

Balder's assets amounted to SEK 92,623m (73,376) on 31 December. These were financed by equity of SEK 33,479m (25,052) and by liabilities of SEK 59,144m (48,324) of which SEK 49,580m (41,063) are interest-bearing.

Cash flow from operating activities be-

fore 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 of SEK 1,843m (791) and investments in property, plant and equipment, financial investments, associated companies and transactions with non-controlling interests of SEK 785m (4,857), paid dividend preference shares of SEK 200m (200) and paid dividend to non-controlling interests of SEK 107m (-) totalled SEK 10,583m (7,945).

These were financed through cash flow from operating activities of SEK 2,891m (762), through property divestments of SEK 1,651m (1,606) and financial investments of SEK 225m (504), a new issue of SEK 682m (1,705), a new issue in the subsidiary Sato Oyj of SEK 420m (-) and net borrowing of SEK 5,382m (3,788), totalling SEK 11,250m (8,365).

Total cash flow for the year amounted to SEK 667m (421).

Liquidity

Apart from unutilised credit facilities of SEK 4,827m (4,545) the Group's cash and cash equivalents, financial investments and unutilised overdraft facilities amounted to SEK 1,942m (1,339) on 31 December.

Equity

Shareholders' equity amounted to SEK 33,479m (25,052) on 31 December, of which non-controlling interests amounted to SEK 5,540m (4,377), corresponding to SEK 139.23 per ordinary share (103.24). The equity/assets ratio was 36.1 % (34.1). Including the listed associated companies at market value, the equity/assets ratio was 38.3 % (37.8) and equity per ordinary share was SEK 157.63 (128.03).

Interest-bearing liabilities

The Group's interest-bearing liabilities amounted to SEK 49,580m (41,063) on 31 December. The proportion of loans with interest dates during the coming 12-month period amounted to 52 % (52) and the average fixed credit term amounted to 4.2 years (4.4). 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 reco-

gnised in the income statement. Changes in value during the year amounted to SEK -114m (227). Interest-bearing liabilities are described in greater detail in Note 21, Financial risks and financial policies.

Investments

Property investments amounted to SEK 13,185m (29,451) during the year, of which SEK 11,342m (28,660) related to acquisitions and SEK 1,843m (791) related to investments in existing properties and projects. The largest part of the property acquisitions during the year related to acquisitions made by Sato Oyj and the acquired properties from Anders Hedin Invest AB. Of the total changes in the property portfolio, SEK 3,603m (21,291) related to Helsinki, 1,280m (1,117) related to Stockholm, SEK 3,274m (597) to Gothenburg, SEK 2,210m (1,176) to Öresund, SEK 2,061m (5,243) to East, and SEK 758m (27) to North.

Associated companies

Balder owns 50 % of a number of companies where Balder takes care of management and administration, for further information see Note 15, Participations in associated companies. Apart from the 50%-owned associated companies, Balder owns 44.1 % (44.1) of Collector AB (publ), 31.0 % (31.0) of Tornet Bostadsproduktion AB and 25.5 % (35.0) of Brinova AB Fastigheter AB (publ) and 49 % (-) of Sjaelsö Management ApS. During September 2016, Balder's associated company Brinova Fastigheter AB was listed and Collector AB is 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 58. On pages 50-51, 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 81 investment properties (55) and 5 real estate projects (5). Balder's participation in the lettable area of the property holdings amounts to approximately 219,000 sq.m. (183,000) with a rental value of SEK 333m (276). The economic occupancy rate amounted to 97 % (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 company having an internal bank function. Sales in the parent company amounted to SEK 209m (147) during the year, of which intra-group services represented SEK 174m (117) and the remainder mostly related to management assignments for associated companies.

Net profit after tax during the year amounted to SEK 1,311 m (1,061). Earnings were affected by dividend from subsidiaries of SEK 1,430m (800), changes in value relating to unrealised interest rate derivatives of SEK -151m (199) and group contributions paid of SEK of -568m (-340).

The parent company's financial investments, cash and cash equivalents, including unutilised credit facilities amounted to SEK 1,444m (658) on 31 December. Receivables from group companies amounted to SEK 24,629m (21,676) on the closing date. Investments in property, plant and equipment and financial investments amounted to SEK 8m (1) and SEK 42m (846) respectively during the year.

Opportunities and risks

Balder's operations, financial position and results may be affected by a number of risk factors.

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 95 % (96). Balder's ten largest leases represented 5.6 % (6.1) of total rental income and their average lease term amounted to 11.8 years (11.1). No individual lease accounted 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. The average lease term in the overall commercial portfolio amounted to 7.1 years (6.3).

A change of +/- 1 % in rental income would affect the profit before tax by +/- SEK 58m.

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 4.2 years (4.4).

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 %age unit and the assumption of an unchanged loan and derivative portfolio, the interest expense would increase by SEK 374m. Of Balder's total loan stock at year-end, 48 % (48) had an interest rate refixing period of more than one year. 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 extensive 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 +/- 4,309m 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 38.0 % and in the event of a negative change in value it would amount to 34.1 %.

Environment

Balder has not carried out any comprehensive study of possible environmental pollution in the property portfolio but estimates that neither the properties nor the customers' operations give rise to any material environmental risks, which could affect the company's position. Acquisitions of properties where a risk of an environmental impact is deemed to exist, are preceded by environmental inspections. For information about Balder's environmental responsibility see page 22.

The share and owners

During September, Balder carried out a

directed new issue of 3,000,633 ordinary Class B shares, which raised SEK 681m after issue expenses. Balder carried out a set-off issue of 4,602,515 ordinary Class B shares in December, which raised SEK 1,099m after issue expenses. After the issues and on 31 December, the share capital amounted to 190,000,000 distributed among 190,000,000 shares. Each share has a quota value of SEK 1, whereof 11,229,432 shares are of Class A, 168,770,568 of Class B and 10,000,000 preference shares. Each Class A share carries one vote and each Class B share and preference share carries one tenth of one vote.

The Annual General Meeting 2016 resolved to authorise the Board during the period until the next AGM to decide on a new issue of shares of Class B and preference shares corresponding to not more than 10 % of the existing share capital. The largest owners are Erik Selin with company, which holds 48.2 % of the votes and Arvid Svensson Invest AB with 14.7 % 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 during the next few years, the dividend for the ordinary share will be low or may not be declared at all. The quarterly dividend for the preference share amounts to SEK 20.00 per year.

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 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 Nas-

daq Stockholm. The Board aims to make it easy for the individual shareholder to understand where in the organisation responsibility and authority lie. The corporate 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.

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

The following amount in Swedish kronor is at the disposal of the Annual General Meeting:

Retained earnings	10,451,877,039
Net profit for the year	1,311,144,835
Total ¹⁾	11,763,021,874

1) See change in the Parent Company's equity, page 70.

The Board proposes that the amount be allocated as follows:

Dividend SEK 20.00 per preference share	200,000,000
Carried forward	11,563,021,874
Total	11,763,021,874

The Board's statement regarding the proposed distribution of profits

The Board considers that full coverage exists for the company's restricted equity after the proposed distribution of profits.

The Board considers that the proposed distribution of profits is reasonable taking account of the assessment criteria prescribed in Chapter 17. Section 3, second and third paragraphs of the Swedish Companies Act (the type, scale, risks, need to strengthen the balance sheet, liquidity and general financial position of the operations).

The Board estimates that the company's equity after the proposed distribution of profits will be sufficiently large in relation to the type, scale and risks of the operations. The Board's assessment of the parent company's and the Group's financial position means that the dividend is defensible in relation to the Group's need to strengthen the balance sheet, liquidity and unexpected events.

The proposed distribution of profits will not affect the company's and the Group's ability to meet their payment obligations at the right time.

The proposed dividend for preference shares accounts for 1.7 % (2.2) of the parent company's equity and 0.6 % (0.8) of the Group's equity.

Balder's declared goal for the Group's capital structure is 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 be more than 55 %, should also be met after the proposed dividend. In light of this, the Board considers that the company and the Group have a good basis for taking advantage of future business opportunities and also for managing possible losses. Planned investments have been considered in determination of the proposed distribution of profits.

Record days for the quarterly dividend of SEK 5.00 to the preference shareholders are 10 July, 10 October and 10 January and 10 April.

Gothenburg, 31 March 2017
Board of Directors

Financial statements

Consolidated statement of comprehensive income

SEKm	Note	2016	2015
Rental income	2, 3	5,373	2,711
Property costs	3, 6, 7, 8	-1,693	-767
Net operating income		3,679	1,944
Changes in value of investment properties, realised	13	85	65
Changes in value of investment properties, unrealised	13	4,847	3,323
Other income/costs	33	17	11
Management and administrative expenses	5, 6	-488	-185
Participation in profits of associated companies	15	590	831
Operating profit	3, 4, 5, 6, 7	8,730	5,988
Financial items			
Financial income	9	104	166
Financial costs	10	-1,077	-603
Changes in value of derivatives	21	-114	227
Net financial items, including changes in value of derivatives		-1,087	-210
Profit before tax		7,643	5,778
Income tax	11	-1,550	-862
Net profit for the year		6,093	4,916
Other comprehensive income - items that may be reclassified to the income statement			
Translation difference regarding foreign operations		438	3
Cash flow hedges after tax		-26	-
Participation in other comprehensive income from associated companies		2	-10
Comprehensive income for the year		6,507	4,909
Net profit for the year attributable to			
The parent company's shareholders		5,474	4,916
Non-controlling interests		619	-
		6,093	4,916
Total comprehensive income for the year attributable to			
The parent company's shareholders		5,685	4,909
Non-controlling interests		823	-
		6,507	4,909
Profit from property management before tax, SEKm ¹⁾		2,653	1,780
Profit from property management before tax attributable to the parent company's shareholders, SEKm ¹⁾		2,265	1,780
Profit from property management before tax per ordinary share, SEK ²⁾		11.89	9.71
Profit after tax per ordinary share, SEK ²⁾	12	30.38	28.98
		419	457

1) Including Balder's participation in the profit from property management from associated companies

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

There is no dilutive effect as no potential shares arise.

Consolidated statement of financial position

SEKm	Note	31 Dec 2016	31 Dec 2015
Assets			
Non-current assets			
Investment properties	13, 24	86,177	68,456
Other property, plant and equipment	14	136	122
Participations in associated companies	15	3,362	2,276
Other long-term receivables	17	908	1,173
Total non-current assets		90,583	72,027
Current assets			
Trade receivables	16	150	130
Other receivables		146	87
Prepaid expenses and accrued income	18	153	107
Financial investments	19	305	405
Cash and cash equivalents	25	1,287	620
Total current assets		2,041	1,349
Total assets		92,623	73,376
Equity and liabilities			
Equity			
	20		
Share capital		190	182
Other contributed capital		7,806	6,034
Translation differences		218	-7
Reserves		-14	-
Retained earnings including net profit for the year		19,739	14,465
Equity attributable to the parent company's shareholders		27,939	20,675
Non-controlling interests		5,540	4,377
Total equity		33,479	25,052
Provisions			
Deferred tax liability	11	5,808	4,071
Total provisions		5,808	4,071
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities ¹⁾	21	33,267	39,095
Other non-current liabilities		176	331
Credit facilities	21, 22	-	36
Derivatives	21	1,453	1,294
Total non-current liabilities		34,896	40,755
Current liabilities			
Current interest-bearing liabilities ¹⁾	21	16,314	1,933
Trade payables		267	179
Derivatives	21	94	-
Other liabilities		636	542
Accrued expenses and deferred income	23	1,130	845
Total current liabilities		18,441	3,498
Total liabilities		59,144	48,324
Total equity and liabilities		92,623	73,376

1) 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.

Consolidated statement of changes in equity

Attributable to the parent company's shareholders

SEKm	Share capital	Other contributed capital	Reserves	Translation difference	Retained earnings including net profit for the year	Total	Non-controlling interests	Total equity
Opening balance, 1 Jan 2015	172	4,339	–	1	9,749	14,261	–	14,261
Net profit for the year					4,916	4,916		4,916
Other comprehensive income				–7		–7		–7
Total comprehensive income	–	–	–	–7	4,916	4,909	–	4,909
Non-controlling interests that arose during acquisition of subsidiaries ²⁾							4,377	4,377
New issue, after issue expenses	10	1,695				1,705		1,705
Dividend approved and entered as a liability to preference shareholders					–200	–200		–200
Total transactions with the company's owners	10	1,695	–	–	–200	1,505	4,377	5,882
Closing balance, 31 Dec 2015	182	6,034	–	–7	14,465	20,675	4,377	25,052
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

1) For more information See Note 20 relating to Equity.

2) For more information See Note 32 relating to Business combinations.

Consolidated statement of cash flows

SEKm	Note	2016	2015
Operating activities			
Net operating income		3,679	1,944
Other income/expenses		17	2
Management costs and administrative expenses		-488	-185
Reversal of depreciation and amortisation		26	15
Other adjustments		-	0
Interest received	25	62	32
Interest paid	25	-1,001	-618
Tax paid		-160	4
Cash flow from operating activities before change in working capital		2,135	1,193
Cash flow from changes in working capital			
Change in operating receivables		176	-660
Change in operating liabilities		580	228
Cash flow from operating activities		2,891	762
Investing activities			
Acquisition of properties		-7,648	-2,097
Purchase/disposal of property, plant and equipment		-41	-4
Purchase of financial investments		-145	-542
Acquisition of shares in associated companies		-493	-92
Investments in existing properties and projects		-1,843	-791
Acquisition of subsidiaries ¹⁾	32	-	-4,219
Transactions with non-controlling interests		-107	-
Divestment of properties		1,651	1,606
Sale of financial investments		225	504
Cash flow from investing activities		-8,401	-5,635
Financing activities			
New issue, after issue expenses		682	1,705
New issue in subsidiaries, non-controlling interests' share in the new issue in Sato Oyj		420	-
Dividend paid preference shares		-200	-200
Dividend paid to non-controlling interests		-107	-
Borrowings		10,783	5,209
Amortisation/Redemption of loans		-5,365	-1,457
Change in credit facilities		-36	36
Cash flow from financing activities		6,177	5,293
Cash flow for the year			
Cash and cash equivalents at beginning of year		620	199
Cash and cash equivalents at end of year	25	1,287	620
Unutilised credit facilities	22	350	314
Financial investments	19	305	405

1) In 2015, the item related to a net outflow of cash and cash equivalents for the acquisition of Sato Oyj. For more information See Note 32 relating to Business combinations.

Parent Company income statement

SEKm	Note	2016	2015
Net sales	2	209	147
Administrative expenses		-224	-167
Operating profit	4, 5	-14	-20
Profit from financial items			
Dividend from subsidiaries		1,430	800
Interest income and similar profit/loss items	9	1,277	1,125
Interest expenses and similar profit/loss items	10	-698	-633
Changes in value of derivatives	21	-151	199
Profit before appropriations and taxes		1,843	1,470
Appropriations			
Group contributions paid		-568	-340
Profit before tax		1,275	1,130
Income tax	11	36	-69
Net profit for the year/comprehensive income ¹⁾		1,311	1,061

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

Parent Company balance sheet

SEKm	Note	31 Dec 2016	31 Dec 2015
Assets			
Non-current assets			
Property, plant and equipment	14	25	20
<i>Financial assets</i>			
Participations in group companies	26, 24	3,346	1,822
Participations in associated companies	15, 24	787	536
Other non-current receivables	17	773	1,036
Receivables from group companies	27	24,629	21,676
<i>Total financial assets</i>		29,536	25,070
Deferred tax assets	11	180	144
Total non-current assets		29,741	25,233
Current assets			
<i>Current receivables</i>			
Other receivables		8	6
Prepaid expenses and accrued income	18	8	4
<i>Total current receivables</i>		16	10
Financial investments	19	203	390
Cash and cash equivalents	25	941	4
Total current assets		1,159	404
Total assets		30,900	25,637
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital		190	182
<i>Non-restricted equity</i>			
Share premium reserve		7,233	5,460
Retained earnings		3,219	2,359
Net profit for the year		1,311	1,061
Total equity		11,953	9,063
Non-current liabilities			
Liabilities to credit institutions ¹⁾	21	5,501	10,887
Other non-current liabilities		112	126
Credit facilities	21, 22	–	36
Derivatives	21	805	737
Liabilities to group companies	27	4,440	4,507
Total non-current liabilities		10,858	16,292
Current liabilities			
Liabilities to credit institutions ¹⁾	21	7,668	45
Trade payables		4	4
Derivatives	21	84	–
Other liabilities		280	187
Accrued expenses and deferred income	23	53	47
Total current liabilities		8,089	282
Total equity and liabilities		30,900	25,637

1) 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.

Parent Company statement of changes in equity

SEKm	Restricted equity		Non-restricted equity			Total equity
	Number of shares	Share capital	Share premium reserve	Retained earnings	Net profit for the year	
Equity at 1 Jan 2015	172,396,852	172	3,765	2,257	302	6,497
Net profit for the year/comprehensive income	–	–	–	–	1,061	1,061
Appropriation of profits				302	–302	–
New issue, after issue expenses	10,000,000	10	1,695			1,705
Dividend approved and entered as a liability to preference shareholders				–200		–200
Total transactions with the company's owners	10,000,000	10	1,695	102	–302	1,505
Equity at 31 Dec 2015	182,396,852	182	5,460	2,359	1,061	9,063
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 ¹⁾	190,000,000	190	7,233	3,219	1,311	11,953

1) For further information, see note 20 Share capital.

Parent Company cash flow statement

SEKm	Note	2016	2015
Operating activities			
Operating profit/loss		-14	-20
Reversal of depreciation and amortisation		3	3
Interest received	25	12	18
Interest paid	25	-383	-333
Cash flow from operating activities before change in working capital		-383	-333
Cash flow from changes in working capital			
Change in operating receivables		-3	-2
Change in operating liabilities		270	72
Cash flow from operating activities		-116	-262
Investing activities			
Purchase of property, plant and equipment		-8	-1
Acquired participations in group companies		-427	-
Purchase of financial investments		-42	-542
Change in lending to group companies		-1,270	-4,070
Change in lending to associated companies		136	-413
Sale of financial investments		225	504
Acquisition of shares in associated companies		-251	-1
Cash flow from investing activities		-1,637	-4,522
Financing activities			
New issue, after issue expenses		682	1,705
Dividend paid preference shares		-200	-200
Borrowings		3,368	3,972
Amortisation/Redemption of loans		-1,124	-889
Change in credit facilities		-36	36
Cash flow from financing activities		2,690	4,623
Cash flow for the year		937	-161
Cash and cash equivalents at the beginning of the year		4	165
Cash and cash equivalents at the end of the year	25	941	4
Unutilised credit facilities	22	300	264
Financial investments	19	203	390

Notes to the financial statements

Note 1 • Accounting policies

General information

The financial statements for Fastighets AB Balder, as of 31 December 2016, were approved by the Board of Directors and Chief Executive Officer on 31 March 2017 and will be submitted for adoption by the Annual General Meeting on 11 May 2017. Fastighets AB Balder (publ), corporate identity number 556525-6905, with registered office in Gothenburg, constitutes the parent company of a Group with subsidiaries according to Note 26, 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 "Parent Company 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 judgements.

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.

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 purchase 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 acquisition analysis establishes the cost of the shares or entity, as well as the fair value on the acquisition date of the company's identifiable assets, liabilities assumed and contingent liabilities. The consideration also includes the fair value of all assets or liabilities which are a result of an agreement on contingent consideration. Costs related to the acquisition 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 who 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.

Recognition of associated companies

Associated companies are considered to be those companies that are not subsidiaries but where the parent company directly or indirectly holds between 20 and 50 per cent of the votes of all shares. Participations in associated companies 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.

Participating interests in associated companies are recognised separately in the consolidated statement of comprehensive income and consolidated statement of financial position. Participations in the profits of associated companies are recognised after tax.

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 arising on 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 cost 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

Costs relating to operating lease contracts and benefits received in connection with the signing of an agreement are recognised in the consolidated income statement on a straight-line basis over the term of the lease.

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 and a contractual obligation to pay exists, even if an invoice has not 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 fluctuations 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.

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 financial or operating leases. Financial leasing 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 financial 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 divestments is normally recognised on the date of taking 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 divestment 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.

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 loans and 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. In calculating value in use, future cash flows are discounted using a discounting factor that takes into account the risk-free rate of interest and the risk associated with the specific asset. 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. Balder's preference shares are not mandatorily redeemable on a specific date and are thus 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 expenses 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 policies

New and amended standards and interpretations which entered into force in 2016

New standards which entered into force from 1 January 2016 did not have any material impact on the consolidated financial statements.

