

Fastighets AB Balder Interim report January-March 2011

- Profit from property management before tax amounted to SEK 85m (88) corresponding to SEK 0.82 per share (0.89)
- Rental income amounted to SEK 377m (318)
- Profit after tax amounted to SEK 266m (312), corresponding to SEK 2.56 per share (3.13)
- Shareholders' equity amounted to SEK 48.87 per share (36.42)

Fastighets AB Balder is a listed property company which shall meet the needs of different customer groups for premises and housing through local support. Balder's real estate portfolio had a value of SEK 16.8 billion (12.9) as of 31 March 2011. The Balder share is listed on Nasdaq OMX Stockholm, Mid Cap.



Net profit for the period in brief

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

Rental income

Rental income increased to SEK 377m (318).

Property costs

Property costs amounted to SEK 151m (141).

Profit from property management

The profit amounted to SEK 85m (88), which corresponds to SEK 0.82 per share (0.89).

Changes in value of investment properties

The carrying amount of the properties amounted to SEK 16,821 (12,937).

The profit was impacted by positive unrealised changes in value of SEK 156m (254) and realised changes in value of SEK 1m (0). The average yield requirement amounted to 6.3 per cent (6.6), which is unchanged compared with year-end.

Changes in value of financial investments

Changes in value of financial investments amounted to SEK –4m (85), of which SEK 0m (17) were realised.

Changes in value of derivatives

Unrealised changes in value of interest rate derivatives have impacted the result by SEK 123m (–33).

Profit after tax

Profit after tax for the period amounted to SEK 266m (312) which corresponds to SEK 2.56 per share (3.13).

	2011 Jan–Mar	2010 Jan–Mar	2010 Jan–Dec	2009 Jan–Dec	2008 Jan–Dec	2007 Jan–Dec	2006 Jan–Dec
Rental income, SEKm	377	318	1,333	854	633	678	524
Profit from property management before tax, SEKm	85	88	417	315	174	179	160
Changes in value of properties, SEKm	157	254	1,047	4	–201	642	212
Changes in value of derivatives, SEKm	123	–33	148	–23	–333	7	–
Changes in value of financial investments, SEKm	–4	85	90	–	–	–	–
Profit after tax, SEKm	266	312	1,338	248	–388	785	441
Carrying amount of properties, SEKm	16,821	12,937	14,389	12,669	7,086	6,758	6,997
Data per share							
Profit after tax, SEK	2.56	3.13	13.43	3.29	–6.06	12.10	7.03
Profit from property management before tax, SEK	0.82	0.89	4.18	4.19	2.72	2.76	2.56
Carrying amount of properties, SEK	158	130	144	127	113	104	108
Shareholders' equity, SEK	48.87	36.42	46.70	33.29	29.43	35.23	23.13
Share price on closing date, SEK	47.50	25.88	44.10	18.75	10.50	20.00	25.50

CEO's comments

The year has started well. The rental income for comparable properties increased during the period. We have a stable income level and good control over the property costs. Our net operating income increased strongly compared with the previous year, largely due to acquired properties but also thanks to a hard-working organisation. The current interest rate lies at a completely different level than one year ago, which has meant that our profit from property management during the period is at roughly the same level as the previous year. This year, we have also experienced an unusually cold and snowy winter, which cost us and other property owners a considerable sum. We continue to see good demand for our office premises with a positive rental level trend.

The increased interest rate has meant that the deficit on our derivatives has been reduced. We had positive changes in value of SEK 123m on our derivatives during the period. Our real estate portfolio continues to show a good increase in value. Our real estate portfolio showed positive changes in value of SEK 156m.

During the first quarter of the year, real estate transactions on the market continued the trend which we saw at the end of the previous year. There have been many transactions and there has been an increase in terms of value compared with the preceding year, which applies in particular to Balder. In January, we acquired properties to a value of SEK 2.2 billion, which is an all-time-high for us.

Some smaller sales also occurred for the purposes of restructuring our portfolio. In April, we sold a smaller residential property to a tenant-owners' association. In itself, the transaction indicates that there is considerable surplus value for properties which have tenant-owners' associations as buyers. The selling price of the property exceeded our valuation by 39 per cent.