New standards and interpretations which enter into force in 2017 and subsequently

A number of new and amended IFRS will only become effective in future financial years and have not been adopted in the preparation of these financial statements. The amendments are not expected to have a major impact on the consolidated accounts. The new future standards are:

IFRS 9 Financial Instruments was adopted during autumn 2016 by the EU and will become effective on 1 January 2018. Among other things, the standard means a new classification of financial instruments and a new model for provisions for credit losses and management of hedge accounting. This is not expected to have any material impact on the Balder Group apart from changed documentation.

IFRS 15 Revenue Recognition was also adopted during autumn 2016 and will become effective on 1 January 2018. Balder's revenue mainly consists of rental income, which is recognised in the period in which the tenant uses the apartment/premises. The introduction of IFRS 15 is not expected to have any material effects on Balder's financial reporting apart from disclosure requirements.

IFRS 16 Leasing will be applied from 1 January 2019. The standard will impact the recognition of the Group's operating lease agreements where the Group is a lessee. For this type of lease, a future value shall be calculated and carried in the balance sheet. The Group only has a few such leases, and for this reason it is estimated that the standard will not have any major impact on the consolidated financial statements.

The company management has still not carried out a detailed analysis of the effect of applying IFRS 9, 15 and 16 and can therefore still not quantify the impact. The company management estimates that other new and amended standards and interpretations, which have not yet become effective will not have any material impact on Balder's financial statements when they are applied for the first time.

Changes in Swedish regulations

Changes made in 2016 have not had any material impact on Balder's reporting but mainly resulted in some expanded disclosure requirements.

Parent Company accounting policies

The Parent Company has prepared its annual accounts according to the Swedish Annual Accounts Act (1995:1554) 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 the 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. 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. 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	
	2016	2015	2016	2015
Rental income	5,373	2,711	–	–
Rendering of services	–	–	209	147
Total	5,373	2,711	209	147

Rental income distributed by country

SEKm	Group	
	2016	2015
Sweden	2,595	2,519
Denmark	193	119
Finland	2,558	74
Norway	27	–
Total	5,373	2,711

Rental income distributed by property category

SEKm	Group	
	2016	2015
Residential	3,538	1,109
Office	725	717
Retail	527	314
Other	523	487
Project	59	83
Total	5,373	2,711

Rental income distributed by region

SEKm	Group	
	2016	2015
Helsinki	1,901	–
Stockholm	819	843
Gothenburg	1,030	938
Öresund	496	414
East	933	352
North	193	164
Total	5,373	2,711

Note 3 • Segment reporting

Balder' operating segments consist of the regions Helsinki, Stockholm, 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 cost principle. Also see Note 1, Accounting policies applied.

Regions	Helsinki		Stockholm		Gothenburg		Öresund		East		North		Group	
SEKm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Rental income	1,901	–	819	843	1,030	938	496	414	933	352	193	164	5,373	2,711
Property costs	–677	–	–209	–200	–287	–288	–91	–99	–367	–119	–63	–61	–1,693	–767
Net operating income	1,224	–	610	643	743	650	405	315	566	233	130	103	3,679	1,944
Changes in value of properties														
Commercial properties	–	–	1,179	1,298	935	593	181	144	69	93	92	27	2,455	2,156
Residential properties	916	–	181	188	273	320	825	387	186	181	96	156	2,477	1,232
Net operating income including changes in value	2,140	–	1,970	2,129	1,951	1,563	1,412	846	820	507	319	286	8,612	5,331
<i>Non-allocated items:</i>														
Other income/expenses													17	11
Management costs and administrative expenses													–488	–185
Participations in the profit from associated companies													590	831
Operating profit													8,730	5,988
Net financial items													–973	–437
Changes in value of derivatives													–114	227
Income tax													–1,550	–862
Net profit for the year													6,093	4,916
Other comprehensive income													414	–7
Comprehensive income for the year													6,507	4,909
Assets														
Commercial properties	–	–	13,370	10,981	12,737	8,774	5,079	3,500	1,195	1,159	1,084	308	33,466	24,722
Residential properties	26,175	21,291	3,014	2,852	4,734	4,687	6,493	4,698	10,293	8,313	2,002	1,893	52,711	43,734
Investment properties	26,175	21,291	16,385	13,833	17,471	13,461	11,571	8,197	11,489	9,472	3,087	2,201	86,177	68,456
<i>Non-allocated items:</i>														
Property, plant and equipment													136	122
Other non-current receivables													908	1,173
Participations in associated companies													3,362	2,276
Current assets													2,041	1,349
Total assets													92,623	73,376
Equity and liabilities														
<i>Non-allocated items:</i>														
Equity													33,479	25,052
Deferred tax liability													5,808	4,071
Interest-bearing liabilities													49,580	41,063
Derivatives													1,547	1,294
Non-interest-bearing liabilities													2,209	1,896
Total equity and liabilities													92,623	73,376
Investments (including company acquisitions)														
Commercial properties	–	–	1,248	733	3,115	90	1,378	127	13	7	722	1	6,478	958
Residential properties	3,603	21,291	32	384	159	507	832	1,049	2,047	5,236	36	26	6,707	28,493
Investment properties	3,603	21,291	1,280	1,117	3,274	597	2,210	1,176	2,061	5,243	758	27	13,185	29,451

The Group's registered office is in Sweden. Revenue from external customers in Sweden amounted to SEK 2,595m (2,519) and total revenue from external customers in Denmark, Finland and Norway amounted to SEK 2,778m (193). Total non-current assets, other than financial instruments and deferred tax receivables that are located in Sweden amounted to SEK 45,735m (37,676) and the total of such non-current assets located in other countries amounted to SEK 40,578m (30,902).

Note 4 • Employees and personnel expenses

At year-end, the Group had a total of 546 employees (522), of whom 255 (234) were women. The number of employees in the parent company at year-end was 223 (196), of whom 85

(70) were women.

During 2016, 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 Company	
	2016	2015	2016	2015
Average number of employees	556	349	228	185
Of which women	264	123	87	69

Salaries, fees and benefits

	Group		Parent Company	
	2016	2015	2016	2015
SEKm				
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	5.6	5.4	5.6	5.4
Benefits	0.3	0.3	0.3	0.3
Other employees				
Basic salary	220.0	121.6	85.6	61.9
Benefits	1.7	1.7	1.7	1.0
Total	229.0	130.4	94.6	70.0

Statutory social security contributions including payroll tax

	Group		Parent Company	
	2016	2015	2016	2015
SEKm				
Board of Directors	0.1	0.1	0.1	0.1
Chief Executive Officer	0.4	0.4	0.4	0.4
Other senior executives	2.0	1.9	2.0	1.9
Other employees	72.4	39.8	29.0	20.1
Total	74.9	42.2	31.5	22.5

Contractual pension expenses

	Group		Parent Company	
	2016	2015	2016	2015
SEKm				
President and CEO	0.3	0.3	0.3	0.3
Other senior executives	0.8	0.8	0.8	0.8
Other employees	27.5	7.5	5.0	3.1
Total	28.6	8.6	6.1	4.2
Total	332.5	181.2	132.2	96.7

Remuneration to senior executives and other benefits during the year

SEKm	2016-01-01–2016-12-31				2015-01-01–2015-12-31			
	Basic salary directors' fees	Benefits	Pension expense	Total	Basic salary directors' 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)	5.6	0.3	0.8	6.7	5.4	0.3	0.8	6.5
Total	7.0	0.3	1.1	8.4	6.8	0.3	1.1	8.2

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

Note 4 • Cont'd

A defined benefit pension plan agreement has been entered into with the CEO which means that an amount of SEK 0.4m (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 3.2m (3.0). The commitment has been secured by a provision to a pension fund, whose plan assets amounted to SEK 3.2m (3.0). 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	
	2016	2015	2016	2015
PwC				
The audit assignment	3.9	3.3	3.0	2.5
Tax advice	0.7	0.8	0.5	0.8
KPMG (Sato Oyj)				
The audit assignment	1.3	–	–	–
Tax advice	0.1	–	–	–
Other services	1.5	–	–	–
Total	7.5	4.1	3.4	3.3

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

Group, SEKm	2016	2015
Property costs	1,693	767
Management and administrative expenses	488	185
Total	2,182	953
Group, SEKm	2016	2015
Personnel expenses	332	181
Depreciation/amortisation	26	15
Media expenses	549	285
Property tax	222	122
Ground rent	45	21
Maintenance and other costs ¹⁾	1,006	327
Total	2,182	953

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

Note 7 • Specification of property costs

Group, SEKm	2016	2015
Operating and maintenance cost ¹⁾	868	332
Media expenses ²⁾	558	291
Property tax	222	122
Ground rent	45	21
Total	1,693	767

1) Operating costs include personnel expenses relating to property maintenance.

2) Includes depreciation of wind turbines.

Note 8 • Operating leases

Leases where the Group is the 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 758m (652) in total. In the annual accounts for 2016, an expense of SEK 45m (21) was recognised in respect of operating leases in the Group. The future non-cancellable lease payments are as follows:

Group, SEKm	2016	2015
Within one year	24	21
1–5 years	94	80
>5 years	640	551
Total	758	652

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 7.1 years (6.3).

Group, SEKm	2016	2015
Residential, parking etc. (within one year)	3,800	3,457
Commercial premises		
Within one year	1,996	1,615
1–5 years	5,823	4,245
>5 years	6,251	4,570
Total	17,870	13,887

Note 9 • Financial income

SEKm	Group		Parent Company	
	2016	2015	2016	2015
Interest income	69	67	48	54
Interest income, subsidiaries	–	–	1,209	974
Other financial income	34	99	19	97
Total	104	166	1,277	1,125

Interest income is mainly related to receivables from associated companies. Other financial income mainly relates to changes in value of financial investments and dividends on quoted shares.

Note 10 • Financial costs

SEKm	Group		Parent Company	
	2016	2015	2016	2015
Interest expenses, borrowings	690	294	88	110
Interest expenses, interest rate derivatives	329	288	279	242
Interest expenses, subsidiaries	–	–	311	271
Other financial expenses	57	21	21	11
Total	1,077	603	698	633

Interest expenses and other financial expenses are related to interest-bearing liabilities.

Note 11 • Taxes

Recognised in the income statement SEKm	Group		Parent Company	
	2016	2015	2016	2015
Current tax expense (-)/tax revenue (+)				
Current tax	-226	4	0	–
Deferred tax expense (-)/tax revenue (+)				
Deferred tax related to temporary differences	-1,239	-853	36	-58
Deferred tax on changes in loss carry-forwards	-128	-62	0	-11
Released deferred tax in respect of temporary differences on sale	54	76	–	–
Change in other temporary differences	-12	-27	–	–
Total deferred tax	-1,325	-866	36	-69
Total recognised tax	-1,550	-862	36	-69

Reconciliation of effective tax

Group, SEKm	2016, %	2016	2015, %	2015
Profit before tax		7,643		5,778
Tax according to applicable tax rate for the parent company	22	-1,682	22	-1,271
Difference between profit for tax purposes and the recognised profit on sale of property	-1	73	-2	89
Tax on participation in profits from associated companies	-2	130	-3	183
Tax pertaining to prior years	0	-18	-0	4
Differences in foreign tax rates	-1	40	–	–
Acquired losses	–	–	-2	116
Non-taxable income/non-deductible expenses etc.	1	-93	-0	18
Recognised effective tax	20	-1,550	15	-862

Parent Company, SEKm

	2016, %	2016	2015, %	2015
Profit before tax		1,275		1,130
Tax according to applicable tax rate for the parent company	22	-281	22	-249
Non-taxable income/non-deductible expenses	-0	2	-0	3
Tax-exempt dividends	-25	315	-16	176
Tax pertaining to prior years	-0	0	-0	0
Recognised effective tax	-3	36	6	-69

Note 11 · Cont'd

Recognised in the balance sheet

Deferred tax assets and tax liabilities

Group 2016, SEKm	Deferred tax assets	Deferred tax liabilities	Net
Deferred tax assets and tax liabilities relate to the following:			
Properties	–	–6,219	–6,219
Derivatives	294	–	294
Loss carry-forwards	216	–	216
Other temporary differences	–	–98	–98
Set-off	–510	510	–
Total	–	–5,808	–5,808

No non-capitalised loss carry-forwards exist.

Parent Company 2016, SEKm	Deferred tax assets	Deferred tax liabilities	Net
Deferred tax assets and tax liabilities relate to the following:			
Derivatives	195	–	195
Loss carry-forwards	5	–	5
Other temporary differences	–	–21	–21
Set-off	–21	21	–
Total	180	–	180

No non-capitalised loss carry-forwards exist in Sweden.

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

Group, SEKm	Balance at 1 Jan 2015	Recognised in income statement	Acquisitions and disposals of companies	Balance at 31 Dec 2015
Properties	–2,119	–727	–1,828	–4,674
Derivative instruments	239	–50	74	263
Capitalisation of the value of loss carry-forwards	380	–62	25	343
Other temporary differences	–49	–27	74	–2
Total	–1,549	–866	–1,656	–4,071

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
Derivative instruments	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

Parent Company, SEKm	Balance at 1 Jan 2015	Recognised in income statement	Balance at 31 Dec 2015
Derivative instruments	206	–44	162
Capitalisation of the value of loss carry-forwards	16	–11	5
Other temporary differences	–9	–14	–23
Total	213	–69	144

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

Note 12 · Earnings per ordinary share

Earnings per share were computed in the following way:

Parent Company, SEKm	2016	2015
Net profit for the year attributable to the parent company's shareholders	5,474	4,916
Less - preference share dividend	-200	-200
Total	5,274	4,716
<i>Weighted average number of ordinary shares</i>		
Total number of ordinary shares, 1 January	172,396,852	162,396,852
Weighted average number of ordinary shares before dilution	172,396,852	162,396,852
Effect of newly issued shares	1,201,477	356,164
Weighted average number of ordinary shares after dilution	173,598,329	162,753,016
Earnings per ordinary share before dilution, SEK	30.59	29.04
Earnings per ordinary share after dilution, SEK	30.38	28.98

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 5,274m (4,716), 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 173,598,329 shares (162,753,016).

Note 13 · Investment properties

Group, SEKm	2016	2015
Opening fair value	68,456	37,382
Acquisitions	11,342	28,660
Investments in existing properties and projects	1,843	791
Changes in value, unrealised	4,847	3,323
Divestments	-1,905	-1,542
Currency changes	1,593	-158
Closing fair value	86,177	68,456

Valuation model

Investment properties are recognised at fair value in the consolidated statement of financial position and 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 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. 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.

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 that can be sold as separate units without restrictions. Properties equivalent to about 30 % of the total market value were valued by the sales comparison method.

The acquisition cost method

Properties under construction and 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 +/- 4,309m, equivalent to SEK 81,868-90,486m.

In order to quality-assure its internal valuations, Balder allows parts of the portfolio to be externally valued regularly during the year. During the year, Balder externally valued about 40 % of its properties including Sato's property holdings. The external valuations were less than 1 % higher than the internal valuations at year-end. Historically, deviations between external and internal valuations have been insignificant. For more information about Balder's valuation methods, see pages 45-47.

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 4,847m (3,323). Realised changes in value amounted to SEK 85m (65),

equivalent to 5 % (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 level, 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 5.3 % (5.4).

On 31 December 2016, after Balder's valuation, the company's total property value amounted to SEK 86,177m (68,456). For more information see the "Report of the Board of Directors" and Sensitivity analysis on page 60.

Future investments

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, which are let. In Copenhagen, there are currently about 1,400 apartments under construction and in Helsinki there are about 1,300 apartments under construction. On 31 December 2016, Balder's investment undertakings amounted to approximately SEK 4.0 billion (3.6), of which Sato Oyj's investment undertakings amounted to about SEK 1.2 billion.

Note 13 · Cont'd

Sensitivity analysis, excluding project properties

Impact on value, SEKm	Residential properties	Commercial properties
Rental value (+/- 1 percentage point)	+/- 745	+/- 345
Economic occupancy rate (+/- 1 percentage point)	+/- 745	+/- 345
Property costs (+/- 1 percentage point)	+/- 264	+/- 63
+/- 5 % change in value	+/- 2,439	+/-1,647

The sensitivity analysis on the left shows how a +/- one percentage point change in cash flow will affect the valuation and what +/-5 % change in value means. One parameter in the sensitivity analysis rarely changes in isolation, but different assumptions are interconnected as regards cash flow and yield requirement.

Region	Residential properties		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 flows, %	Yield requirement for estimation of residual value, %	
Helsinki ¹⁾	7.00–10.00	5.00–8.00	–	–	5.35
Stockholm	4.75–6.75	2.75–4.75	5.00–9.25	3.00–7.25	4.59
Gothenburg	4.75–8.75	2.75–6.75	6.00–12.00	4.00–10.00	5.14
Öresund	6.00–7.50	4.00–5.50	6.50–9.50	4.50–7.50	4.61
East	6.00–8.50	4.00–6.50	6.75–12.00	4.75–10.00	5.92
North	5.90–7.75	3.90–5.75	7.50–8.50	5.50–6.50	4.86

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. 1) Refers to properties valued using the investment method.

Note 14 · Other property, plant and equipment

Equipment SEKm	Group		Parent Company	
	2016	2015	2016	2015
Cost				
Opening balance	100	59	9	9
Purchasing	42	4	8	0
Increase through business combination (Sato Oyj)	–	37	–	–
Disposals and retirements	–5	–	–	–
Closing balance	136	100	16	9
Depreciation				
Opening balance	–50	–40	–7	–7
Disposals and retirements	4	–	–	–
Depreciation	–18	–9	–1	–1
Closing balance	–63	–50	–8	–7
Carrying amount	73	50	9	1
Wind turbines				
SEKm				
Cost				
Opening balance	164	164	30	30
Closing balance	164	164	30	30
Depreciation and impairment losses				
Opening balance	–93	–86	–12	–10
Depreciation	–9	–6	–2	–2
Closing balance	–101	–93	–14	–12
Carrying amount	63	72	16	18
Total carrying amount	136	122	25	20

Depreciation is recognised in administrative expenses and media 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	
	2016	2015	2016	2015
Opening balance	2,276	1,489	536	536
Acquisition of associated companies ¹⁾	473	261	226	1
Disposal of associated companies	–	–0	–	–
Associated companies that were reclassified as subsidiaries ²⁾	–0	–300	–	–
Dividend from associated companies	–	–1	–	–
Participations in the profits of associated companies after tax	590	831	–	–
Change in shareholders' equity of associated companies	23	–5	25	–
Closing balance	3,362	2,276	787	536

Participating interest in associated companies' statements of comprehensive income

Group, SEKm	2016	2015
Rental income	340	789
Property costs	–69	–266
Net operating income	271	523
Changes in value of properties, unrealised	343	318
Changes in value of properties, realised	0	85
Management and administrative costs	–26	77
Other operating income ³⁾	246	289
Operating profit	835	1,138
Net interest income/expenses	–73	–153
Changes in value of derivatives, unrealised	–1	1
Profit before tax	761	987
Tax	–171	–155
Net profit for the year	590	831
Profit from property management before tax	419	457

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

Group, SEKm	2016	2015 ⁴⁾
Assets	8,826	6,034
Shareholders' equity including shareholders' loan	3,362	2,276
Liabilities	5,464	3,758

1) Acquisitions of associated companies during the year referred to participations in Trenum AB, Norra Backaplan Bostads AB, Sjaelsö Management ApS and new issues in Brinova Fastigheter AB and Collector AB.

2) The item refers to Balder Administration ApS during 2016, and in 2015 the item refers to Sato Oyj and Bovieran Holding AB.

3) Most relates to Collector AB. Of which profit from property management from Collector amounted to SEK 230m (163).

4) The items do not include Sato Oyj and Bovieran Holding AB as they changed during the year from associated companies to subsidiaries.

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 ¹⁾	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 Intressenter AB	556859-0417	Alingsås	32,000	32	9	15
Bergsspiran AB	556736-4475	Gothenburg	250	25	0	0
Fix 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 ²⁾	556840-3918	Skåne	18,420,302	25	276	–

Note 15 • Cont'd

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
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

1) Balder's market value of Collector AB (publ) on 31 December 2016 amounted to SEK 4,661m (5,224).

2) Balder's market value of Brinova Fastigheter AB (publ) on 31 December 2016 amounted to SEK 282m (–).

Group holdings of participations in associated companies in 2015

Company	Corporate identity number	Registered office	Number of shares	Share, %	Value of share of equity in the Group, SEKm	Carrying amount in Parent Company, SEKm
Collector AB	556560-0797	Gothenburg	41,136,900	44	951	517
Tulia AB	556712-9811	Gothenburg	50,000	50	331	–
Fastighets AB Centur	556813-6369	Stockholm	5,000	50	371	4
Mötesplatsen Intressenter AB	556859-0417	Alingsås	32,000	32	11	15
Bergsspiran AB	556736-4475	Gothenburg	250	25	0	0
Fix Holding AB	556949-3702	Gothenburg	50,000	50	0	–
(Chirp AB) Proximion Holding AB	556915-7331	Stockholm	17,000	34	6	–
Balder Skåne AB	556699-9230	Gothenburg	500	50	46	–
Första Långgatan Fastigheter i GBG HB	916851-7259	Gothenburg	–	50	259	–
Tornet Bostadsproduktion AB	556796-2682	Stockholm	1,550,000	31	102	–
Brinova Fastigheter AB	556840-3918	Skåne	14,778,978	35	188	–
Murbruket Holding Fastighets AB	556940-2877	Gothenburg	250	50	6	–
Fastighets AB Tornet	559008-2912	Gothenburg	500	50	4	–
Balder Administration ApS	31585457	Copenhagen	20,000	40	0	–
Total					2,276	536

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 2016 were charged with SEK 13m (8) 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	2016	2015
–30 days	106	109
31–60 days	23	20
61–90 days	21	1
91 days–	37	24
Total	187	155
Doubtful trade receivables	–37	–24
Trade receivables, net	150	130

Doubtful trade receivables

Group, SEKm	2016	2015
Opening balance	–24	–17
Acquired opening balance	–	–9
Actual bad debt losses during the year	2	5
Changes during the year doubtful trade receivables	–15	–3
Closing balance	–37	–24

Note 17 • Other non-current receivables

SEKm	Group		Parent Company	
	2016	2015	2016	2015
Receivables from the Group associated companies	777	894	773	894
Other receivables	131	279	0	141
Total	908	1,173	773	1,036

Note 18 • Prepaid expenses and accrued income

SEKm	Group		Parent Company	
	2016	2015	2016	2015
Insurance	3	2	0	–
Interest income	1	3	0	2
Rental income	40	27	–	–
Property expenses	90	60	4	–
Other items	20	15	4	2
Total	153	107	8	4

Note 19 • Financial investments

SEKm	Group		Parent Company	
	2016	2015	2016	2015
<i>Securities</i>				
Shares and bonds	305	405	203	390
Total	305	405	203	390

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

Share capital

On 31 December 2016, the registered share capital consisted of 190,000,000 shares, of which 11,229,432 were ordinary shares of Class A and 168,770,568 ordinary shares of Class B, and 10,000,000 preference shares. Balder carried out a directed issue of 3,000,633 ordinary shares during September, which raised about SEK 681m after issue expenses. For existing ordinary shareholders, the issue implied a dilutive effect of 1.7 % of the capital. In December, a set-off issue of 4,602,515 ordinary shares was completed, which raised SEK 1,099m after issue costs. The issue implied a dilutive effect of 2.6 % of the capital for existing shareholders. After the issues and as of 31 December, the share capital in Balder thus amounted to SEK 190,000,000, distributed among 190,000,000 shares. Each Class A share carries one vote, and each Class B share and preference share carries one tenth of one vote. An ordinary share entitles its holder to a dividend that is determined in due course while a preference share entitles its holder to an annual dividend of SEK 20.00 per share. All shares entitle holders to voting rights at the Annual General Meeting.

Preference share

The Group has made the assessment that the outstanding preference shares constitute equity instruments. This assessment is based on the fact that both the dividend and redemption of preference shares require a resolution of the general meeting of shareholders where the ordinary shareholders have a majority. Thus for the company it is discretionary whether payment or redemption of these preference shares occurs and consequently no contractual obligation exists to pay out funds, which means that the instrument should be classified as equity.

Other contributed capital

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

Translation difference

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 reserve.

Dividend

The Board will propose to the Annual General Meeting for the financial year 2016 that no dividend on ordinary shares (–) should be declared and a dividend of SEK 20.00 per share for preference shares should be declared (20.00). All issued shares are fully paid-up.

Proposed distribution of earnings

The Board has proposed that the profits at the disposal of the Annual General Meeting of SEK 11,763,021,874 shall be appropriated as follows: dividend to the preference shareholders SEK 20.00 per share, total SEK 200,000,000 and that SEK 11,563,021,874 be carried forward.

Share capital trend

Day	Month	Year	Event	Change in number of shares	Total number of shares	Total number of outstanding shares	Quota value per share, SEK	Change in 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
31	December	2016			190,000,000	190,000,000	1.00		190,000,000

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 55 %.

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.

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 55 %,
- 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 1.5 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 consolidated solvency ratio of 70 %, an interest coverage ratio of 1.8 times and proportion of assets that should be unsecured of at least 35 % in 2016, at least 40 % in 2017 and at least 42.5 % in 2018. At year-end, the proportion of unsecured assets in Sato 53.1 %, the consolidated solvency ratio was 54.3 % and interest coverage ratio 4.4 times.

Financial goals	Goal	Outcome	
		2016	2015
Equity ratio, %	min. 35.0	38.3	37.8
Net debt to total assets ratio, %	max. 55.0	50.0	51.6
Interest coverage ratio, times	min. 2.0	3.7	5.1

Key ratios including listed associated companies at market value.

Group 2016-12-31

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

Group 2015-12-31

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	11,201	10,269	3,190	2,150	5,763	8,491
Interest expenses ¹⁾	878	873	868	863	858	4,231
Trade payables	179	–	–	–	–	–
Other liabilities	542	–	–	–	–	–
Total	12,799	11,141	4,058	3,013	6,620	12,704

Parent Company 2016-12-31

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

Parent Company 2015-12-31

SEKm	Within one year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years
Maturity structure, loans	3,733	5,246	600	600	433	356
Interest expenses ¹⁾	241	240	239	238	237	1,168
Trade payables	4	–	–	–	–	–
Other liabilities	187	–	–	–	–	–
Total	4,165	5,485	839	838	670	1,524

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

Sensitivity analysis

Factor	Change	Earnings effect before tax, SEKm
Rental income	+/- 1 %	+/- 58
Economic occupancy rate	+/- 1 percentage unit	+/- 61
Interest rate level of interest-bearing liabilities	+ 1 percentage unit	-374
Property costs	+/- 1 %	-/+ 17
Changes in value properties	+/- 5 %	+/- 4,309

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 on the right 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

Maturity structure interest rate derivatives

Year	Nominal amount, SEKm	
	SEKm	Interest, %
2017	650	1.99
2018	3,711	3.62
2019	1,126	1.11
2020	987	1.93
2021	4,622	2.52
2022	605	2.01
2023	1,031	1.41
2024	609	1.30
2025	1,835	1.38
2026	1,765	1.97
Total	16,941	2.30

financial liabilities. Net financial items have been calculated based on the Group's average interest less interest income.

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 re-

lating to operating costs, interest, amortisation and dividend on preference shares. 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 1,942m (1,339). 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 4,827 (4,745), of which SEK 4,827m (4,545) 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 rate 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 2017 and 2026. 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 2016 amounted to SEK -114m (227). 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 in Norway, Denmark, Finland and through Sato in St Petersburg. External financing occurs in local currency as far as possible. However, currency risk arises as the value of the assets in local currency is greater than the liabilities. Apart from the liabilities in local currency, Balder has basis swaps, which further limit this exposure. At year-end, there were basis swaps for DKK 400m and EUR 152m and the fair value of these amounted to SEK -54m.

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 percentage point change in the rent level or the economic occupancy rate has an effect on profit before tax of +/- SEK 58m and +/- 61m 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 49,580m (41,063). Loans are raised in Swedish kronor, Danish kroner, Norwegian kroner and euro. At year-end, loans in Danish kroner amounted to DKK 2,381m, loans in Norwegian kroner to NOK 481m and loans in euro amounted to EUR 2,206m. The credit agreements mainly consist of bilateral contracts with Nordic banks as well as a commercial paper programme for SEK 5,827m (3,827). On 31 December, the outstanding commercial paper volume was SEK 3,002m (2,680). Net interest-bearing liabilities less cash and cash equivalents and financial investments of SEK 1,592m (1,025) amounted to SEK 47,988m (40,038).

Agreements can be divided into four categories:

- loans against security pledged in the form of promissory note receivables from subsidiaries. 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 4.2 years (4.4) on 31 December 2016. The maturity structure of loan agreements, presented in the table showing the loan terms, indicates when loan agreements are due for renegotiation or repayment. The average effective interest on the closing date amounted to 2.1 % (2.2) including the effect of accrued interest from Balder's interest rate derivatives. The average interest rate refixing period on the same date was 2.4 years (2.9). The proportion of loans with interest dates during the coming 3-year period amounted to 66 % (64).

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 1.3 and 3.0 %.

Note 21 • Cont'd

Interest rate refixing period Year	Carrying amount, SEKm		Interest, %		Proportion, %		Fair value, SEKm ³⁾	
	2016	2015	2016	2015	2016	2015	2016	2015
Within one year	25,975	21,512	1.0	1.1	52	52	26,043	21,522
1–2 years	4,742	304	4.6	3.3	10	1	4,775	304
2–3 years	1,959	4,470	3.3	4.5	4	11	2,026	4,507
3–4 years	4,416	1,631	2.7	3.1	9	4	4,573	1,689
4–5 years	7,736	4,012	3.0	2.6	16	10	7,917	4,068
>5 years	4,752	9,134	3.0	3.2	10	22	4,752	9,143
Total	49,580	41,063	2.1	2.2	100	100	50,086	41,234

Carrying amount and fair value of financial instruments

Group, SEKm	Trade and loan receivables		Financial assets/liabilities measured at fair value through profit or loss ⁴⁾		Other liabilities		Total carrying amount		Total fair value	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Trade receivables	150	130	–	–	–	–	150	130	150	130
Other long-term trade receivables ³⁾	908	1,173	–	–	–	–	908	1,173	908	1,173
Cash and cash equivalents	1,287	620	–	–	–	–	1,287	620	1,287	620
Financial investments ¹⁾	–	–	305	405	–	–	305	405	305	405
Total receivables	2,345	1,923	305	405	–	–	2,650	2,328	2,650	2,328
Non-current interest-bearing liabilities ³⁾	–	–	–	–	33,267	39,095	33,267	39,095	33,772	39,266
Other long-term liabilities ³⁾	–	–	–	–	176	331	176	331	176	331
Credit facilities	–	–	–	–	0	36	0	36	0	36
Derivatives ^{2,5)}	–	–	1,547	1,294	–	–	1,547	1,294	1,547	1,294
Current interest-bearing liabilities ³⁾	–	–	–	–	16,314	1,933	16,314	1,933	16,314	1,933
Trade payables	–	–	–	–	267	179	267	179	267	179
Total liabilities	–	–	1,547	1,294	50,023	41,573	51,570	42,867	52,076	43,038

Parent Company, SEKm	Trade and loan receivables		Financial assets/liabilities measured at fair value through profit or loss ⁴⁾		Other liabilities		Total carrying amount		Total fair value	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Receivables from group companies ³⁾	24,629	21,676	–	–	–	–	24,629	21,676	24,629	21,676
Other non-current receivables ³⁾	773	1,036	–	–	–	–	773	1,036	773	1,036
Cash and cash equivalents	941	4	–	–	–	–	941	4	941	4
Financial investments ¹⁾	–	–	203	390	–	–	203	390	203	390
Total receivables	26,343	22,715	203	390	–	–	26,546	23,106	26,546	23,106
Non-current liabilities to credit institutions ³⁾	–	–	–	–	5,501	10,887	5,501	10,887	5,501	10,887
Other non-current liabilities ³⁾	–	–	–	–	112	126	112	126	112	126
Credit facilities	–	–	–	–	0	36	0	36	0	36
Derivatives ^{2,5)}	–	–	888	737	–	–	888	737	888	737
Liabilities to group companies ³⁾	–	–	–	–	4,440	4,507	4,440	4,507	4,440	4,507
Current liabilities to credit institutions ³⁾	–	–	–	–	7,668	45	7,668	45	7,668	45
Trade payables	–	–	–	–	4	4	4	4	4	4
Total liabilities	–	–	888	737	17,726	15,604	18,614	16,341	18,614	16,341

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 (20) and in the parent company of SEK 0m (10).

Note 22 • Credit facilities

SEKm	Group		Parent Company	
	2016	2015	2016	2015
Approved credit limit	350	350	300	300
Utilised portion	–	–36	–	–36
Unutilised portion	350	314	300	264

Note 23 • Accrued expenses and deferred income

SEKm	Group		Parent Company	
	2016	2015	2016	2015
Personnel expenses	71	63	12	8
Interest expenses	244	166	38	35
Prepaid rents	530	392	–	–
Property costs	264	186	–	–
Other items	20	38	3	3
Total	1,130	845	53	47

Note 24 • Pledged assets and contingent liabilities

Pledged assets SEKm	Group		Parent Company	
	2016	2015	2016	2015
Property mortgages	38,418	31,945	–	–
Shares in group companies	19,507	13,377	–	–
Promissory notes	–	–	9,380	6,819
Total	57,925	45,322	9,380	6,819

Contingent liabilities SEKm	Group		Parent Company	
	2016	2015	2016	2015
Guarantees for subsidiaries	–	–	16,931	13,986
Guarantees for associated companies	1,609	1,596	1,609	1,596
Other guarantees	180	321	–	–
Total	1,789	1,916	18,540	15,582

Note 25 · Cash flow statement

Cash and cash equivalents

SEKm	Group		Parent Company	
	2016	2015	2016	2015
The following sub-components are included in cash and cash equivalents:				
Cash and bank balances	1,287	620	941	4
Total according to the balance sheet	1,287	620	941	4
Total according to the cash flow statement	1,287	620	941	4

Interest and derivative expenses paid

SEKm	Group		Parent Company	
	2016	2015	2016	2015
Interest received	62	32	12	18
Interest paid	-671	-330	-104	-92
Derivative expense paid	-329	-288	-279	-242
Total	-939	-586	-371	-315

Intra-group interest income and interest expenses for 2016 and 2015 did not affect the cash flow.

Note 26 · Participations in group companies

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

Subsidiaries	Corporate identity number	Registered office	Number of shares	Share, %	Carrying amount	
					2016	2015
Balder Storstad AB	556676-4378	Gothenburg	1,172,306	100	1,046	1,046
Balder Mellanstad AB	556514-4291	Gothenburg	1,938,000	100	150	150
Din Bostad Sverige AB	556541-1898	Gothenburg	18,500,000	100	626	626
Egby Vindkraftverk AB	556760-5919	Gothenburg	1,000	100	0	0
Balder Danmark ApS	34058016	Copenhagen	80,000	100	158	0
Balder Fastigheter Norge AS	916755856	Oslo	30,000	100	161	-
Balder Bilrum Fastighet AB	556730-4059	Gothenburg	100,000	100	1,205	-
Summa					3,346	1,822

The Balder Group owns 100 % of 301 additional companies (263) in Sweden, Denmark and Norway, via the above-mentioned subsidiaries, as presented in each subsidiary's annual accounts. For companies in Finland, see Sato Oyj's annual report at www.Sato.fi.

Parent Company, SEKm

	2016	2015
Accumulated cost		
Opening balance	1,822	1,822
Acquisitions	1,205	-
Shareholders' contribution paid	319	-
Closing balance	3,346	1,822

Note 27 · Receivables from/liabilities to Group companies

Parent Company, SEKm	Receivables		Liabilities	
	2016	2015	2016	2015
Opening balance	21,676	15,777	4,507	3,952
Change in lending to subsidiaries	2,953	5,900	-67	555
Closing balance	24,629	21,676	4,440	4,507

There is no fixed amortisation plan.

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

Balder in two different transactions divested all properties in Tranås, Falköping, Arboga and Köping. The lettable area amounted to about 221,000 sq.m. and the assessed property value was just over SEK 2 billion in the transactions. Fastighets AB Balder has after the end of the financial year, issued EUR 1 billion in the European bond market, of which EUR 500m was issued with a term of 5 years, at a

fixed interest rate of 1.24 % and EUR 500m was issued with a term of 8 years at a fixed interest rate of 2.00 %. Balder issued bonds in Euro, in order to create a natural hedge of the currency risk that Balder has due to owning assets in Denmark and Finland. The liquidity will mainly be used to amortise secured debt with shorter maturities. Otherwise, there were no events of significant importance for Fastighets AB

Balder's position that occurred after the end of the reporting period.

Note 29 • Related parties

Related parties

Group

The Group is under the control of Erik Selin Fastigheter AB, which holds 48.2 % (49.5) 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 174m (117). The parent company functions as an internal bank. On the closing date, receivables from subsidiaries amounted to SEK 24,629m (21,676). The price of the administrative and financial services is based on market-related terms.

Associated companies

Apart from the related 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 32m (27). In addition to this, services were purchased from

Collector AB (publ). Net receivables from associated companies amounted to SEK 664m (910) 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 63.6 % (65.3) 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.

Taxes

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. During the previous year, acquisition of Sato Oyj was classified as a business combination.

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 39 Gothenburg, Sweden. The visiting address is Parkgatan 49.

The consolidated accounts for 2016 include the parent company and its subsidiaries, together referred to as the Group.

Note 32 • Business combination

Information about purchase price and acquired net assets relating to Sato Oyj 2015:

SEKm

Purchase price

Cash and cash equivalents	444
Ordinary shares issued, after issue expenses	1,705

Total purchase price paid for 22.9 % of the outstanding shares in Sato	2,149
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Fair value of the participations acquired in Q2 and Q3 2015 (30.4 %) (before the business combination resulting in control) ¹⁾	2,855
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Purchase price	5,004
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1) The remeasurement effect less acquisition-related costs amounted to SEK 9m during the financial year 2015 and is recognised in the line Other income/costs in the Consolidated statement of comprehensive income.

On 1 April 2015, Balder carried out its first acquisition of shares in Sato Oyj equivalent to about 21 % of the outstanding shares and voting rights. Balder subsequently acquired additional shares and the total holding of shares and voting rights in Sato amounted to 30.4 % before the acquisition of a controlling influence. On 30 December 2015, Balder took possession of a further 22.9 % of the outstanding shares, and after that Balder's ownership in Sato amounted to 53.3 % on 31 December 2015. As control was obtained; Sato was consolidated in the Group's balance sheet as of 31 December 2015 for the first time. Sato is one of Finland's largest residential property companies with high-quality properties in excellent locations that complement Balder's existing operations and property portfolio.

Note 32 · Cont'd

The assets and liabilities recognised as a consequence of the acquisition were as follows:

SEKm	31 Dec 2015
Assets and liabilities in Sato ¹⁾	
Investment properties	26,477
Other property, plant and equipment	37
Current receivables	236
Cash and cash equivalents and financial investments	569
Deferred tax liability	-1,691
Interest-bearing liabilities	-15,312
Derivatives	-435
Other liabilities	-499
Acquired identifiable net assets	9,382
Non-controlling interests	-4,377
Acquired net assets	5,004

1) Carrying amount in the Group, 31 December 2015.

Cash flow to acquire subsidiary, after addition of acquired cash and cash equivalents:

SEKm	
Cash purchase price	-3,068
Ordinary shares issued, after issue costs	-1,705
Total cash flow to acquire subsidiary	-4,773
Less: Acquired balances	
Acquired cash and cash equivalents	554
Total acquired cash and cash equivalents	554
Net outflow of cash and cash equivalents, investing activities	-4,219

Choice of accounting policy for non-controlling interests

The Group recognises non-controlling interests in an acquired entity, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

This choice of policy is made for every individual business combination. For non-controlling interests in Sato, the Group has chosen to recognise non-controlling interests at the fair value of the acquired identifiable net assets.

The fair value of the 10,000,000 ordinary shares issued as part of the purchase price for Sato was based on an issue price of SEK 172 per share. Transaction costs of SEK 15m which are directly related to the new issue were recognised as a deduction from equity.

Revenue and profit in acquired business

If the acquisition had been carried out on 1 January 2015, the consolidated pro-forma financial statements as of 31 December 2015 would show rental income of SEK 5,044m and net profit for the year of SEK 5,873m. These amounts were calculated using the subsidiary's results while adjusting for any differences in accounting policies between the Group and the subsidiary.