In April, we sold half of the shares in the company which purchased the properties in Catena to Peab. The acquisition was based on the same real estate value which prevailed at the time of Balder's acquisition. The deal should be seen as the starting shot in cooperation that Balder has been seeking for some time. We have been searching for an experienced and knowledgeable partner in order to develop properties in current ownership but also in order to use our knowledge of the real estate market in new exciting and profitable development projects in collaboration with a partner. This relates to new construction of office premises and residential properties but also concerns improvements to properties in real estate projects.

The newly established co-operation has received an offensive start with a property portfolio, valued at SEK1.6 billion, which has significant improvement potential and the intention is further expansion. With Peab as partner, the company will gain considerable expertise and extensive experience as regards construction and project development. It is likely to be an exciting and profitable collaboration for our shareholders.

It is pleasing to see that it is not just people working at Balder who think that we are an exciting company. The number of shareholders continues to grow. Since year-end, the number of shareholders has risen by just over 1,000 and now amounts to almost 6,000 shareholders.

The year has begun well. A continued stable real estate market, good demand and a good rental level trend in our office premises and residential properties, guarantees a good continuation to the year.

Erik Selin
CEO

Current earning capacity

Balder presents its current earning capacity on a twelve-month basis in the table below. It is important to note that the current earning capacity shall 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 or interest rate developments.

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 financial investments and 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.

Net financial items are calculated on the basis of the group's interest-bearing assets and liabilities at the end of the reporting period. The costs of the interest-bearing liabilities are based on the group's average interest rate including effect of derivative instruments. The tax is calculated using a standard tax rate of 26.3 per cent, which largely consists of deferred tax and therefore does not affect the cash flow.

Current earning capacity on a twelve-month basis

Mkr	31 Mar 2011	31 Dec 2010	30 Sept 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Rental income	1,405	1,405	1,345	1,335	1,265	1,263
Property costs	-430	-430	-420	-420	-392	-382
Net operating income	975	975	925	915	873	881
Management and administrative costs	-105	-105	-100	-100	-93	-93
Profit from property management from associated companies ¹⁾	30	20	20	15	15	58
Operating profit	900	890	845	830	795	846
Net financial items	-425	-440	-395	-365	-313	-343
Profit from property management	475	450	450	465	482	503
Tax	-125	-118	-118	-122	-127	-132
Profit after tax	350	332	332	343	355	371
Profit from property management according to current earning capacity per share, SEK	4.47	4.52	4.52	4.68	4.85	5.04

Current earning capacity includes the properties acquired from Catena in our half of the profit from property management from associated companies. In April, Balder sold 50 per cent of the shares in the Catena portfolio to Peab in order to establish a joint company for project development and real estate investments.

Results, income and costs

Results

The profit from property management for the year amounted to SEK 85m (88), which corresponds to SEK 0.82 per share (0.89). The profit from property management includes SEK 3m (4) in respect of associated companies.

Net profit after tax for the year amounted to SEK 266m (312) corresponding to SEK 2.56 per share (3.13). The profit was impacted by changes in value in respect of properties of SEK 157m (254), changes in value of financial investments of SEK –4 (85), unrealised changes in value in respect of interest rate derivatives of SEK 123m (–33) and profit from participations in associated companies of SEK 3m (3).

Rental income

Rental income increased to SEK 377m (318). The increase was primarily due to a larger real estate portfolio. The leasing portfolio is estimated to have a rental value on a full-year basis of SEK 1,639m (1,352) as of 31 March. The average rental level for the entire real estate portfolio amounted to SEK 1,088/sq.m. (1,070).

When the Catena holdings are excluded, the leasing portfolio has a rental value of SEK 1,502m (1,352) on a full-year basis. The average rental level for the entire real estate portfolio then amounts to SEK 1,110/sq.m. (1,070). The rental income shows a considerable diversification of risks as regards tenants, sectors and locations.

The economic occupancy rate amounted to 94 per cent (94) on 31 March. On 31 March, the total rental value for unlet areas amounted to SEK 98m (87) on an annual basis and to SEK 97m when Catena is excluded.

Property costs

The property costs amounted to SEK 151m (141) during the period. The increase in property costs was due to changes in the real estate portfolio.