Acquisition-related expenses

Acquisition-related expenses of SEK 94m (of which Finnish stamp duty SEK 83m), that were not directly related to the new issue, are included in the line Other income/costs during 2015 in the Consolidated statement of comprehensive income and in operating activities in the cash flow statement.

Note 33 · Other income/expenses

The item Other income/expenses includes SEK 9m during the financial year 2015, related

to the business combination of Sato Oyj, for more information See Note 32 relating to

Business combinations.

The annual accounts and the consolidated accounts were approved for issuance by the Board of Directors and CEO on 31 March 2017. 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 11 May 2017. The Board will propose to the AGM that no dividend (–) be declared for ordinary shares and that a dividend of SEK 20.00 per share (20.00) be declared for preference shares

for the financial year 2016.

The annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements 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, 31 March 2017

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 31 March 2017
Öhrlings PricewaterhouseCoopers AB

Helén Olsson Svärström
Authorised Public Accountant

Audit 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 2016. The company's annual accounts and consolidated financial statements are included in pages 59-93 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 2016 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 Group as of 31 December 2016 and of its financial performance and its cash flows for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail in the Auditor's Responsibility section below. 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.

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 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's operations are conducted 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.

In cases where the unit auditors performed work of material importance for our audit of the Group, we evaluate in our capacity as group auditors the need and degree of involvement in the work of 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 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 understood 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 companies 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 has a significant impact and significance for the Group's financial position, and constitutes a key audit matter 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 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, the Balder Group's summary of Key estimates and assumptions in Note 30 and Note 13, Investment properties.

Investment properties were recognised at a fair value of SEK 86,177m on 31 December 2016 and account for a significant part of the Balder Group's balance sheet.

Fair value of the Group's property holdings is based on internal calculations. The investment method is mainly used. The comparative method is used for some of the Finnish holdings or alternatively, the cost method. To quality-assure the internal valuations, external valuations were obtained for about 40 per cent 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 can lead to significant errors, means that the valuation of investment properties is a key audit matter.

Our audit procedures included a review of the valuation models applied by the Balder Group.

We allowed our valuation specialists to review and assess the valuation models, 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 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 and parameters 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 and 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 and Note 13, Investment properties.

During the year, a number of 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 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 2-58 and 105-111, 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 conclusion 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. 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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 Revisorsnämndens website www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf.

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 2016 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 Revisorsnämndens website www.revisorsinspektionen.se/rn/show-document/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Gothenburg, 31 March 2017

Öhrlings PricewaterhouseCoopers AB

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 the rules do not always need 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.bolagsstyrning.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 accord-

ing 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 2016

At the AGM on 10 May 2016 at the Elite Park Avenue Hotel in Gothenburg, 337 shareholders were represented, holding about 77 % 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 2015 and discharged the Board and CEO from liability for the financial year 2015.

The following resolutions were passed by the AGM on 10 May 2016;

- 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 compo-

sed of five ordinary members without deputies,

- directors' fees of a fixed amount of SEK 460,000 should be paid to the Board, of which 160,000 to the Chairman of the Board and SEK 100,000 to the other Board members who are not permanent employees of the company. The fees include remuneration for committee work,
- re-election of the Board members Christina Rogestam, Erik Selin, Fredrik Svensson, Sten Dunér and Anders Wengergren. All members are elected until the AGM 2017. 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 10 May 2016 are available on the company's website. The Annual General Meeting 2017 will take place on 11 May 2017 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 balder.se.

The share and owners

The Balder share is listed on Nasdaq Stockholm, Large Cap. At year-end, the number of shareholders amounted to 22,000. Balder carried out a directed issue of 3,000,633 ordinary shares during September, which raised about SEK 681m after issue expenses. For existing ordinary shareholders, the issue implied a dilutive effect of 1.7 % of the capital. In December, a set-off issue of 4,602,515 ordinary shares was completed, which raised SEK 1,099m after issue expenses. The issue implied a dilutive effect of 2.6 % of the capital for existing shareholders. Balder's share capital after the new issues and on 31 December 2016 amounted to SEK 190,000,000 distributed among 190,000,000 shares. Each share has a quota value of SEK 1.00, whereof 11,229,432 shares are of Class A, 168,770,568 of Class B and 10,000,000 preference shares. Each Class A share carries one vote, and each Class B share and preference 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 13–15, 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 2016, 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 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.

Chairman of the Board

It is the duty of the Chairman to ensure that the Board's work is conducted effectively and that the Board fulfils its duties. The duties of the Chairman include, but are not limited to the following:

- organising and leading the Board's work and creating the best possible basis for the Board's work,
- ensuring that the Board's work occurs in accordance with the provisions of the articles of association, the Companies Act and the formal work plan of the Board,
- verifying that the Board's decisions are implemented effectively,
- continually monitoring the company's development through contact with the CEO and acting as a discussion partner,
- ensuring that the Board members, through the agency of the CEO, receive sufficient information and decision data for their work,
- making sure that each new Board member is given a proper introduction upon joining the Board.

The formal work plan of the Board

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 2016 of which one was the statutory meeting. Under the current formal work plan, the Board shall hold at least five ordinary Board meetings, including 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 2016, included acquisition strategies, capital structure and financing position, common corporate policies and formal work plan for the Board. At the extraordinary Board meetings, decisions were taken about the new share issues.

Evaluation of the Board's work

The Board conducted an evaluation of its work during the year. 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,

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	10/10	1/1	1/1
Sten Dunér	2007	Yes	10/10	1/1	1/1
Anders Wennergren	2009	Yes	9/10	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 %).

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 2016, 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 2016, 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 2016 resolved that a nomination committee should be established before the 2017 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 2016 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 2017 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 personnel. More information about the company's CEO and Management is found on page 104.

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 7 May 2013 as auditor for a period of four years until the AGM 2017. The auditor in charge is Helén Olsson Svårdström

Ahead of the Annual General Meeting 2017

Ahead of the AGM on 11 May 2017, the Board of Directors proposes:

- that no share dividend shall be declared to the ordinary shareholders,
- that a quarterly dividend of SEK 5 per share shall be declared to the preference shareholders, however, a maximum of SEK 20,
- guidelines for remuneration to senior executives,
- a mandate for 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,
- a renewed mandate for the Board until the next annual general meeting, on one or more occasions, to resolve on new issue of preference shares 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.

Ahead of the AGM on 11 May 2017, 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 2016 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 www.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 1,220 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 financial statements 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. 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 ensure reporting to the company management regarding 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 financial reporting.

Need of internal audit

Balder has a decentralised organisation that manages 1,220 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, 31 March 2017

Christina Rogestam
Chairman of the Board

Sten Dunér
Board member

Fredrik Svensson
Board member

Anders Wennergren
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 2016 on pages 97-101 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, 31 March 2017

Öhrlings PricewaterhouseCoopers AB

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

61,000 B shares, 3,000 B shares and 2,080 preference 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 companies.



Sten Dunér

Born 1951.
Board member since 2007.

Education and experience

Bachelor of Science (Economics). CEO of Länsförsäkringar AB. Chairman of Länsförsäkringar Bank, Länsförsäkringar Sak and Länsförsäkringar Fondliv. Board member of Länsförsäkringar Liv and 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). Board member of Klöver 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, Astrid Lindgrens Värld and Hexatronic Scandinavia AB.

Shareholding in Balder

10,500 B shares and 500 preference 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: Helén Olsson Svärdström, born 1962. Auditor in the company since 2015. Öhrlings PriceWaterhouseCoopers AB was elected at the AGM on 7 May 2013 as auditor for a period of four years.

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 500 preference shares and 8,309,328 A shares and 57,200,400 B shares via companies.



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 8,500 preference shares and 12,720 B shares via companies.



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 and 20,000 preference 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.						Tax assessment value,SEKm			
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel Residential	Other		Total		
Region Helsinki															
Fl, Sato Oyj	Several properties			Residential							1,010,505	1,010,505			
Total Helsinki										1,010,505	1,010,505				
Region Stockholm															
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	1900	Other	Yes										
Botkyrka	Hallunda 4:9	Balders väg 1-16	1900	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	Bäckgården 8	Vårby Centrum	1974	Office	Yes	2,719	2,550	381				2,238	7,888	56	
Huddinge	Vårby Gärd 1:16	Krongårdsvägen 1	1973	Residential		352	37	439			50,800	4,262	55,890	438	
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	1900	Residential				100	4,300		2,561		6,961		
● Linköping	Paletten 2	Ottargatan 1	1972	Retail				5,302				455	5,757	27	
● Linköping	Papegojan 1	Vigfastgatan 5	1967	Retail				7,805					7,805	27	
Nacka	Sicklaön 354:1	Ektorpsvägen 2	1979	Office		6,127	3,871	1,172	5,726	1,385		320	18,601	69	
Nacka	Sicklaön 363:2	Värmdövägen 84	1986	Hotel		2,368				8,365			10,733	78	
Nacka	Älta 9:130	Ältavägen 170	1992	Retail			960				880		1,840	21	
Nynäshamn	Musköten 1	Björn Barkmans väg 1	1968	Residential		206		132			22,490	1,208	24,036	155	
Solna	Banken 14	Hotellgatan 11	1965	Hotel		93					11,444		11,537	127	
Solna	Puman 1	Bangatan 21	1972	Office		2,004		131					2,135	18	
● Stockholm	Alptanäs 1	Haukadalsgatan 3	1981	Retail	Yes	2,222	816	5,715				1,041	9,794	54	
Stockholm	Berget 2	Västmannagatan 13	1929	Project										34	
Stockholm	Doggen 1	Vinthusvägen 157	1974	Office		1,650							1,650	7	
Stockholm	Doggen 2	Vinthusvägen 159	1984	Office	Yes	4,690							4,690	27	
Stockholm	Fiskaren Större 3	Götgatan 21	1929	Residential		235	993				1,375		2,603	66	
Stockholm	Gladan 3	Sankt Göransgatan 159	1948	Project	Yes									81	
Stockholm	Granen 21	Floragatan 13	1972	Project										165	
Stockholm	Göta Ark 18	Göta Ark 100	1985	Office	Yes	17,835	300	640					18,775	433	
Stockholm	Havsfrun 26	Artillerigatan 42	1929	Office		3,267		239					3,506	92	
Stockholm	Holar 3	Skalholtsgatan 10	1985	Other		6,133		1,072					7,205	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	420	171	148			2,048	8,013	354	
Stockholm	Katthavet 8	Näckströmsgatan 8	1929	Retail						8,022			8,022	212	
Stockholm	Kilaberg 1	Kilabergsvägen	1975	Office	Yes	8,193		4,709					12,902	91	
Stockholm	Kungsbacken 8	Drottninggatan 108	1929	Office		1,787	563	56				25	2,431	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		7,126	863	603			293		8,885	213	
Stockholm	Luftspringaren 10	Saltmätargatan 10	1900	Office		498		18					516		
Stockholm	Luftspringaren 16	Saltmätargatan 19A	1929	Office		615	372	88			613	796	2,484	43	
Stockholm	Lärfet 2	Brommaplan 407	1941	Residential	Yes	204	530	120			895		1,749	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 7	Hantverkargatan 31	1929	Office		2,448	462	89				83	3,082	78	
Stockholm	Prästgårdsängen 3	Götalandsvägen 218	1986	Office	Yes	5,385	847	15					6,247	53	
Stockholm	Silket 2	Brommabägen 4	1941	Retail	Yes	174	602	94			555	7	1,432	23	
Stockholm	Singeln 9	Sorterargatan 8	1970	Office	Yes	5,072		170					5,242	28	
Stockholm	Skeppshandeln 1	Hammarby Allé 45	2013	Retail		2,143	3,033	210		8,550			13,936	399	
Stockholm	Snöflingan 3	Drottningholmsvägen 59	2009	Hotel						22,000			22,000	402	
Stockholm	Spelbomskan 14	Cyldéngatan 6, Sandåsgatan 2	1939	Other				147	2,553				2,700		
Stockholm	Spårvagnen 4	Birger Jarls gatan 57	1995	Office		18,897	3,084	1,087				191	23,259	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	92	
Stockholm	Vattenkraften 1	Solkraftsvägen 13	1989	Office	Yes	6,408	734		3,689			4	10,835	69	
Stockholm	Vilunda 6:48	Hotellvägen 1	1986	Hotel						6,955			6,955	45	
Stockholm	Årstaäng 4 & 6	Fredsbergsgatan 24	1900	Office	Yes	27,922	815	5,379				19	34,135	393	
● Södertälje	Grävmaskinen 23	Morabergsvägen 1	1973	Retail				2,391					2,391	7	
Södertälje	Yxan 8	Täppgatan 15	1975	Hotel						14,115			14,115	52	
Uppsala	Berthåga 53:1	Naturstenvägen 101	2007	Residential							3,814		3,814	53	
● Uppsala	Danmarks-Säby 11:1	Kumlagatan 12	2012	Retail				20,727				712	21,439	169	
Uppsala	Dragarbrunn 16:4	Dragarbrunns torg 18	1962	Hotel			680	51		5,275			6,006	84	
Uppsala	Kvarngärdet 3:2	Gamla Uppsalagatan 50	1983	Hotel						7,518			7,518	52	
Uppsala	Årsta 94:1	Stålgatan 101	1988	Residential							5,274	39	5,313	73	
Uppsala	Årsta 95:1	Stålgatan 35	2005	Residential							4,117	8	4,125	52	
● Örebro	Stjärnregnet 1	Otto E Andersens gata 1	1979	Retail	Yes			4,341					4,341	30	
● Total Stockholm	Acquisitions during 2016.						152,284	25,330	84,320	16,416	93,629	129,746	32,179	533,904	6,751

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Tax assessment value,SEKm		
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel	Residential		Other	
Region Gothenburg														
Ale	Nödinge 38:14	Ale Torg 10	2007	Retail		3,920	10,032	30				13,982	111	
Ale	Surte 1:245	Göteborgsvägen 64 B	1967	Residential		215	337				1,216	90	1,858	13
Ale	Surte 1:293	Göteborgsvägen 93 A	1946	Residential					424		356		780	6
Ale	Surte 1:294	Brattåsstigen 6	1992	Residential					455		330		785	
Ale	Surte 4:119	Göteborgsvägen 64	1987	Retail		808	1,445	272			457	114	3,096	18
Alingsås	Bagaren 14	Hantverksgatan 2	1991	Residential							556		556	6
Alingsås	Bagaren 2	Hantverksgatan 4	1992	Residential							424	9	433	4
Alingsås	Björkhagen 1	Björkhagegatan 2 A	2008	Residential							3,212		3,212	50
Alingsås	Bolltorp 4:13	Bolltorp	2003	Residential							14,166		14,166	200
Alingsås	Dryckeshornet 1	Bankgatan 1	1929	Hotel			219			5,362			5,581	34
Alingsås	Smedjan 3	Malmgatan 6A	1953	Retail				3,207				15	3,222	7
Borås	Plutonen 1	Pickesjövägen 2	2011	Retail		40		12,318				762	13,120	63
Borås	Vattnet 4			Project										
Falköping	Agaten 11	Peter Ryttings väg 20	1962	Residential							880	51	931	5
Falköping	Agaten 6	Sigurd Kochs Gata 4	1964	Residential							466		466	2
Falköping	Anden 16	Banérgatan 16	1929	Residential			135				568		703	3
Falköping	Ansgar 1	Sankt Sigfridsgatan 45	1965	Residential				9			2,022	247	2,278	10
Falköping	Apotekaren 2	Sankt Olofsgatan 9 A	1991	Residential		515					710		1,225	6
Falköping	Avenboken 1	Idrottsgatan 49	1961	Residential				7			1,234		1,241	6
Falköping	Avenboken 2	Idrottsgatan 47	1961	Residential							1,234		1,234	6
Falköping	Bagaren 7	Nygatan 2	1995	Residential		994					2,409		3,403	9
Falköping	Byggmästaren 9	Odengatan 16 A	1959	Residential		100					2,240		2,340	11
Falköping	Draken 8	Dotorpsgatan 28	1929	Residential							660		660	2
Falköping	Ejdern 14	Banérgatan 1 A	1962	Residential							2,236	69	2,305	11
Falköping	Flugsnapparen 1	Kapellsgatan 1	1959	Residential							570	30	600	3
Falköping	Flugsnapparen 2	Allégatan 3	1959	Residential							570		570	3
Falköping	Flugsnapparen 6	Kapellsgatan 3	1959	Residential							570		570	3
Falköping	Guldsmeden 21	Trädgårdsgatan 22	1939	Office		325	78				220		623	2
Falköping	Guldsmeden 7	Ekmansgränd	1987	Retail		220	827				468	20	1,535	6
Falköping	Göken 12	Allégatan 11	1952	Residential							423		423	1
Falköping	Hammaren 7	Eriksgränd 33	1943	Residential							376		376	2
Falköping	Hovslagaren 16	Jakobsgatan 18 / Högarengatan 9	1960	Residential							2,082	87	2,169	10
Falköping	Kemisten 1	Stora Torget 7	1929	Retail			316				215		531	2
Falköping	Lejonet 2	Hjelmarsrörsg 24-32, 43-46	1971	Residential				118			6,640		6,758	32
Falköping	Mejseln 4	Sankt Sigfridsgatan 20	1942	Residential				18			312		330	1
Falköping	Muraren 15	Sigurd Kochs gata 16	1964	Residential							1,536	15	1,551	7
Falköping	Muraren 3	Hwassgatan 7 A	1960	Residential							960		960	5
Falköping	Muraren 4	Hwassgatan 5 A	1952	Residential							745		745	4
Falköping	Muraren 5	Gärdesgatan 18	1959	Residential							787		787	8
Falköping	Muraren 6	Gärdesgatan 18 A	1959	Residential							787		787	
Falköping	Oxeln 1	Idrottsgatan 51	1952	Residential							1,357	25	1,382	7
Falköping	S:t Lars 1	Per Larsgatan 4	1961	Residential		69					810		879	4
Falköping	Sankt Jakob 14	Sankt Sigfridsgatan 27	1940	Residential							316		316	2
Falköping	Sankt Jakob 18	Eriksgränd 29	1940	Residential							293		293	2
Falköping	Sankt Johannes 18	Sankt Sigfridsgatan 5	1939	Residential							400		400	2
Falköping	Sankt Olof 18	Sankt Olofsgatan 14	1990	Residential			432				1,599		2,031	11
Falköping	Sankt Staffan 13	Bryngelsgatan 6	1929	Office		1,691						698	2,389	7
Falköping	Sankt Tomas 13	Warenbergsgatan 11	1938	Residential							393		393	2
Falköping	Skalbaggen 1	Scheelegatan 21 A	1957	Residential							748	108	856	4
Falköping	Skalbaggen 11	Kapellsgatan 19	1959	Residential							434		434	2
Falköping	Skalbaggen 12	Kapellsgatan 27	1954	Residential							540		540	3
Falköping	Skalbaggen 5	Danska vägen 148	1954	Residential				8			540		548	3
Falköping	Skogslinden 3	Idrottsgatan 39	1948	Residential				24			716		740	4
Falköping	Skogslinden 4	Idrottsgatan 37	1946	Residential				18			712		730	4
Falköping	Spettet 1	Grönelundsgatan 14	1952	Residential				27			1,308	27	1,362	6
Falköping	Svanen 24	Danska vägen 129	1970	Residential							1,099		1,099	5
Falköping	Trädgårdsmästaren 18	Marknadsgatan 7	1971	Residential				66			1,272	28	1,366	7
Falköping	Trädgårdsmästaren 19	Högarengatan 8 A	1989	Residential							1,018		1,018	6
Falköping	Trädgårdsmästaren 22	Marknadsgatan 11	1969	Residential							2,020		2,020	10
Falköping	Urd 3	Odengatan 19	1965	Residential			745	1,186			1,844		3,775	14
Falköping	Vargen 1	Wetterlinsgatan 13	1955	Residential				10			1,441		1,451	8
Falköping	Vargen 2	Dotorpsgatan 67	1955	Residential							1,163	43	1,206	6
Falköping	Vargen 3	Wetterlinsgatan 13 F	1955	Residential		242					832		1,074	5
Falköping	Vargen 4	Wetterlinsgatan 11 G	1957	Residential							1,130	521	1,651	7
Falköping	Vargen 5	Wetterlinsgatan 11 A	1956	Residential				19			1,086	357	1,462	7
Falköping	Vargen 6 & 8	Wetterlinsgatan 11	1956	Residential				20			1,503	23	1,546	8
Falköping	Vargen 7	Wetterlinsgatan 11 F	1957	Residential							981	51	1,032	5
Falköping	Vitsippan 2	Hagbergsgatan 4	1956	Residential							532		532	3
Gothenburg	Askim 243:20	Askims torg	1972	Office		1,923	638	553	1,251			39	4,404	29

Lettable area, sq.m.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Tax assessment value, SEKm	
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel	Residential		Other
Cont'd. Region Gothenburg													
Gothenburg	Backa 169:3	Södra Deltavägen 3 A	2006	Retail			1,975					1,975	43
Gothenburg	Backa 171:3	Backavägen 1	1955	Retail			4,417					4,417	59
Gothenburg	Backa 21:14	Exportgatan 47 B	1989	Other		608		1,784			108	2,500	11
Gothenburg	Bagaregården 5:8	Kungälvsgatan 6 A	1929	Residential							584	584	11
Gothenburg	Bagaregården 5:9	Kungälvsgatan 6 A	1929	Residential							581	581	11
Gothenburg	Bergsjön 34:1	Atmosfärgatan 1	1970	Residential		115		281			22,271	22,667	141
Gothenburg	Bergsjön 9:6	Kosmosgatan 1	1967	Residential		77	162	399			41,610	45,722	275
Gothenburg	Biskopsgården 7:1	Långströmögatan 26	1967	Residential	Yes			388			15,267	15,655	106
Gothenburg	Biskopsgården 7:2	Långströmögatan 14 C	1967	Residential	Yes	1,253		215			13,619	15,087	95
Gothenburg	Biskopsgården 7:3	Långströmögatan 10 A	1968	Residential	Yes			278			13,736	14,014	94
Gothenburg	Biskopsgården 830:842	Långströmögatan 2-52	1967	Residential	Yes								
Gothenburg	Biskopsgården 830:843		1967	Residential	Yes								
Gothenburg	Brämaregården 72:4	Hisingsgatan 28	1959	Office	Yes	2,495	889	42				3,467	27
Gothenburg	Bur 134:1	Oxholmsgatan 28	1989	Residential							302	302	
Gothenburg	Bö 93:2	Sofierogatan 1	1940	Office		8,302		472			316	9,090	81
Gothenburg	Gamelestaden 25:11	Mariehölmögatan 4	1990	Office	Yes	3,058	681	178	0	0	0	3,917	26
Gothenburg	Gamelestaden 26:13	Vassgatan 3	1988	Office	Yes	3,562		6,604			4,016	14,182	32
Gothenburg	Gullbergsvass 11:2	Gullbergs Strandgata 40	1977	Other	Yes			5,865				5,865	24
Gothenburg	Gårda 15:1	Fabriksgatan 7	1929	Office		7,158	207	487				7,852	148
Gothenburg	Gårda 15:1 (15:12)	Drakegatan 2	1937	Residential		1,587	87				6,717	8,391	198
Gothenburg	Göteborg Tuve 116:6	Grimbodalen 6	2008	Retail								3,213	17
Gothenburg	Heden 24:11	Engelbrektsgatan 73	1964	Hotel	Yes					17,875		17,875	254
Gothenburg	Heden 47:3	Parkgatan 49	2015	Office		5,788	472	50				1,231	136
Gothenburg	Högsbo 1:1	J A Wettbergens gata 7	1967	Office		11,107		3,864				84	60
Gothenburg	Högsbo 11:10	Victor Hasselblads gata 8	1982	Office		4,050						4,050	18
Gothenburg	Högsbo 36:2	Norra Långebergsgatan 2	1974	Retail				5,597				456	41
Gothenburg	Högsbo 36:8	Hulda Mellgrens gata 11	1992	Retail		2,448						2,448	27
Gothenburg	Högsbo 38:17	Sisjö Kullegata 5	1986	Office		1,680						26	13
Gothenburg	Högsbo 38:20	Sisjö Kullegata 6	1989	Office		2,010		780				2,790	15
Gothenburg	Högsbo 38:8	Sisjö Kullegata 8	1990	Office		4,837		2,190				1	53
Gothenburg	Inom Vallgraven 1:13	Drottninggatan 62	1986	Hotel						26,656		26,656	355
Gothenburg	Inom Vallgraven 14:1	Södra Hamngatan 2	1929	Retail			2,637			2,190		4,827	96
Gothenburg	Inom Vallgraven 15:3	Drottninggatan 30	1980	Office		3,847	379	108				4,334	103
Gothenburg	Inom Vallgraven 16:21	Drottninggatan 10	1929	Retail		2,365	321	86				200	73
Gothenburg	Inom Vallgraven 19:6	Drottninggatan 35	1929	Office		525	597					1,122	22
Gothenburg	Inom Vallgraven 2:2	Drottninggatan 69	1929	Office		1,038	254					1,292	31
Gothenburg	Inom Vallgraven 22:6	Kungsgatan 41	1869	Office		520	590					1,110	37
Gothenburg	Inom Vallgraven 33:7	Magasinsgatan 26	1929	Office		2,189	897				258	387	60
Gothenburg	Inom Vallgraven 36:4	Kaserntorget 11 A	1912	Office		2,447		10	9,494			4,779	16,730
Gothenburg	Inom Vallgraven 4:2	Lilla Kungsgatan 1	1929	Office		2,068	630	62				1,001	70
Gothenburg	Inom Vallgraven 4:4	Lilla Kungsgatan 3	1929	Office		5,819						5,819	89
Gothenburg	Inom Vallgraven 54:10	Lilla Torget 3	1929	Office		700	173					873	16
Gothenburg	Inom Vallgraven 54:9	Lilla Torget 4	1929	Office		802		8				810	18
Gothenburg	Inom Vallgraven 58:6	Kungsgatan 34	1989	Retail		1,767	230	10				2,728	4,735
Gothenburg	Inom Vallgraven 8:1	Kyrkogatan 29-31	1850	Retail		1,526	1,668					10	120
Gothenburg	Inom Vallgraven 8:19	Kungsgatan 56	1962	Office		834	531					1,365	59
Gothenburg	Inom Vallgraven 8:20	Kyrkogatan 33	1930	Retail			803					803	28
Gothenburg	Järnbrott 145:6	Svängrumsgatan 45	1963	Residential							3,844	13	42
Gothenburg	Kobbegården 6:725	Datavägen 12 A	1988	Office		3,268						3,268	27
Gothenburg	Kyrkbyn 147:1	Almquistgatan 1	1967	Other	Yes				520			520	
Gothenburg	Källtorp 36:7	Solosrogatan 13 A	1935	Residential							769	105	15
Gothenburg	Källtorp 39:1	Råstensgatan 2 A	1936	Residential							846	846	13
Gothenburg	Kärå 32:22	Tagenevägen 26	1980	Retail	Yes			2,800				2,800	15
Gothenburg	Kärå 73:1-2	Tagenevägen 17A	1971	Retail	Yes	192		3,960				220	16
Gothenburg	Kärå 95:3	Orrekulla industrigata 14	1990	Retail				7,080				129	47
Gothenburg	Lindholmen 29:1	Theres Svenssons Gata 15	2002	Office		11,400	475	347				1	227
Gothenburg	Lindholmen 39:2	Lindholmospiren 4	2013	Hotel						13,299		13,299	282
Gothenburg	Lorensberg 45:20	Kungsporsavenyn 6-8	1971	Hotel			1,357			2,305		3,662	95
Gothenburg	Lorensberg 46:1	Storgatan 45	1929	Retail		299	1,288	42				316	36
Gothenburg	Lorensberg 46:10	Kungsporsavenyn 17	1944	Office		983	572					1,555	42
Gothenburg	Lorensberg 46:11	Teatergatan 18	1929	Retail							1,203	1,203	22
Gothenburg	Lorensberg 46:12	Kungsporsavenyn 11	1929	Retail			2,394					2,394	56
Gothenburg	Lorensberg 46:5	Kungsporsavenyn 7	1929	Retail		201	766					967	25
Gothenburg	Lorensberg 46:6	Kungsporsavenyn 9	1950	Retail							1,176	1,176	32
Gothenburg	Nordstaden 10:15	Köpmansgatan 27	1900	Office		1,031	590					812	72
Gothenburg	Nordstaden 10:16 & 10:17	Köpmansgatan 29	1929	Hotel			113			7,753		7,866	148
Gothenburg	Olskroken 10:5	Olskrokgatan 30	1985	Office		1,974			2,501			980	5,455

● Acquisitions during 2016.

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Tax assessment value,SEKm		
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel	Residential		Other	Total
Cont'd. Region Gothenburg														
Gothenburg	Olskroken 25:11	Falkgatan 7	1932	Other					1,969		292	2,261		
Gothenburg	Rud 8:10	Munspelsgatan 10	1962	Residential		255		614		43,673	805	45,347		
Gothenburg	Sannegården 25:1	Säterigatan 20	1971	Other		2,816		222				3,038		
Gothenburg	Sannegården 28:5	Sjöporten 1	1945	Office		69	307		1,161			1,537		
Gothenburg	Tingstadsvassen 3:6	Krokegårdsgatan 3	1944	Retail		65	3,723				6	3,794		
Gothenburg	Tingstadsvassen 3:7	Krokegårdsgatan 7	1987	Retail			5,243					5,243		
Gothenburg	Torslanda 153:1	Mossfyndsgatan 15	1989	Residential	Yes	362						362		
Gothenburg	Torslanda 155:3	Mossfyndsgatan 10	1989	Residential	Yes	300						300		
Gothenburg	Torslanda 95:1	Torslanda torg 2	1973	Retail		231	4,578	26		871	968	6,674		
Gothenburg	Utby 39:11	Västra Tvärskedet 3	1990	Residential					116	351		467		
● Jönköping	Visionen 4	Bataljonsgatan 14	2016	Retail				22,448			385	22,833		
● Kungsbacka	Hede 4:14	Hedebrovägen 15	2011	Retail							4,177	4,177		
Kungälv	Klocktornet 36	Västra gatan 57	1972	Retail			3,351				423	3,774		
Kungälv	Krabbetornet 1&35	Västra Gatan 84	1938	Retail		391	840			272		1,503		
Kungälv	Rhodin 19	Strandgatan 77	1967	Retail			2,822	91			7	2,920		
Kungälv	Skomakaren 10	Fabriksgatan 10	1988	Office		1,781	478	79	1,474		312	4,124		
Kungälv	Slotsträdgården 5	Gamla torget	1958	Hotel						6,100		6,100		
Kungälv	Stopet 1			Project										
Lerum	Floda 3:121	Gamla Vägen 26	1991	Residential						1,016		1,016		
Lerum	Lerum 43:21	Skattegårdsbacken 10	1991	Residential						1,383		1,383		
Lerum	Torp 1:328	Lindvägen 34 A	1988	Residential						428	11	439		
Mariestad	Enen 23	Viktoriagatan 16	1985	Retail			3,889					5,841		
Mariestad	Furan 11	Stockholmsvägen 23	1962	Residential		121				1,620	637	2,378		
Mariestad	Furan 12	Stockholmsvägen 25	1962	Residential				6		4,254		4,260		
Mariestad	Fårtickan 1	Bergsgatan 20	1968	Residential						4,632		4,632		
Mariestad	Granen 8	Viktoriagatan 17	1900	Other								0		
Mariestad	Hunden 3	Nya Torget 1	1965	Retail		2,187	260			158	1,209	3,814		
Mariestad	Murklan 1	Bergsgatan 18	1968	Residential						12,599		12,599		
Mariestad	Staren 8	Nygatan 14	1966	Retail		355	1,621			86		2,062		
Mölndal	Bastuban 1	Bäckstensgatan 5	1993	Project								242		
● Mölndal	Gaslyktan 2	Argongatan 20	1981	Retail				3,483			81	3,564		
● Mölndal	Leoparden 2	Göteborgsvägen 129	1923	Retail		1,488		20,657			495	22,640		
● Mölndal	Pianot 5	Bäckstensgatan 13	2009	Retail		2,329						2,329		
● Mölndal	Presenten 1	Flöjelbergsgatan 24	2001	Retail		774		12,726			77	13,577		
● Mölndal	Presenten 2	Flöjelbergsgatan 22	1978	Retail				2,250			75	2,325		
Mölndal	Stockrosen 10	Norra Ågatan 26 C	1973	Office		1,648		53			35	1,736		
Mölndal	Stockrosen 3	Norra Ågatan 38	1964	Office		604	408	4,880			190	6,082		
Mölndal	Stockrosen 6	Norra Ågatan 34	1948	Office		551	1,212	252				2,015		
Skövde	Dagslåndan 10	Barkvägen 10 A	1972	Residential		165				22,212		22,377		
Skövde	Ekoxen 10	Barkvägen 32	1974	Residential		2,453	180			21,826	6,231	30,690		
Skövde	Mellomkvarn 1	Mellomkvarnsvägen 2	1972	Retail				10,959				10,959		
Skövde	Smeden 5	Petter Heléns Gata 2	1976	Office	Yes	2,598						2,598		
Skövde	Storängen 13	Kåsatorpsvägen 5	1992	Office		2,181		70				2,251		
● Trollhättan	Fullriggaren 1	Sandviksvägen 2	1990	Retail				2,200				2,200		
Trollhättan	Hoppet 1	Drottningg 13, Staveredsg 19	1992	Residential		295				2,341	265	2,901		
Trollhättan	Plogen 1	Lantmannavägen	1969	Residential	Ja	32		316		11,156		11,504		
Trollhättan	Plogen 2	Lantmannavägen	1967	Residential	Ja					10,555		10,555		
Trollhättan	Propellern 7	Saabvägen 1	1992	Office		4,759					9	4,768		
Trollhättan	Sjöfrun 5	Magasinsg 4A-4B, Storgatan 35	1936	Residential			193			1,367	161	1,721		
Trollhättan	Strandpiparen 12	Slättbergsvägen 22	1952	Residential						654	110	764		
Trollhättan	Svan 7	Storgatan 47	1989	Hotel					11,632			11,632		
Trollhättan	Venus 9	Föreningsg 10A-10C, Österlångg 44-46	1989	Residential		1,250	475			1,594		3,319		
Trollhättan	Verkmästaren 14	Ekholmssg 11, Wallströmssg 9	1910	Other					1,421		75	1,496		
Uddevalla	Bagge 7	Kungsgatan 10	1968	Retail		1,050	1,569	103				2,722		
● Uddevalla	Frölandsgärdet 2	Brunegårdsvägen 5	1989	Retail				5,515			136	5,651		
Uddevalla	Kålgården 51	Kyrkogårdsgatan 1, 3, 5	1930	Hotel		1,189	590	500	294	6,500	10	9,083		
Uddevalla	Sälghugget 1	Lillbräckegatan	1972	Residential	Yes	243	239	206		14,420		15,108		
● Varberg	Kardanen 4	Kardanvägen 6A	1991	Retail				3,847				3,847		
Total Gothenburg						148,523	75,273	152,474	19,919	100,833	358,245	47,939	903,206	7,670
Region Öresund														
● Burlöv	Tågarp 16:12	Testvägen 4	1990	Retail							3,360	3,360		
DK, Greve	Ventrupparken 6	Ventrupparken 6	1900	Retail				4,723				4,723		
DK, Copenhagen	Havneholmen	Havneholmen 12 B-G, 14 B-G	2016	Residential						17,451		17,451		
DK, Copenhagen	Matr.nr 1002 d Sundby Overdrev	Hannemanns Allé		Project										
DK, Copenhagen	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		

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Tax assessment Total value,SEKm		
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel	Residential		Other	
Cont'd. Region Öresund														
DK, Copenhagen	Matr.nr 1041, 4285 Sundbyøster	Öresundsvej 145 och Strandlodsvej 67		Project										
DK, Copenhagen	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, Copenhagen	Matr.nr 938 Østervold Kvarter	Oslo Plads 5	1958	Hotel					6325			6,325		
DK, Copenhagen	Matr.nr 952 g Sundby Overdrev	Else Alfelts Vej		Project										
DK, Copenhagen	Matr.nr 954 b, Sundby Overdrev	Else Alfelts Vej 80		Project										
DK, Copenhagen		Else Alfelts Vej		Project										
DK, Copenhagen	Matr.nr 964 a, Sundby Overdrev	Robert Jacobsens Vej 50		Project										
DK, Copenhagen	Matr.nr 966 Sundby Overdrev	Robert Jacobsens vej 93-101	2009	Residential						6,807		6,807		
DK, Copenhagen	Vestervold kvarter 0273	Niels Brocks Gade 1		Project										
DK, Copenhagen	Vestervold Kvarter	Jernbanegade 8	1900	Retail		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	2	
● 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			2,500				8,610	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	
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	
● 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	97	
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	Magistratvägen 10	1968	Office		3,472	1,005	289				4,766	36	
Lund	Porfyren 2	Climmervägen 3	1991	Hotel					15,711			15,711	68	
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	Hästkälken 3	Jägershillgatan 4	1979	Retail	Yes			2,290					2,290	11
Malmö	Ledebur 15	Amiralsgatan 20	1990	Office		6,135					1,300	7,435	67	
Malmö	Lejonet 2	Lilla Torg 1	1929	Office		4,896	39	68		314	537	5,854	121	
Malmö	Rosen 9	Engelbrektsgatan 2	1960	Hotel			1,430		9,777			11,207	235	
Malmö	Spinneriet 8	Baltzarsgatan 20	1957	Office		12,342	2,966	2,219	5,540		1,459	24,526	481	
Malmö	Spännbucklan 12 & 13	Agnesfridsvägen 180	1983	Retail	Yes		5,320					5,320	23	
Malmö	Von Conow 54	Baltzarsgatan 31	1964	Office		9,727	3,987	491		2,584	4,185	20,974	349	
Trelleborg	Lavetten 41	Hedvägen 167-173	1987	Retail			990					990	4	
● Trelleborg	Snickeriet 16-17 och Verkstaden 11	Maskingatan 1	1975	Retail				1,600			220	1,820		
● 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	25	
Växjö	Kocken 3	Hejaregatan 19	1969	Hotel					3,982			3,982	27	
Åstorp	Lärksoppen 10	Ekebrogatan 100	1972	Residential				28		8,030	179	8,237		
Åstorp	Asken 14	Esplanaden 15	1952	Residential		167	239	53		771		1,230	5	
Åstorp	Blåklockan 9	Fågelsångsgatan 32 A	1966	Residential						808		808	4	
Åstorp	Boken 4	Esplanaden 19 A	1945	Residential		243	1,207	146		7,606		9,202	40	
● Acquisitions during 2016.														