Net operating income increased by 28 per cent to SEK 226m (177), which implies a surplus ratio of 60 per cent (56). The increase in the surplus ratio was due to a change in the real estate portfolio as the residential share has decreased slightly.

The operating costs normally vary with the seasons. The first and fourth quarters have higher costs compared to the other quarters, while the third quarter usually has the lowest cost level. Net operating income for the period, as in the previous year, was negatively impacted by an unusually cold and snowy winter.

Changes in value of investment properties

Balder carried out an individual internal valuation on 31 March, based on a ten-year cash flow model, of the entire real estate portfolio. Unrealised changes in value for the period amounted to SEK 156m (254). Realised changes in value amounted to SEK 1 M (0).

The average yield requirement amounted to 6.3 per cent as of 31 March, which is unchanged compared with year-end. The change in value during the period of SEK 156m is attributable to improved net operating income, mainly due to increased rental income in the residential portfolio.

Changes in value of financial investments

Consists of change in value in respect of the company's market portfolio, which is mainly composed of preference shares in Corem. The changes in value amounted to SEK –4m (85), of which realised changes in value amounted to SEK 0m (17).

Management and administrative costs

The management and administrative costs amounted to SEK 29m (25) during the period. The increase was due to changes in the real estate portfolio.

Participations in the profit of associated companies

Balder's associated companies consist of Akroterion Fastighets AB, which owns large office properties in attractive locations in Stockholm, Tulia AB which owns a number of office properties mainly within the city of Stockholm. Akroterion and Tulia are each 50 percent owned, jointly with GE Real Estate Nordic AB and André Åkerlund AB respectively. Egby Vindkraftverk AB which owns four wind turbines on Öland, was previously 50 percent owned but is now a wholly-owned subsidiary.

Results from participations in profits from associated companies amounted to SEK 3m (3) during the period and Balder's participation in the associated companies' profit from property management amounted to SEK 3m (4).

Net financial items and unrealised changes in value of derivatives

Net financial items amounted to SEK –116m (–66) and unrealised changes in value of interest rate derivatives amounted to SEK 123m (–33). The positive change in value during the period was due to the increased level of interest. The change in value has not affected the cash flow.

Net financial items are equivalent to borrowing at an average interest rate of 4.4 per cent (2.8) including the effect of accrued interest from interest rate derivatives.

Tax

Balder reported a current tax expense of SEK 0m (0) for the period and a deferred tax expense of SEK –91m (–81). 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. Current tax arises for subsidiaries where no group contributions for tax purposes exist.

The group's remaining tax deficit has been estimated at SEK 2,129m (2,192) and the temporary differences between

the carrying amounts and values for tax purposes of properties, financial investments and interest rate derivatives amounts to SEK –2,422m (–865). Deferred tax liabilities are calculated as the net of these items and amount to SEK 77m (–349).

Cash flow

The cash flow from operating activities before changes in working capital amounted to SEK 78m (84). Investing activities have burdened the cash flow by SEK –2,403m (45).

During the period, acquisition of properties, SEK 2,297m (–), financial investments, SEK 7m (67) and investment in existing properties, associated companies and wind turbines, SEK 180m (73) have been financed through the cash flow from operating activities, SEK 156m (107), by property sales, SEK 80m (27), sales of financial investments SEK 0m (158), a new issue of SEK 278m and net borrowings of SEK 1,960m (–172).

The cash flow for the period amounted to SEK –8m (–20) in total. The group's cash and cash equivalents, financial investments and unutilised credit facilities amounted to SEK 426m (651) as of 31 March.

Personnel and organisation

The number of employees on 31 March amounted to 194 persons (185), of which 67 (59) were women. Balder is organised into five regions with 11 areas in total. The head office with group-wide functions is located in Gothenburg.

The Parent Company

The parent company's operations consist mainly of performing group-wide services. Sales in the parent company amounted to SEK 19m (13) during the period.

Net profit after tax for the period amounted to SEK 48m (152). The profit was affected by positive unrealised changes in the value of interest rate derivatives. Total changes in value in respect of financial investments and unrealised changes in value of interest rate derivatives amounted to SEK 74m (133).

Real estate holdings

On 31 March, Balder owned 454 properties (418) with a lettable area of approximately 1,506,000 sq.m. (1,264,000) to a value of SEK 16,821m (12,937). Balder's total rental value amounted to SEK 1,639m (1,352) on 31 March.