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Tax assessment value,SEKm		
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel	Residential		Other	Total
Cont'd. Region Öresund														
Åstorp	Ekorren 27	Skolgatan 7	1929	Residential			337				639	976	4	
Åstorp	Hyllinge 5:122	Postgatan 12 A	1963	Residential				164	120		7,431	123	7,838	22
Åstorp	Hästhoven 12	Fabriksgatan 19 A	1960	Residential			704	103			2,633		3,440	14
Åstorp	Kastanjen 16	Esplanaden 7	1972	Residential		1,873	833				3,458	156	6,320	27
Åstorp	Linden 11	Nyvångsgatan 1 A	1961	Residential							340		340	2
Åstorp	Lotusblomman 15	Nyvångsgatan 31	1961	Residential							340		340	2
Åstorp	Lungörten 1	Nyvångsgatan 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			1,069		1,089	5
Åstorp	Svärdsliljan 7	Östergatan 16 A	1958	Residential		245	457				6,457		7,159	31
Åstorp	Tranan 1	Fjällvägen 10 A	1991	Residential							3,820		3,820	22
● Ängelholm	Skräddaren 5	Verkstadsgränd 5	1973	Retail				1,172					1,172	4
● Ängelholm	Taktäckaren 6	Midgårdsgatan 11	2015	Retail		676	875	4,780				429	6,760	28
Total Öresund						45,006	35,538	56,537	120	63,760	176,667	40,393	418,022	2,577
Region East														
Arboga	Gesällen 15	Bergsgränd 3 A	1958	Residential		436		230			5,048		5,714	22
Arboga	Getingen 1	Västermovägen	1969	Residential							9,515	20	9,535	34
Arboga	Hjulmakaren 25	Vikingagatan	1978	Residential							3,497		3,497	16
Arboga	Ringsborg 1	Kapellgatan 29	1981	Office		1,488							1,488	5
Arboga	Riskan 1	Trädgårdsgatan	1963	Residential		283		71			3,846		4,200	18
Arboga	Vilsta 10	Jädersvägen	1965	Residential		59		48			8,264		8,371	35
Arboga	Vilsta 21	Lundborgsesplanaden	1970	Residential				40			6,532		6,572	26
Arboga	Vilsta 9	Jädersvägen 1	1961	Residential		200	835	46			7,439		8,520	33
FI, Keminmaa	Joulantie 1-3		2001/2002	Retail			12,337						12,337	
FI, Koupio	Leväsentie 2B		2006	Retail			20,123						20,123	
FI, Kuusamo	Loumantie 1-3		1990	Retail			12,617						12,617	
FI, Kuusamo	Ouluntaival 1		1978	Retail			3,718						3,718	
FI, Mäntsälä	Mäntsäläntie 1		1989	Retail			3,463						3,463	
FI, Nurmijärvi	Isoseppäla 14		1966	Retail			3,008						3,008	
FI, Raisio	Kauppakaju 2		1995	Retail			5,513						5,513	
Gotland	Soldaten 1	Volontärgatan	2005	Residential				29			3,050	50	3,129	43
Gotland	Västerhejde Vibble 1:457	Tvinnaregatan 10	1989	Residential							7,734	127	7,861	52
Köping	Disa 1	Stora Torget	1929	Residential			662				924		1,586	7
Köping	Fenja 10	Västra Äpromenaden 20	1965	Retail		1,548	1,958				1,169	578	5,253	17
Köping	Freja 11	Stora G. 8, Ö:A Långg. 8-10	1929	Residential		124	876				1,612	69	2,681	11
Köping	Freja 3	Stora Gatan	1979	Residential			416				1,324		1,740	9
Köping	Immanuel 2	Tunadalsgatan 28	1965	Residential		120					11,131	273	11,524	50
Köping	Inga 1	Sankt Olovsgränd 52	1947	Residential		177	97				2,271	179	2,724	12
Köping	Tunadal 6-8	Tunadalsgatan	1971	Residential		330					8,226	990	9,546	35
Norrköping	Gärdet 1	Rågängen 71	1958	Residential			491				4,609		5,100	40
Norrköping	Lammet 2	Kungstorget 2	1939	Residential		173	1,950				2,405	60	4,588	30
Norrköping	Lokatten 12	Hosp.Gat9-11,Olai Kyrkog12,Trädg.G 8b,10	1992	Residential		1,693	380				5,364	533	7,970	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
Norrköping	Prinsen 18	Hospitalsgatan 42	1967	Residential			30	99			9,558	11	9,698	91
Norrköping	Sprutan 8	Gamla Rådstugugatan 52	1940	Residential			370				1,318	145	1,833	15
Norrköping	Stenhuggaren 25	Sandgatan 28	1960	Residential							2,914		2,914	27
Norrköping	Storgatan 10	Drottninggatan 10	1929	Residential		484					1,213	715	2,412	16
Norrköping	Storgatan 9	Drott.G14,G:A Rådst.G3-7,Nya Rådst.G2-4	1985	Residential		252	355	15			5,968	231	6,821	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	
Tranås	Bågskytten 4	Grännäsvägen 21	1949	Residential							478		478	2
Tranås	Bågskytten 5	Stjärngatan 13	1991	Residential							500		500	3
Tranås	Falkberget 24	Vallgatan 6	1969	Residential							1,017	70	1,087	6
Tranås	Flundran 2	Granitgatan 2	1966	Other									0	1
Tranås	Forellen 3	Beckhemsvägen	1972	Residential		56		55			5,577	95	5,783	25
Tranås	Forellen 4	Beckhemsvägen 21	1930	Other							150	250	400	1
Tranås	Forellen 5	Beckhemsvägen 14	1969	Residential		348					6,019	10	6,377	27
Tranås	Gäddan 2	Beckhemsvägen 2	1966	Residential							3,402		3,402	14
Tranås	Jupiter 17	Plangatan	1988	Residential							476		476	3
Tranås	Kometen 10	Nämndemansgatan 8	1944	Residential							708		708	3
Tranås	Kullen 1	Västra vägen 7 A	1946	Residential							670	34	704	4
Tranås	Laxen 2	Beckhemsvägen 10	1967	Residential		324		65			9,161	290	9,840	41
Tranås	Laxen 3	Beckhemsvägen 8	1973	Retail								575	575	1

Municipality	Name of property	Address	Year of construction	Property category	Site leasehold right	Lettable area, sq.m.						Tax assessment value,SEKm		
						Office	Retail	Industrial/Ware-house	Education/Care	Hotel	Residential		Other	Total
Cont'd. Region East														
Tranås	Lejonet 5	Sveagatan 4	1940	Residential							1,279	63	1,342	7
Tranås	Lindkullen 11	Majorsgatan 18 A	1929	Residential							814		814	4
Tranås	Lindkullen 12	Majorsgatan 20	1949	Residential							943	128	1,071	5
Tranås	Lindkullen 13	Majorsgatan 22	1946	Residential							999	10	1,009	5
Tranås	Nordstjärnan 7	Storgatan 38	1965	Residential		265	966				1,504	216	2,951	12
Tranås	Norra Gyllenfors 9	Missionsgatan 10	1950	Residential		369	4,938	59			5,658	41	11,065	63
Tranås	Oden 12	Nygatan 18	1992	Residential		367	1,213				1,997	110	3,687	21
Tranås	Sutaren 2	Beckhemsvägen 12 A	1968	Residential		496					2,752	551	3,799	
Tranås	Södra Framnäs 20	Framnäsgratan 2	1984	Residential							402		402	1
Tranås	Tigern 14	Götgatan 29	1960	Residential							736		736	4
Tranås	Tjädern 23	Framnäsgratan 1	1983	Residential							684		684	4
Tranås	Tornsvälan 3	Östra Järnvägsgatan 1	1985	Residential							2,073	10	2,083	12
Tranås	Västermalm 23	Storgatan 15	1955	Residential			3,310	15			2,913	617	6,855	27
Tranås	Öringen 1	Granitgatan 5	1971	Residential							3,040		3,040	16
Västerås	Fältmössan 1	Rönnebergagatan 1	1963	Residential			150	106			14,331		14,587	221
Västerås	Klockarkärleken 2	Rönnebergagatan 4	1962	Residential				260			5,778		6,038	37
Västerås	Rödsklinten 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	
Fl. Sato Oyj	Several properties			Residential							397,902		397,902	
Total East						10,058	80,242	1,456	0	8,317	634,041	24,007	758,121	1,591
Region North														
Gävle	Holmsund 11:1 mfl	Korsnäsavägen 104 A	1929	Residential							1,200	260	1,460	4
Gävle	Holmsund 7:6	Holmsundsavägen 7, 17-29, (Odd numbers)	1929	Residential							3,002	8	3,010	11
Gävle	Kastet 8: 1, 12:1 m fl	Forskarvägen 27 mfl	1929	Residential		1,014	104	260			12,407	2,114	15,899	51
Gävle	Lillhagen 5:3	Torkarvägen 10	1946	Residential							3,027		3,027	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		289	941	280			2,004		3,514	24
Gävle	Sörby 10:9	Falkvägen 5 A	1994	Residential							512		512	5
Gävle	Valbo-Backa 6:12	Johanneslötsvägen 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	44	1,200	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	105	4,656	52
Karlstad	Trätälja 11	Drottningg 37/Pihlgrensgratan 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	Väturen 3	Rudsvägen 1	1942	Residential							1,344	54	1,398	15
● NO, Elverum	Högskolan i Hedmark	Hamarvegen 112	2010	Other						16,393			16,393	
Sundsvall	Aeolus 1	Nybrogatan 19	1944	Residential		89	501				872		1,462	9
● Sundsvall Acquisitions during 2016	Bredсанд 1:3 mfl	Appelbergsvägen 1 a	1950	Residential				118			7,127	119	7,364	25
Sundsvall	Bredсанд 1:4 mfl	Appelbergsv. 14, 16, 18	1950	Residential							4,479	3	4,482	16
Sundsvall	Dingersjö 28:27 mfl	Appelbergsvägen 26	1989	Residential				15			9,464	56	9,535	11
Sundsvall	Dingersjö 3:131 m fl	Bergsvägen 3	1964	Residential		176		350			21,016	2,858	24,400	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	Affärsgratan 26 A-D	1962	Residential							1,468		1,468	4
Sundsvall	Kvissle 22:2 & 39:1	Affärsgratan 22	1968	Residential		192	137	19			6,311	45	6,704	17
Sundsvall	Lagmannen 10	Esplanaden 18	1962	Residential		757	240				3,980	1,042	6,019	35
Sundsvall	Nolby 1:48, 40:1, 1:108	Affärsgratan 20	1983	Residential		1,059		39			4,097	748	5,943	18
Sundsvall	Nolby 3:268	Brovägen 9	1988	Residential							997		997	4
Sundsvall	Nolby 40:2	Affärsgratan 18	1964	Residential			901	6			2,166	201	3,274	8
Sundsvall	Nolby 41:3 & 37:1	Affärsgratan 14	1974	Residential			1,006	5			5,328	43	6,381	19
Total North						7,957	6,351	1,136	16,393	13,873	126,829	9,216	181,755	891
Total Fastighets AB Balder						363,828	222,734	295,923	52,848	280,412	2,436,033	153,734	3,805,512	19,480

Fastighets AB Balder

Interim report

January-June 2017

- Profit from property management attributable to parent company shareholders amounted to SEK 1,296m (1,015), corresponding to an increase per ordinary share by 25 % to SEK 6.65 (5.31)
- Rental income amounted to SEK 2,882m (2,565)
- Profit after tax attributable to parent company shareholders amounted to SEK 3,700m (1,733) corresponding to SEK 20.00 per ordinary share (9.47)
- Net asset value amounted to SEK 215.59 per ordinary share (169.39) and shareholders' equity (including listed associated companies at market value) amounted to SEK 174.21 per ordinary share (132.45)

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 89.0 billion (77.5) as of 30 June 2017. The Balder share is listed on Nasdaq Stockholm, Large Cap



Valthornsgatan, Gothenburg

The period in brief

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

April-June 2017

- Rental income amounted to SEK 1,433m (1,307).
- Net operating income amounted to SEK 1,000m (896).
- Profit from property management attributable to parent company shareholders increased by 22 % to SEK 665m (547), which corresponds to an increase by 19 % per ordinary share to SEK 3.42 (2.88).
- Changes in value in respect of investment properties amounted to SEK 827m (1,026). The average yield requirement amounted to 5.0 % (5.4).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK 85m (–193).
- Net profit after tax for the period amounted to SEK 1,754m (1,184).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 1,694m (1,026) which corresponds to SEK 9.13 per ordinary share (5.66).
- 12 properties (57) has been acquired at a property value of SEK 509m (5,775).
- 106 properties (4) were divested at a property value of SEK 2,151m (274).
- During the period, Balder sold all properties in Tranås, Falköping, Arboga and Köping.
- During the period, Balder has agreed to acquire 4 hotel properties in Copenhagen city center and 1 hotel property in Helsinki. The transactions will close during the third quarter of 2017.
- Balder also agreed to acquire 56 % of Serena Properties AB. The company owns 21 retail properties in Finland at a total market value of approximately EUR 200m.

January-June 2017

- Rental income amounted to SEK 2,882m (2,565).
- Net operating income increased by 16 % to SEK 1,977m (1,710).
- Profit from property management attributable to parent company shareholders increased by 28 % to SEK 1,296m (1,015), which corresponds to an increase per ordinary share by 25 % to SEK 6.65 (5.31).
- Changes in value in respect of investment properties amounted to SEK 2,709m (1,651). The average yield requirement amounted to 5.0 % (5.4).
- Changes in value of interest rate derivatives have impacted the result before tax by SEK 132m (–429).
- Net profit after tax for the period amounted to SEK 3,700m (1,959).
- Net profit after tax for the period attributable to parent company shareholders amounted to SEK 3,700m (1,733) which corresponds to SEK 20.00 per ordinary share (9.47).
- 21 properties (59) has been acquired at a property value of SEK 940m (6,105).
- 109 properties (37) were divested at a property value of SEK 2,789m (725).
- Balder has issued EUR 1 billion in the European bond market. EUR 500 million were issued with a maturity of 5 years at a fixed interest rate of 1.24 %, and EUR 500 million were issued with a maturity of 8 years with a fixed interest rate of 2.00 %.
- Balder has received an Investment grade rating from S&P of BBB with a stable outlook.

	2017 Jan-June	2016 Jan-June	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	2,882	2,565	5,373	2,711	2,525	1,884	1,701	1,466	1,333	854
Profit from property management, SEKm ¹⁾	1,296	1,015	2,265	1,780	1,275	854	691	516	417	315
Changes in value of properties, SEKm	2,709	1,651	4,932	3,388	3,050	854	812	990	1,047	4
Changes in value of derivatives, SEKm	132	–429	–114	227	–624	433	–71	–520	148	–23
Profit after tax, SEKm ¹⁾	3,700	1,733	5,474	4,916	3,128	1,738	1,162	812	1,338	248
Carrying amount of properties, SEKm	89,047	77,538	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 value²⁾

Average number of shares, thousands	180,000	172,397	173,598	162,753	161,786	159,537	159,537	158,656	149,487	112,902
Profit after tax, SEK	20.00	9.47	30.38	28.98	18.10	10.11	6.69	4.87	8.95	2.20
Profit from property management, SEK	6.65	5.31	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	174.21	132.45	157.63	128.03	70.10	52.14	42.15	35.57	31.13	22.19
Long-term net asset value (EPRA NAV), SEK	215.59	169.39	198.49	159.14	86.33	60.50	50.37	41.83	32.89	22.16
Share price on the closing date, SEK	204.00	212.90	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,

Current earning capacity

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

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

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

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

Current earning capacity on a twelve-months basis

SEKm	2017 30 June	2017 31 Mar	2016 31 Dec	2016 30 Sep	2016 30 June	2016 31 Mar	2015 31 Dec	2015 30 Sep	2015 30 June	2015 31 Mar	2014 31 Dec
Rental income	5,860	5,700	5,800	5,470	5,325	5,135	5,045	2,725	2,650	2,745	2,730
Property costs	-1,690	-1,660	-1,695	-1,690	-1,685	-1,670	-1,635	-775	-760	-800	-800
Net operating income	4,170	4,040	4,105	3,780	3,640	3,465	3,410	1,950	1,890	1,945	1,930
Management and administrative costs	-490	-490	-490	-490	-480	-440	-425	-175	-175	-170	-165
Profit from property management from associated companies	530	530	505	470	420	355	340	560	500	410	220
Operating profit	4,210	4,080	4,120	3,760	3,580	3,380	3,325	2,335	2,215	2,185	1,985
Net financial items	-950	-950	-1,040	-1,025	-1,010	-930	-880	-530	-575	-575	-585
Of which non-controlling interests	-455	-450	-445	-445	-380	-400	-410	-	-	-	-
Profit from property management ¹⁾	2,805	2,680	2,635	2,290	2,190	2,050	2,035	1,805	1,640	1,610	1,400
Tax	-605	-580	-570	-490	-470	-440	-439	-397	-361	-354	-308
Profit after tax	2,200	2,100	2,065	1,800	1,720	1,610	1,596	1,408	1,279	1,256	1,092
Profit after tax attributable to											
Ordinary shareholders	2,000	1,900	1,865	1,600	1,520	1,410	1,396	1,208	1,079	1,056	892
Preference shareholders	200	200	200	200	200	200	200	200	200	200	200
Profit from property management per ordinary share, SEK	14.47	13.78	13.52	11.92	11.55	10.73	10.64	9.88	8.87	8.68	7.39

1) Attributable to parent company shareholders.

Current earning capacity on 30 June 2017 is including the 4 hotel properties in Copenhagen and the hotel property in Helsinki, where closing will take place during the third quarter.

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

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

SEKm	2017 30 June	2016 30 June	2016 31 Dec
Assets			
Investment properties	89,047	77,538	86,177
Other fixed assets	137	135	136
Participations in associated companies ^{1,2)}	6,861	6,110	6,673
Other receivables	1,465	1,575	1,357
Cash and cash equivalents and financial investments	3,228	1,124	1,592
Total assets	100,738	86,482	95,935
Shareholders' equity and liabilities			
Shareholders' equity ³⁾	40,146	30,740	36,791
Deferred tax liability	6,341	4,473	5,808
Interest-bearing liabilities	50,904	47,281	49,580
Derivatives	1,106	1,895	1,547
Other liabilities	2,242	2,092	2,209
Total equity and liabilities	100,738	86,482	95,935
1) Including Balder's market value of Collector AB (publ) Collector's share price (SEK)	4,299 95.00	4,453 108.25	4,661 103.00
2) Including Balder's market value of Brinova Fastigheter AB (publ) Brinova's share price (SEK)	249 13.50	– –	282 15.30
3) Of which non-controlling interests	5,911	5,029	5,540

Consolidated statement of changes in equity

SEKm	2017 30 June	2016 30 June	2016 31 Dec
Opening equity	36,791	29,325	29,325
Total comprehensive income for the period/year	4,080	2,126	6,507
Dividend preference shares, approved and entered as a liability	–200	–200	–200
Share issue, after issue costs	–	–	1,780
Transactions with non-controlling interests	–2	–107	–107
Dividend to non-controlling interests	–	–107	–107
Non-controlling interests, arising on the acquisitions of subsidiary	1	–	–
Non-controlling interests, arising on share issue in subsidiary	–	554	554
The change during the period/year of listed associated companies at market value	–522	–851	–962
Closing equity	40,146	30,740	36,791

Results, income and costs

Profit from property management

Profit from property management for the period amounted to SEK 1,508m (1,199). Profit from property management attributable to parent company shareholders increased by 28 % and amounted to SEK 1,296m (1,015), which corresponds to an increase per ordinary share by 25 % to SEK 6.65 (5.31). Profit from property management includes SEK 265m (179) in respect of associated companies.

Net profit after tax

Net profit after tax for the period amounted to SEK 3,966m (1,959). Net profit after tax for the period attributable to parent company shareholders amounted to SEK 3,700m (1,733), corresponding to SEK 20.00 per ordinary share (9.47). Profit before tax was affected by changes in value in respect of properties of SEK 2,709m (1,651), changes in value of interest rate derivatives of SEK 132m (–429) and profit from participations in associated companies of SEK 561m (196).

Rental income

Rental income increased by 12 % to SEK 2,882m (2,565), primarily due to a changed property portfolio. The leasing portfolio was estimated to have a rental value on 30 June of SEK 6,029m (5,607). The average rental level for the entire real estate portfolio amounted to SEK 1,650/sq.m. (1,551) excl. project properties.

Rental income shows a considerable diversification of risks as regards tenants, sectors and locations. The economic occupancy rate amounted to 96 % (95) on 30 June. The total rental value of unlet areas at the end of the period amounted to SEK 269m (282) on an annual basis.

Property costs

Property costs amounted to SEK 906m (855) during the period. The increase in property costs was mainly due to a changed property portfolio.

Net operating income increased by 16 % to SEK 1,977m (1,710), which implies a surplus ratio of 69 % (67). Operating costs normally vary with the seasons. The first and fourth quarters have higher costs than the other quarters, while the third quarter usually has the lowest cost level.

Changes in value of investment properties

Balder carried out an individual valuation on 30 June of the entire real estate portfolio (see page 9). Unrealised changes in value during the period amounted to SEK 2,572m (1,600). Realised changes in value amounted to SEK 137m (51).

The average yield requirement as of 30 June amounted to 5.0 % (5.4), which is 0.3 percentage points lower than at year-end. The change in value during the period was attributable to improved net operating income and a reduced yield requirement.

Management and administrative costs

Management and administrative costs amounted to SEK 268m (236) during the period.

Participations in the profits of associated companies

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

During the period, 20 % of the shares in SHH Bostad AB was acquired. SHH is a residential development company that builds sustainable rental apartments and tenant-owned apartments at reasonable prices in cities with housing shortages.

Profit from participations in associated companies amounted to SEK 561m (196) during the period and Balder's participation in the associated companies profit from property management amounted to SEK 265m (179).

Profit before tax was impacted by unrealised changes in value in respect of properties and interest rate derivatives of SEK 459m (71). The tax expense for the period amounted to SEK –163m (–54).

Net financial items and changes in value of derivatives

Net financial items amounted to SEK –468m (–460) and changes in value of interest rate derivatives amounted to SEK 132m (–429). The positive change in value of derivatives during the period is due to the fact that the interest rates have risen during the period. Unrealised changes in value do not affect the cash flow.

Net financial items are equivalent to borrowing at an average interest rate of 1.9 % (2.1) during the period, including the effect of accrued interest from interest rate derivatives.