In April, Balder sold 50 per cent of the shares in the Catena portfolio to Peab in order to establish a joint company for project development and real estate investments. In order to illustrate Balder's wholly-owned real estate holdings after the sale, the properties included in the jointly-owned company have been excluded in the table below, even though they were formally owned by Balder as of 31 March.

The real estate holdings in our associated companies are reported on page 8 and the properties acquired from Catena are included there, along with other associated companies, as if they were entered as associated companies on 31 March. When these properties have been excluded from Balder's real estate holdings, the company owned 429 properties (418) with a lettable area of approximately 1,354,000 sq.m. (1,264,000) and a rental value of SEK 1,502m (1,352) which may be seen in the following table.

Balder's commercial properties are located in the centre and immediate suburbs of big cities and surrounding municipal areas. Balder's residential properties are located in places that are growing and developing positively. Balder's ambition is to continue to grow in selected markets.

Balder's real estate portfolio as of 31-03-2011 ¹⁾

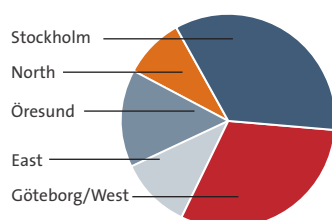
	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental value, SEK/sq.m.	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm	Carrying amount, %
Distributed by region								
Stockholm	53	365,354	470	1,286	433	92	4,932	32
Gothenburg/								
West	181	460,188	509	1,106	479	94	5,207	34
Öresund	53	175,733	212	1,205	199	94	2,267	15
East	58	197,582	172	871	162	94	1,608	11
North	84	154,707	139	898	132	95	1,240	8
Total	429	1,353,564	1,502	1,110	1,405	94	15,253	100

Distributed by property category

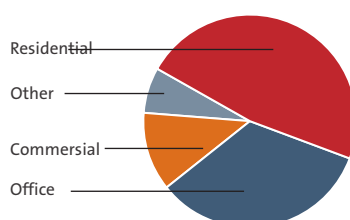
Residential	302	781,328	720	921	693	96	6,979	46
Office	63	355,015	509	1,433	456	90	5,318	35
Commercial	31	122,804	177	1,444	168	94	1,992	13
Other	33	94,417	96	1,017	88	92	964	6
Total	429	1,353,564	1,502	1,110	1,405	94	15,253	100

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

Carrying amount by region



Carrying amount by property category



Associated companies

As of March 31, Balder owned the associated companies Akroterion Fastighets AB, which owns large office properties in attractive locations in Stockholm as well as Tulia AB which owns a number of office properties mainly within the city of Stockholm. Akroterion and Tulia are each 50 per cent owned, jointly with GE Real Estate Nordic AB and André Åkerlund AB respectively.

In April, Balder sold 50 per cent of the shares in the Catena portfolio, which consists of commercial properties mainly in Stockholm, Gothenburg and Öresund, to Peab in order to establish a joint company for project development

and real estate investments. From 19 April this new 50 per cent owned company constitutes an additional associated company.

In order to illustrate Balder's holdings in associated companies, Balder's participations in the balances sheets and real estate holdings of associated companies are reported below.

The total number of properties in associated companies amounted to 36 after 19 April. Balder's participation in the lettable area of the real estate holdings amounts to 116,351 sq.m. with a rental value of SEK 137m. The economic occupancy rate amounted to 97 per cent.

Balder's participation in associated companies' balance sheet

SEKm

Assets	
Properties	1,678
Receivables and other	17
Cash and cash equivalents	5
Total assets	1,700
Shareholders' equity and liabilities	
Shareholders' equity/Owner loan	515
Interest-bearing liabilities	1,117
Other liabilities	68
Total equity and liabilities	1,700

Balder's participation in associated companies' real estate holdings

	Number of properties	Lettable area, sq.m.	Rental value, SEKm	Rental income, SEKm	Economic occupancy rate, %	Carrying amount, SEKm
Distributed by region						
The Stockholm region	19	64,153	90	86	96	1,115
The Gothenburg region	10	27,916	25	25	99	306
The Öresund region	7	24,282	23	23	100	257
Total	36	116,351	137	134	97	1,678
Distributed by property category						
Office	11	40,156	69	66	95	894
Commercial	25	76,195	68	68	99	784
Total	36	116,351	137	134	97	1,678

Change in real estate portfolio

The value of Balder's real estate portfolio is based on internal valuations. All properties have been valued using the yield method, which means that each property is valued by discounting the estimated future cash flows. An estimate is also made of the future development of the immediate surroundings and the position of the property within its market segment. As of 31 March, Balder's average yield requirement amounted to 6.3 per cent, which is unchanged compared with year-end.