Taxes

Balder's tax cost amounted to SEK –681m (–480) of which SEK –105m (–79) is current tax for the period, mainly attributable to the consolidation of Sato Oyj, and also a deferred tax expense of SEK –576m (–401). Current tax attributable to parent company shareholders amounted to SEK –56m (–42).

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 6,341m (4,473).

Second quarter 2017

Profit from property management for the second quarter of 2017 increased by 21 % and amounted to SEK 773m (637). Profit from property management attributable to parent company shareholders for the second quarter of 2017 increased by 22 % and amounted to SEK 665m (547) which corresponds to an increase per ordinary share of 19 % to SEK 3.42 (2.88). Profit from property management included SEK 134m (100) in respect of associated companies. Rental income amounted to SEK 1,433m (1,307) and property costs amounted to SEK 433m (411), which meant that net operating income increased by 12 % to SEK 1,000m (896). The surplus ratio amounted to 70 % (69).

Net profit after tax for the period amounted to SEK 1,754m (1,184). Profit after tax attributable to parent company shareholders amounted to SEK 1,694m (1,026) corresponding to SEK 9.13 per ordinary share (5.66). The result was affected by changes in value in respect of properties of SEK 827m (1,026), changes in value of interest rate derivatives of SEK 85m (–193) and profit from participations in associated companies of SEK 337m (115).

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 1,050m (938). Investing activities have burdened the cash flow by SEK –83m (–4,590).

During the period, acquisition of properties of SEK –1,074m (–3,853), investments in existing properties and projects of SEK –1,592m (–1,079), investments in property, plant and equipment, financial investments, associated companies and transactions with non-controlling interests SEK –182m (–372), dividends paid preference shares of SEK –100m (–100) and realised changes derivatives SEK –218m (–) adds up to SEK –3,167m (–5,511).

These have been financed through cash flow from operating activities of SEK 1,001m (1,232), by property divestments of SEK 2,745m (489), financial investments of SEK 8m (224) and net borrowings of SEK 1,032m (3,432), which adds up to SEK 4,786m (5,797).

Total cash flow for the period amounted to SEK 1,632m (287).

In addition to unutilised credit facilities of SEK 4,869m (4,767), the group's cash and cash equivalents, financial investments and unutilised credit facilities amounted to SEK 3,578m (1,474) on 30 June.

Employees and organisation

The number of employees on 30 June amounted to 592 persons (536), of whom 296 were women (236). Balder is, after the acquisition of Sato Oyj, organised into six regions. The head office with groupwide functions is located in Gothenburg.

Parent Company

The parent company's operations mainly consist of performing group-wide services but an important part relates to sales of services, principally to associated companies. Sales in the parent company amounted to SEK 121m (97) during the period.

Net profit after tax amounted to SEK 1,212m (1,301). Dividend from subsidiaries was included with SEK 909m (1,430) and changes in value of interest rate derivatives amounted to SEK 122m (–441).

Real estate holdings

On 30 June Balder owned 1,132 properties (1,197) with a lettable area of 3,622 thousand sq.m. (3,571) and a value of SEK 89,047m (77,538), including project properties. Balder's total rental value excluding project properties amounted to SEK 5,975m (5,540). Balder's commercial properties are

mainly located in the central parts of the major cities.

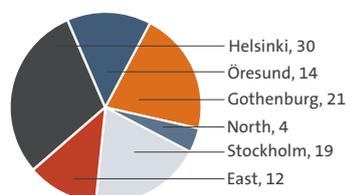
Balder's residential properties are located in metropolitan areas and places that are growing and developing positively. Balder's ambition is to continue growing in selected markets.

Balder's real estate holdings on 2017-06-30¹⁾

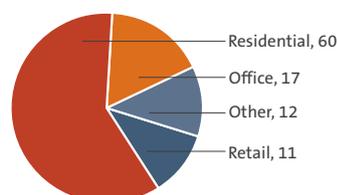
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Helsinki	502	1,013,421	2,121	2,092	2,042	96	25,399	29
Stockholm	60	525,733	931	1,771	884	95	16,735	19
Gothenburg	141	841,545	1,110	1,319	1,065	96	17,620	20
Öresund	75	442,863	675	1,524	627	93	11,550	13
East	275	616,899	925	1,500	881	95	10,381	12
North	79	181,643	213	1,171	207	97	3,211	4
Total	1,132	3,622,104	5,975	1,650	5,706	96	84,897	95
Project			54		54		4,151	5
Total	1,132	3,622,104	6,029	1,650	5,760	96	89,047	100
Distributed by property category								
Residential	931	2,331,889	3,874	1,661	3,732	96	49,896	56
Office	65	427,728	872	2,039	791	91	15,011	17
Retail	95	521,503	637	1,221	612	96	9,803	11
Other	41	340,984	593	1,739	571	96	10,187	11
Total	1,132	3,622,104	5,975	1,650	5,706	96	84,897	95
Project			54		54		4,151	5
Total	1,132	3,622,104	6,029	1,650	5,760	96	89,047	100

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

Carrying amount distributed by region including projects, %



Carrying amount distributed by property category including projects, %



Changes in real estate portfolio

The value of Balder's real estate portfolio is based on internal valuations. The properties in Sweden, Denmark and Norway have been valued using the cash flow based method. In Finland, in addition to the cash flow based method, the sales comparison method and valuation at acquisition cost are used. On 30 June, Balder's average yield requirement amounted to 5.0 % (5.4) excluding project and development properties. Which is 0.3 percentage points lower than at year-end.

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

Project real estate

On 30 June, Balder had ongoing residential projects with an expected total investment of SEK 7 billion, of which about SEK 3 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 1,200 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 89,047m (77,538) on 30 June. The unrealised change in value during the period amounted to SEK 2,572m (1,600) and was attributable to improved net operating income and lower yield.

Investments, acquisitions and divestments

During the period, a total of SEK 2,532m (7,184) was invested, of which SEK 940m (6,105) related to acquisitions and SEK 1,592m (1,079) related to investments in existing properties and projects. Properties with a sales value of SEK 2,789m (725) were divested during the period. The majority of the sales during the period refers to the properties in Tranås, Falköping, Arboga and Köping. Profit from property sales amounted to SEK 137m (51). The change in the real estate portfolio during the period is presented in the table below.

Change in carrying amount of properties

	2017		2016	
	SEKm	Number ¹⁾	SEKm	Number ¹⁾
Real estate portfolio, 1 January	86,177	1,220	68,456	1,177
Investments in existing properties and projects	1,592		1,079	
Acquisitions	940	21	6,105	59
Sales/Reclassifications	-2,652	-109	-674	-39
Change in value of investment properties, unrealised	2,572		1,600	
Currency changes	417		971	
Real estate portfolio, 30 June	89,047	1,132	77,538	1,197

1) Number of investment properties.

Property transactions 2017

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Acquisitions					
One	1	Kvillebäcken 62:7	Gothenburg	Project	–
One	8	Sato Oyj	Finland	Residential	15,797
Two	1	Ysby 2:25	Kungsbacka	Industrial/warehouse	1,721
Two	1	Vindyget 6	Borås	Retail	3,350
Two	1	Nöjet 1	Linköping	Retail	1,380
Two	1	Vinkeln 7	Huddinge	Retail	5,391
Two	1	Badelundasåsen 3	Västerås	Retail	2,796
Two	1	Backa 169:2	Gothenburg	Retail	3,615
Two	1	Draglädret 1	Malmö	Retail	2,679
Two	1	Traversen 1	Kristianstad	Retail	2,088
Two	1	Phylatterion 6	Trelleborg	Retail	5,083
Two	1	Yhdistyksentie, 545-412-4-209	Närpes, Finland	Retail	2,661
Two	2	Sato Oyj	Finland	Residential	8,944
Total	21				55,505
Divestments					
One	3	Sato Oyj	Finland	Residential	6,803
Two	1	Lejonet 2	Falköping	Residential	6,640
Two	1	Anden 16	Falköping	Residential	703
Two	1	Skalbaggen 1	Falköping	Residential	856
Two	1	Kemisten 1	Falköping	Retail	531
Two	1	Agaten 11	Falköping	Residential	931
Two	1	Agaten 6	Falköping	Residential	466
Two	1	Apotekaren 2	Falköping	Residential	1,225
Two	1	Avenboken 1	Falköping	Residential	1,241
Two	1	Avenboken 2	Falköping	Residential	1,234
Two	1	Bagaren 7	Falköping	Residential	3,403
Two	1	Byggmästaren 9	Falköping	Residential	2,340
Two	1	Ejdern 14	Falköping	Residential	2,305
Two	1	Guldsmeden 21	Falköping	Office	623
Two	1	Guldsmeden 7	Falköping	Retail	1,535
Two	1	Hovslagaren 16	Falköping	Residential	2,169
Two	1	Muraren 15	Falköping	Residential	1,551
Two	1	Muraren 3	Falköping	Residential	960
Two	1	Muraren 4	Falköping	Residential	745
Two	1	Muraren 5	Falköping	Residential	787
Two	1	Oxeln 1	Falköping	Residential	1,382
Two	1	Sankt Olof 18	Falköping	Residential	2,031
Two	1	Spettet 1	Falköping	Residential	1,362
Two	1	Svanen 24	Falköping	Residential	1,099
Two	1	Trädgårdsmästaren 18	Falköping	Residential	1,366
Two	1	Trädgårdsmästaren 19	Falköping	Residential	1,018
Two	1	Trädgårdsmästaren 22	Falköping	Residential	2,020
Two	1	Urd 3	Falköping	Residential	3,775
Two	1	Vargen 1	Falköping	Residential	1,451
Two	1	Vargen 2	Falköping	Residential	1,206
Two	1	Vargen 3	Falköping	Residential	1,074
Two	1	Vargen 4	Falköping	Residential	1,651
Two	1	Vargen 5	Falköping	Residential	1,462

Cont. Property transactions 2017

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Two	2	Vargen 6 & 8	Falköping	Residential	1,546
Two	1	Vargen 7	Falköping	Residential	1,032
Two	1	Vitsippan 2	Falköping	Residential	532
Two	1	Muraren 6	Falköping	Residential	787
Two	0	Hytten 1	Falköping	Ground	–
Two	0	Sankt Olof 17	Falköping	Ground	–
Two	1	Hammaren 7	Falköping	Residential	376
Two	1	Sankt Tomas 13	Falköping	Residential	393
Two	1	Sankt Jakob 14	Falköping	Residential	316
Two	1	Sankt Jakob 18	Falköping	Residential	293
Two	1	Sankt Johannes 18	Falköping	Residential	400
Two	1	Sankt Staffan 13	Falköping	Office	2,415
Two	1	Skogslinden 3	Falköping	Residential	740
Two	1	Skogslinden 4	Falköping	Residential	730
Two	1	Skalbaggen 5	Falköping	Residential	548
Two	1	Skalbaggen 12	Falköping	Residential	540
Two	1	Skalbaggen 11	Falköping	Residential	434
Two	1	Flugsnapparen 1	Falköping	Residential	600
Two	1	Flugsnapparen 2	Falköping	Residential	570
Two	1	Flugsnapparen 6	Falköping	Residential	570
Two	1	Ansgar 1	Falköping	Residential	2,278
Two	1	Mejseln 4	Falköping	Residential	330
Two	1	Göken 12	Falköping	Residential	423
Two	1	S:t Lars 1	Falköping	Residential	879
Two	1	Draken 8	Falköping	Residential	660
Two	1	Gesällen 15	Arboga	Residential	5,714
Two	1	Riskan 1	Arboga	Residential	4,200
Two	1	Vilsta 9	Arboga	Residential	8,520
Two	1	Vilsta 10	Arboga	Residential	8,371
Two	1	Vilsta 21	Arboga	Residential	6,599
Two	1	Hjulmakaren 25	Arboga	Residential	3,497
Two	1	Ringsborg 1	Arboga	Office	1,488
Two	1	Getingen 1	Arboga	Residential	9,535
Two	1	Disa 1	Köping	Residential	1,586
Two	1	Freja 3	Köping	Residential	1,740
Two	1	Freja 11	Köping	Residential	2,681
Two	1	Immanuel 2	Köping	Residential	11,524
Two	1	Inga 1	Köping	Residential	2,724
Two	4	Tunadal 6-8	Köping	Residential	9,546
Two	1	Fenja 10	Köping	Retail	5,253
Two	1	Gäddan 2	Tranås	Residential	3,402
Two	1	Laxen 2	Tranås	Residential	9,840
Two	1	Sutaren 2	Tranås	Residential	3,799
Two	1	Forellen 3	Tranås	Residential	5,783
Two	1	Forellen 5	Tranås	Residential	6,377
Two	1	Öringen 1	Tranås	Residential	3,040
Two	1	Forellen 4	Tranås	Other	400
Two	1	Laxen 3	Tranås	Retail	575
Two	1	Flundran 2	Tranås	Other	–

Cont. Property transactions 2017

Quarter	Number	Name of property		Property category	Lettable area, sq.m.
Two	1	Kometen 10	Tranås	Residential	708
Two	1	Norra Gyllenfors 9	Tranås	Residential	11,089
Two	1	Oden 12	Tranås	Residential	3,687
Two	1	Södra Framnäs 20	Tranås	Residential	402
Two	1	Tigern 14	Tranås	Residential	736
Two	1	Tjädern 23	Tranås	Residential	684
Two	1	Tornsvalan 3	Tranås	Residential	2,083
Two	1	Västermalm 23	Tranås	Residential	6,855
Two	1	Falkberget 24	Tranås	Residential	1,087
Two	1	Lejonet 5	Tranås	Residential	1,342
Two	1	Nordstjärnan 7	Tranås	Residential	2,964
Two	1	Lindkullen 11	Tranås	Residential	826
Two	1	Lindkullen 12	Tranås	Residential	1,073
Two	1	Lindkullen 13	Tranås	Residential	1,009
Two	1	Bågskytten 4	Tranås	Residential	478
Two	1	Bågskytten 5	Tranås	Residential	500
Two	1	Kullen 1	Tranås	Residential	704
Two	1	Jupiter 17	Tranås	Residential	476
Two	1	Västerhejde Vibble 1:457	Gotland	Residential	7,861
Two	4	Sato Oyj	Finland	Residential	6,351
Total	109				242,446

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 2016. 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 % (28) of Brinova Fastigheter AB (publ), 49 % (49) in Sjaelsö Management ApS and 20 % (-) in SHH Bostad AB. For more information about these associated companies, see each company's website: Collector.se, Tornet.se, Brinova.se, Sjaelsoemanagement.dk and Shhbostad.se.

Balder's participation in the 50 %-owned associated companies' real estate holdings on 2017-06-30 ¹⁾

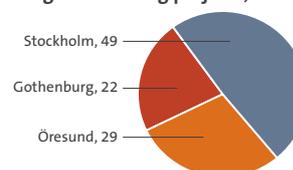
	Number of properties ²⁾	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Stockholm	48	130,876	175	1,340	172	98	3,009	44
Gothenburg	15	84,811	89	1,052	83	93	1,157	17
Öresund	25	64,703	91	1,405	90	99	1,465	21
Total	88	280,390	356	1,268	345	97	5,631	82
Project			21		21		1,224	18
Total	88	280,390	376	1,268	366	97	6,856	100
Distributed by property category								
Residential	27	45,453	70	1,537	69	99	1,581	23
Office	12	30,395	59	1,945	55	93	990	14
Retail	35	118,240	134	1,137	130	96	1,776	26
Other	14	86,302	92	1,067	92	99	1,284	19
Total	88	280,390	356	1,268	345	97	5,631	82
Project			21		21		1,224	18
Total	88	280,390	376	1,268	366	97	6,856	100

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

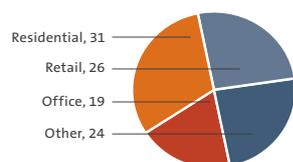
Balder's participation in the balance sheets of 50 %-owned associated companies

SEKm	2017 30 June	2016 30 June	2016 31 Dec
Assets			
Properties	6,856	4,663	5,991
Other assets	56	54	54
Cash and cash equivalents	122	89	203
Total assets	7,034	4,806	6,248
Shareholders' equity and liabilities			
Equity/shareholder loan	2,979	1,948	2,549
Interest-bearing liabilities	3,545	2,563	3,319
Other liabilities	509	294	379
Total equity and liabilities	7,034	4,806	6,248

Carrying amount distributed by region including projects, %



Carrying amount distributed by property category including projects, %



Customers

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

steady and satisfactory occupancy rate. Balder's commercial leases have an average lease term of 7.0 years (6.7). Balder's 10 largest leases represent 5.6 % (6.0) of total rental income and the average lease term amounts to 11.5 years (12.9).

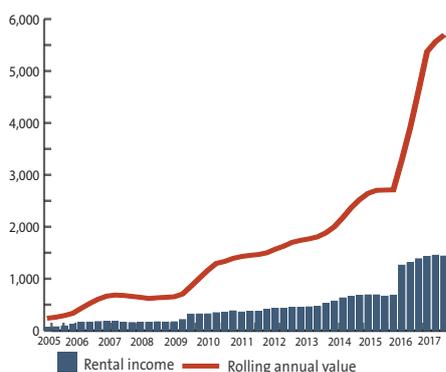
No individual lease accounts for more than 0.8 % (0.9) of Balder's total rental income and no individual customer accounts for more than 4.4 % (2.5) of total rental income.

Lease maturity structure 2017-06-30

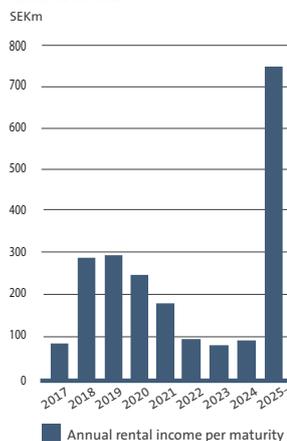
Maturity date	Number of leases	Proportion, %	Contracted rent, SEKm	Proportion, %
2017	602	22	83	1
2018	804	29	275	5
2019	494	18	282	5
2020	402	15	240	4
2021–	439	16	1,167	20
Total	2,741	100	2,047	36
Residential ¹⁾	35,563		3,655	63
Car park ¹⁾	4,854		16	0
Garage ¹⁾	3,686		42	1
Total	46,844		5,760	100

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

Rental income
SEKm



Maturity structure of commercial lease contracts
SEKm



Balder's 10 largest customers

per 2017-06-30

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

Financing

Equity

Consolidated equity, including listed associated companies at market value, amounted to SEK 40,146m (30,740) on 30 June and the equity/assets ratio amounted to 39.9 % (35.5).

During the period, equity increased by comprehensive income for the period of SEK 4,080m (2,126), equity decreased by SEK –200m (–200) regarding dividends approved and entered as a liability to the preference shareholders, the change in market value of the holding in Collector AB (publ) and Brinova Fastigheter AB (publ) SEK –522m (–851), and by SEK –2m (–107) regarding transactions with non-controlling interests.

Interest-bearing liabilities

Balder's interest-bearing liabilities consists of revolving bilateral liabilities with several Nordic and European banks, outstanding bonds totalling SEK 20,536m (10,845) and outstanding commercial papers of SEK 3,906m (2,538). The secured liabilities in relation to total assets amounted to 28 % (44) on 30 June.

On 30 June, Balder had credit facilities of SEK 4,869m (4,767) of which SEK 4,869m (4,767) were unutilised. Apart

from these facilities, Balder had cash and cash equivalents, unutilised overdrafts and financial investments of SEK 3,578m (1,474). 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 3.2 years (3.0) and 4.9 years (4.0).

Financial goals

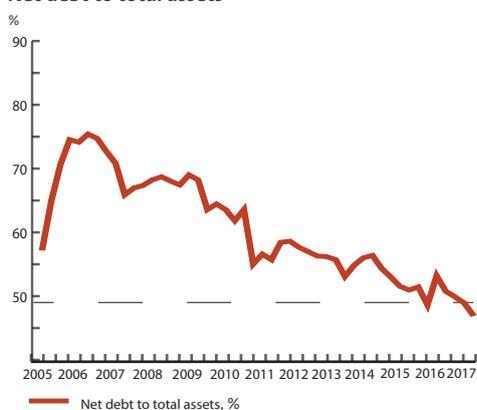
Balder's financial goals are an equity/assets ratio not less than 35 %, an interest coverage ratio not less than 2.0 times and a net debt to total assets ratio of not higher than 55 %. The net debt to total assets ratio is calculated as net interest-bearing liabilities divided by total assets including listed associated companies at market value. As of 30 June, the equity/assets ratio was 39.9 % (35.5), the interest coverage ratio was 4.2 times (3.6) and the net debt to total assets ratio was 47.3 % (53.4).