In order to quality-assure Balder's internal valuations, Balder allows external valuation of portions of its portfolio regularly during the year and at each year-end. Divergences between external and internal valuations have historically been insignificant.

Unrealised changes in value

The overall carrying amount of Balder's 454 properties amounted to SEK 16,821m (12,937) on 31 March. The unrealised change in value during the period amounted to SEK 156m (254). The change is a result of higher net operating income due to increased rental income in the residential portfolio.

Investments, acquisitions and sales

During the period, a total of SEK 2,356m (41) was invested, of which SEK 2,297m (—) relates to acquisitions and SEK 59m (41) relates to investments in existing properties.

During the period 12 (1) properties were sold for SEK 80m (27). The change in the real estate portfolio during the year may be seen in the following table.

Change in carrying amounts of properties	2011		2010	
	SEKm	Number	SEKm	Number
Real estate portfolio, 1 January	14,389	432	12,669	419
Investments in existing properties	59	—	41	—
Acquisitions	2,297	34	—	—
Sales	—80	—12	—27	—1
Change in value of investment properties	157	—	254	—
Real estate portfolio, 31 March	16,821	454	12,937	418

Real estate transactions 2011

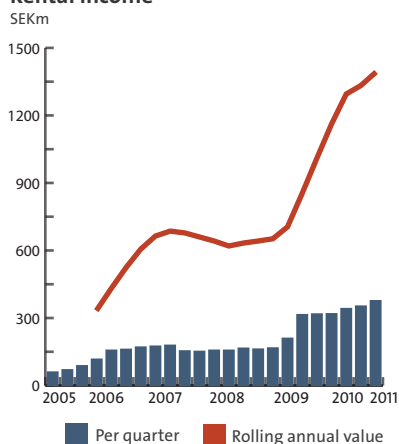
Quarter	Number	Property name	Municipality	Property category	Lettable area, sq.m.
Acquisitions					
One	1	Stockrosen 3	Mölndal	Office	6,082
One	1	Stockrosen 10	Mölndal	Office	1,761
One	1	Stockrosen 6	Mölndal	Office	2,015
One	1	Olskroken 10:5	Gothenburg	Office	4,511
One	1	Olskroken 25:11	Gothenburg	Other	2,261
One	1	Inom Vallgraven 36:4	Gothenburg	Office	16,730
One	1	Inom Vallgraven 33:7	Gothenburg	Office	3,731
One	1	Inom Vallgraven 58:6	Gothenburg	Commercial	4,793
One	1	Ventrupparken 6	The Copenhagen region	Commercial	4,723
One	25	Catena		Commercial	152,390
Total	34				198,997
Divestments					
One	1	Dygden 6	Nässjö	Residential	614
One	1	Pan 1	Nässjö	Residential	1,692
One	1	Åkerslätt 2	Nässjö	Residential	1,002
One	1	Lilla Björn 10	Nässjö	Residential	240
One	1	Älgen 7	Nässjö	Residential	1,487
One	1	Täppan 22	Nässjö	Residential	294
One	1	Sänket 9	Nässjö	Residential	353
One	1	Sänket 6	Nässjö	Residential	575
One	1	Nedre Skansen 1	Nässjö	Residential	328
One	1	Lästen 2	Falkenberg	Commercial	3,510
One	1	Plankan 12	Trollhättan	Office	479
One	1	Niten 6	Borås	Other	4,058
Total	12				14,632

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 satisfactory occupancy rate.

Balder's 10 largest leases represent 6.2 per cent (5.5) of the total rental income, while the average lease term amounts to 6.8 years (3.3). 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 1.2 per cent (1,3) of the total rental income.