Financial targets

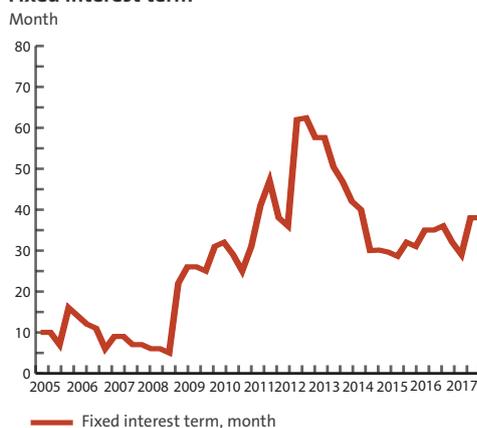
		Target	Outcome ¹⁾
Equity/assets ratio, %	min.	35.0	39.9
Net debt to total assets, %	max.	55.0	47.3
Interest coverage ratio, times	min.	2.0	4.2

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

Net debt to total assets



Fixed interest term



Interest maturity structure on 2017-06-30

Year	Fixed interest term		
	SEKm	Interest, %	Proportion, %
Within one year	20,743	1.0	41
1–2 years	1,107	3.2	2
2–3 years	2,026	2.4	4
3–4 years	10,388	2.9	20
4–5 years	6,786	1.8	13
> 5 years	9,853	2.5	19
Total	50,904	1.9	100

Fixed credit term on 2017-06-30

Year	Fixed credit term	
	SEKm	Proportion, %
Within one year	8,637	17
1–2 years	8,392	16
2–3 years	4,920	10
3–4 years	10,789	21
4–5 years	6,124	12
> 5 years	12,042	24
Total	50,904	100

Other disclosures

Events after the end of the period

Balder has agreed to acquire four hotel properties in central Copenhagen for approximately 1,000 million SEK. The four properties are all located next to the central station in Copenhagen and are today run under the names Star, Mercur, Richmond and Plaza. Balder will sign long term lease agreements with Ligula Hospitality Group to operate all four hotels. The transaction will close during the third quarter.

Balder has also agreed to acquire 56 % of Serena Properties AB, a company currently owned by Ratos, Varma Mutual Pension Insurance Company och Redito. Serena Properties owns 21 retail properties in Finland with a market value of approximately 200 million euros. The transaction is subject to approval from the EU competition authority and is expected to be completed in the third quarter of 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 21m (15) during the period and are reported in management and administrative costs. In addition, services are bought from Collector AB (publ).

Risks and uncertainties

Balder's operations, financial position and results may be affected by a number of risks and uncertainty factors. These are described in the Annual Report for 2016, on pages 53-55. Otherwise, no significant changes has been noted.

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 2016.

Other

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

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

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

Signature and verification

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

Gothenburg 22 August 2017

Christina Rogestam
Chairman of the Board

Fredrik Svensson
Board member

Sten Dunér
Board member

Anders Wennergren
Board member

Erik Selin
Board member
and CEO

Auditor's report

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

Introduction

We have reviewed the condensed interim financial information (interim report) for Fastighets AB Balder (publ) as of 30 June 2017 and for the six-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 August 2017
Öhrlings PricewaterhouseCoopers

Bengt Kron
Authorised Public Accountant

Consolidated statement of comprehensive income

SEKm	2017 Apr-June	2016 Apr-June	2017 Jan-June	2016 Jan-June	2016/2017 July-June	2016 Jan-Dec
Rental income	1,433	1,307	2,882	2,565	5,690	5,373
Property costs	-433	-411	-906	-855	-1,744	-1,693
Net operating income	1,000	896	1,977	1,710	3,946	3,679
Management and administrative costs	-137	-123	-268	-236	-520	-488
Participations in the profits of associated companies	337	115	561	196	956	590
– of which profit from property management	134	100	265	179	505	419
– of which changes in value	299	46	459	71	732	343
– of which tax	-96	-31	-163	-54	-281	-172
Other income/costs	4	10	2	6	13	17
Net financial items	-229	-245	-468	-460	-981	-973
Profit including changes in value and tax in associated companies	977	653	1,805	1,216	3,413	2,825
– of which Profit from property management	773	637	1,508	1,199	2,963	2,653
<i>Changes in value</i>						
Changes in value properties, realised	113	5	137	51	171	85
Changes in value properties, unrealised	714	1,021	2,572	1,600	5,820	4,847
Changes in value derivatives	85	-193	132	-429	447	-114
Profit before tax	1,888	1,487	4,647	2,439	9,851	7,643
Tax	-135	-303	-681	-480	-1,751	-1,550
Net profit for the period/year	1,754	1,184	3,966	1,959	8,100	6,093
<i>Net profit for the period/year attributable to:</i>						
Parent company shareholders	1,694	1,026	3,700	1,733	7,441	5,474
Non-controlling interests	60	158	266	226	659	619
	1,754	1,184	3,966	1,959	8,100	6,093
Other comprehensive income – items that may be subsequently reclassified to profit or loss						
Translation difference relating to foreign operations	49	177	24	272	190	438
Cash flow hedges after tax	46	-51	91	-107	172	-26
Participation in other comprehensive income of associated companies	-1	2	-1	2	-1	2
Total comprehensive income for the period/year	1,848	1,312	4,080	2,126	8,461	6,507
<i>Total comprehensive income for the period/year attributable to:</i>						
Parent company shareholders	1,691	1,086	3,707	1,813	7,578	5,685
Non-controlling interests	157	226	372	312	883	823
	1,848	1,312	4,080	2,126	8,461	6,507
Profit from property management	773	637	1,508	1,199	2,963	2,653
Of which non-controlling interests part of Profit from property management	-108	-90	-212	-184	-417	-388
Profit from property management attributable to parent company shareholders	665	547	1,296	1,015	2,546	2,265
Profit from property management per ordinary share, SEK ¹⁾	3.42	2.88	6.65	5.31	13.23	11.89
Profit after tax per ordinary share, SEK ¹⁾	9.13	5.66	20.00	9.47	40.82	30.38

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

Consolidated statement of financial position

SEKm	2017 30 June	2016 30 June	2016 31 Dec
Assets			
Investment properties	89,047	77,538	86,177
Other fixed assets	137	135	136
Participations in associated companies	4,071	2,687	3,362
Other receivables	1,465	1,575	1,357
Cash and cash equivalents and financial investments	3,228	1,124	1,592
Total assets	97,949	83,060	92,623
Shareholders' equity and liabilities			
Shareholders' equity ¹⁾	37,357	27,318	33,479
Deferred tax liability	6,341	4,473	5,808
Interest-bearing liabilities	50,904	47,281	49,580
Derivatives	1,106	1,895	1,547
Other liabilities	2,242	2,092	2,209
Total equity and liabilities	97,949	83,060	92,623
1) Of which non-controlling interests	5,911	5,029	5,540

Consolidated statement of changes in equity

SEKm	2017 30 June	2016 30 June	2016 31 Dec
Opening equity	33,479	25,052	25,052
Total comprehensive income for the period/year	4,080	2,126	6,507
Dividend preference shares, approved and entered as a liability	-200	-200	-200
Share issue, after issue costs	-	-	1,780
Transactions with non-controlling interests	-2	-107	-107
Dividend to non-controlling interests	-	-107	-107
Non-controlling interests arising on the acquisition of subsidiary	1	-	-
Non-controlling interests arising on share issue in subsidiary	-	554	554
Closing equity	37,357	27,318	33,479

Consolidated statement of cash flows

SEKm	2017 April-June	2016 April-June	2017 Jan-June	2016 Jan-June	2016 Jan-Dec
Net operating income	1,000	896	1,977	1,710	3,679
Other income/costs	4	10	2	6	17
Management and administrative costs	-137	-123	-268	-236	-488
Reversal of depreciation	6	4	12	7	26
Adjustment item	-	-18	-	-14	-
Net financial items paid	-236	-243	-521	-457	-939
Taxes paid	-129	-25	-153	-78	-160
Cash flow from operating activities before change in working capital	510	500	1,050	938	2,135
Change in operating receivables	209	63	36	-51	176
Change in operating liabilities	75	146	-84	345	580
Cash flow from operating activities	793	709	1,001	1,232	2,891
Acquisition of properties	-773	-3,523	-1,074	-3,853	-7,648
Acquisition/Divestment of property, plant and equipment	-8	-6	-13	-21	-41
Purchase of financial investments	-1	-	-4	-30	-145
Acquisition of shares in associated companies	-100	-158	-163	-214	-493
Investment in existing properties and projects	-920	-594	-1,592	-1,079	-1,843
Transactions with non-controlling interests	-	-	-2	-107	-107
Sale of properties	2,300	37	2,745	489	1,651
Sale of financial investments	4	43	8	224	225
Dividend paid from associated companies	13	-	13	-	-
Cash flow from investing activities	515	-4,200	-83	-4,590	-8,401
Share issue, after issue costs	-	-	-	-	682
Share issue in subsidiary, non-controlling interest's part of the share issue in Sato Oyj	-	420	-	420	420
Dividend paid for preference shares	-50	-50	-100	-100	-200
Dividend paid to non-controlling interests	-	-	-	-107	-107
Changes in value derivatives, realised	-	-	-218	-	-
Loans raised	1,623	2,510	11,771	6,607	10,783
Amortisation/redemption of loans sold properties/changes in overdraft facilities	-2,133	-2,343	-10,739	-3,175	-5,401
Cash flow from financing activities	-560	537	714	3,645	6,177
Cash flow for the period/year	748	-2,953	1,632	287	667
Cash and cash equivalents at the start of the period/year	2,171	3,860	1,287	620	620
Cash and cash equivalents at the end of the period/year	2,919	907	2,919	907	1,287
Unutilised overdraft facilities	350	350	350	350	350
Financial investments	309	218	309	218	305

Segment information

SEKm	2017 Apr-June	2016 Apr-June	2017 Jan-June	2016 Jan-June	2016/2017 July-June	2016 Jan-Dec
Rental income						
Helsinki	512	462	1,013	902	2,012	1,901
Stockholm	223	198	445	400	864	819
Gothenburg	272	246	571	494	1,107	1,030
Öresund	152	117	298	226	568	496
East	221	236	450	454	928	933
North	52	47	106	89	210	193
Total	1,433	1,307	2,882	2,565	5,690	5,373
Net operating income						
Helsinki	321	311	630	595	1,259	1,224
Stockholm	174	150	335	303	642	610
Gothenburg	200	166	409	329	823	743
Öresund	119	96	229	182	452	405
East	149	142	303	247	622	566
North	37	31	71	53	148	130
Total	1,000	896	1,977	1,710	3,946	3,679

The group's internal reporting of operations is divided into the above segments. Total net operating income corresponds with reported net operating income in the income statement. The difference between net operating income of SEK 1,977m (1,710) and profit before tax of SEK 4,647m (2,439) consists of changes in value of properties of SEK 2,709m (1,651), other income/costs SEK 2m (6), management and administrative costs of SEK -268 m (-236), participations in profits of associated companies of SEK 561m (196), net financial items of SEK -468m (-460) and changes in value of derivatives of SEK 132m (-429).

SEKm	2017 30 June	2016 30 June	2016 31 Dec
Investment properties			
Helsinki	25,399	23,805	24,393
Stockholm	16,735	13,567	15,797
Gothenburg	17,620	14,204	17,053
Öresund	11,550	8,613	10,368
East	10,381	9,592	11,021
North	3,211	2,932	3,086
Total carrying amount excluding project	84,897	72,713	81,718
Project	4,151	4,824	4,459
Total carrying amount including project	89,047	77,538	86,177

The carrying amounts of properties has during the year changed by investments, acquisitions, divestments and unrealised changes in value, with SEK 1,006m in Helsinki region, SEK 938m in the Stockholm region, SEK 567m in the Gothenburg region, SEK 1,182m in the Öresund region, SEK 125m in the North region and by SEK -640m in the East region. The group's projects has decreased by SEK -308m. Sato's property portfolio is divided between the regions Helsinki and East. The real estate holdings in Norway is classified in the North region.

Key ratios including listed associated companies at market value

	2017 Apr-June	2016 Apr-June	2017 Jan-June	2016 Jan-June	2016/2017 July-June	2016 Jan-Dec
Share-related, ordinary shares ¹⁾						
Average number of shares, thousands	180,000	172,397	180,000	172,397	177,386	173,598
Profit after tax, SEK	9.13	5.66	20.00	9.47	40.82	30.38
Profit after tax excluding unrealised changes in value, SEK	4.22	2.16	6.75	4.42	11.71	9.37
Profit from property management, SEK	3.42	2.88	6.65	5.31	13.23	11.89
Net operating income, SEK	4.43	4.14	8.80	7.91	17.90	17.02
Outstanding number of shares, thousands	180,000	172,397	180,000	172,397	180,000	180,000
Shareholders' equity, SEK	174.21	132.45	174.21	132.45	174.21	157.63
Long-term net asset value (EPRA NAV), SEK	215.59	169.39	215.59	169.39	215.59	198.49
Share price on the closing date, SEK	204.00	212.90	204.00	212.90	204.00	184.10
Property-related						
Rental value full-year, SEK/sq.m.	1,650	1,554	1,650	1,554	1,650	1,583
Rental income full-year, SEK/sq.m.	1,575	1,475	1,575	1,475	1,575	1,507
Economic occupancy rate, %	96	95	96	95	96	95
Surplus ratio, %	70	69	69	67	69	68
Carrying amount, SEK/sq.m.	23,439	20,396	23,439	20,396	23,439	21,473
Number of properties	1,132	1,197	1,132	1,197	1,132	1,220
Lettable area, sq.m. thousands	3,622	3,565	3,622	3,565	3,622	3,806
Profit from property management, attributable to parent company shareholders, SEKm	665	547	1,296	1,015	2,546	2,265
Financial						
Return on equity, ordinary share, %	11.9	9.0	15.8	10.5	26.7	20.9
Return on total assets, %	4.8	5.1	7.0	5.5	11.6	9.9
Interest coverage ratio, times	4.4	3.6	4.2	3.6	4.0	3.7
Equity/assets ratio, %	39.9	35.5	39.9	35.5	39.9	38.3
Debt/equity ratio, times	1.3	1.5	1.3	1.5	1.3	1.3
Net debt to total assets, %	47.3	53.4	47.3	53.4	47.3	50.0

Key ratios excluding listed associated companies at market value

	2017 Apr-June	2016 Apr-June	2017 Jan-June	2016 Jan-June	2016/2017 July-June	2016 Jan-Dec
Share-related, ordinary shares ¹⁾						
Shareholders' equity, SEK	158.72	112.60	158.72	112.60	158.72	139.23
Financial						
Return on equity, ordinary share, %	13.2	11.0	17.6	12.7	30.2	24.6
Return on total assets, %	5.0	5.3	7.3	5.8	12.0	10.4
Equity/assets ratio, %	38.1	32.9	38.1	32.9	38.1	36.1
Debt/equity ratio, times	1.4	1.7	1.4	1.7	1.4	1.5
Net debt to total assets, %	48.7	55.6	48.7	55.6	48.7	51.8

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

Condensed parent company income statement

SEKm	2017 Apr-June	2016 Apr-June	2017 Jan-June	2016 Jan-June	2016/2017 July-June	2016 Jan-Dec
Net sales	60	50	121	97	234	209
Administrative costs	-65	-56	-128	-109	-242	-224
Operating profit	-5	-7	-6	-12	-9	-14
Profit from financial items						
Dividends from subsidiaries	909	1,430	909	1,430	909	1,430
Other net financial items	66	152	273	287	564	579
– of which exchange rate differences	-142	1	-153	2	-153	1
Changes in value of derivatives	85	-202	122	-441	411	-151
Profit before appropriations and taxes	1,055	1,374	1,297	1,265	1,876	1,843
Appropriations						
Group contributions paid	–	–	–	–	-568	-568
Profit before tax	1,055	1,374	1,297	1,265	1,308	1,275
Deferred tax	-32	12	-85	37	-86	36
Net profit for the period/year ¹⁾	1,023	1,386	1,212	1,301	1,221	1,311

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

Condensed parent company balance sheet

SEKm	2017 30 June	2016 30 June	2016 31 Dec
Assets			
Property, plant and equipment	25	22	25
Financial non-current assets	5,060	3,582	5,087
Receivables from group companies	30,605	23,459	24,629
Current receivables	167	7	15
Cash and cash equivalents and financial investments	2,168	253	1,144
Total assets	38,025	27,323	30,900
Shareholders' equity and liabilities			
Shareholders' equity	12,965	10,164	11,953
Interest-bearing liabilities	19,532	10,858	13,170
Liabilities to group companies	4,527	4,675	4,440
Derivatives	622	1,178	888
Other liabilities	379	448	449
Total equity and liabilities	38,025	27,323	30,900

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 30 June amounted to SEK 40,207m (39,927).

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 21 % (23) of outstanding ordinary shares.

Ordinary shares

At the end of the period, approximately 14,000 shareholders (10,500) held ordinary shares. During the period, approximately 43 million shares were traded (36) which corresponds to an average of about 389,000 shares per trading day (290,000). The annual turnover rate amounted to 48 % (41). The price of the ordinary share was SEK 204.00 (212.90) on 30 June, corresponding to a increase of 11 % since year-end.

Preference shares

At the end of the period, approximately 9,300 shareholders (8,800) held preference shares. During the period approximately 1.5 million shares were traded (1.2), which corresponds to an average of about 12,400 shares per trading day (9,800). The annual turnover rate amounted to 30 % (24). On 30 June, the share price of the preference share was SEK 348.70 (322.40), corresponding to a rise of 8 % since year-end and a total return of 11 % since year-end.

Share capital

On 30 June, 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.

Annual General Meeting

The Annual General Meeting (AGM) of Fastighets AB Balder on 11 May 2017, resolved on the following matters, among others:

The AGM adopted the annual accounts for 2016 and resolved on a dividend of SEK 20 per preference share and that no dividend shall be declared to the ordinary share-holders. The AGM discharged the Board and the CEO from liability and reelected the Board members Christina Rogestam, Erik Selin, Fredrik Svensson, Sten Dunér and Anders Wennergren according to the nomination committee's proposal. Christina Rogestam was selected as Chairman.

The meeting resolved to authorise the Board, during the period until the next Annual General Meeting, on one or more occasion, to be able to decide on a 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 at the time of the AGM 2017.

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

EPRA key ratios	2017 Jan-June	2016 Jan-June	2016 Jan-Dec
EPRA NAV (Long-term net asset value), SEKm	38,805	29,202	35,728
EPRA NAV, SEK per share	215.59	169.39	198.49
EPRA Vacancy rate	4	5	5

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



Share price/Net asset value and profit from property management



Ownership list as of 2017-06-30

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	–	10,514,285	–	10,514,285	5.5	3.6
JPM Chase	–	7,548,107	103,409	7,651,516	4.0	2.6
Länsförsäkringar fondförvaltning AB	–	7,425,935	–	7,425,935	3.9	2.6
Handelsbanken Fonder AB	–	6,530,927	–	6,530,927	3.4	2.2
SEB Investment Management	–	4,767,209	–	4,767,209	2.5	1.6
Second Swedish National Pension Fund	–	3,451,035	–	3,451,035	1.8	1.2
Lannebo fonder	–	3,084,391	–	3,084,391	1.6	1.1
Anders Hedin Invest AB	–	2,500,000	–	2,500,000	1.3	0.9
Other	4,212	52,195,239	9,896,091	62,095,542	32.7	21.3
Total	11,229,432	168,770,568	10,000,000	190,000,000	100	100

Preference share calendar

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
Final day of trading incl. right to payment of dividend	8 January 2018
Record day for payment of dividend	10 January 2018
Expected day of payment from Euroclear	15 January 2018
Final day of trading incl. right to payment of dividend	6 April 2018
Record day for payment of dividend	10 April 2018
Expected day of payment from Euroclear	13 April 2018

Definitions

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

Financial

Return on equity, ordinary share, %

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

Return on total assets, %

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

Profit from property management, SEKm

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

Net debt to total assets, %

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.

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

Property related

Yield, %

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

Net operating income, SEKm

Rental income less property costs.

Economic occupancy rate, %¹⁾

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

Property category

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

Property costs, SEKm

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

Rental value, SEKm¹⁾

Contracted rent and estimated market rent for vacant premises.

Surplus ratio, %

Net operating income in relation to rental income.

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 August 22, 2017.

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

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

Calendar

Interim report Jan-Sep 2017	2 November 2017
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