Rental income



Balder's 10 largest customers

per 31-03-2011

- Domstolsverket
- G4S Cash Services
- ICA Sverige
- Järfälla Kommun
- MAN Last og Bus
- Nordea Bank
- Proximion Fiber Systems
- Rasta Group
- Veidekke Bostad
- Västra Götalands
Läns Landsting

Leasing contract structure 31-03-2011

Maturity date	Number of leasing contracts	Share, %	Contracted leases, SEKm	Share, %
2011	310	16	57	4
2012	581	31	170	12
2013	448	24	177	13
2014	395	21	169	12
2015–	158	8	173	12
Total	1,892	100	746	53
Residential ¹⁾	9,753		620	44
Car park ¹⁾	3,000		10	1
Garage ¹⁾	3,019		30	2
Total	17,664		1,405	100

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

Financing

Shareholders' equity

Shareholders' equity amounted to SEK 5,197m (3,630) on 31 March, corresponding to SEK 48.87 per share (36.42). The equity/assets ratio amounted to 29.6 per cent (26.0). In January, a directed share issued was carried out to Swedish and international institutional investors of 6,700,000 class B shares at a price of SEK 42.50 per share. The issue increased shareholders' equity by SEK 278m after transaction costs.

Interest-bearing liabilities

The group's interest-bearing liabilities in respect of properties amounted to SEK 11,185m (9,025) on 31 March, corresponding to a loan to value ratio of 66.5 per cent (69.8). The average fixed interest term amounted on 31 March to 1.9 years (2.1) and the average fixed credit term amounted to 5.5 years (4.8). The average interest rate amounted to 4.2 per cent (3.3) including the effect of accrued interest from Balder's interest rate derivative instruments which are recognised as fixed interest borrowing in the table. On 31 March, approximately 80 per cent of the interest-bearing liabilities ran on the basis of fixed interest rates.

Interest rate derivative instruments are deployed in order to obtain preferred fixed interest term targets. The above-mentioned derivatives are recognised on an ongoing basis at fair value in the balance sheet with changes in value recognised in the income statement without using hedge accounting. Unrealised changes in value during the period amounted to SEK 123m (-33). The deficit on derivatives, SEK 154m (458), will be released during the remaining term and recognised as income. In the event of an immediate increase in the market rate of interest by one percentage unit and the assumption of an unchanged loan and derivative portfolio, the interest costs would increase by SEK 23m.

Liquidity

The group's financial investments, cash and cash equivalents and unutilised credit facilities amounted to SEK 426m (651) as of the end of the accounting period.

Financial goals

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-based financing.

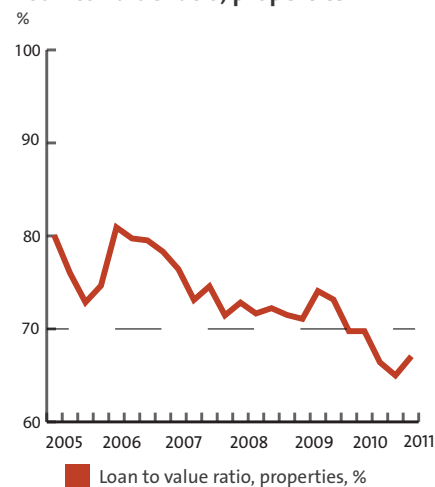
Balder has chosen to adjust the target figure for the equity/assets ratio to 30 per cent for 2011.

Financial goals

	Goal	Outcome
Equity/assets ratio, %	30,0	29,6
Interest coverage ratio, multiple	1,5	1,7
Return on equity, % ¹⁾		9,1

1) The goal for return on equity is that it should exceed the risk-free rate of interest over time. The risk-free rate of interest, the yearly average of a five-year government bond, amounted to 3.12 per cent as of 31-03-2011.

Loan to value ratio, properties



Interest maturity structure as of 31-03-2011

Year	Fixed interest term		
	SEKm	Interest, %	Share, %
Within one year	3,679	3.5	31.9
1-2 years	3,043	4.3	26.4
2-3 years	2,520	5.2	21.9
3-4 years	5	4.0	0.0
4-5 years	1,781	3.4	15.4
> 5 years	500	5.8	4.3
Total	11,528	4.2	100.0

Loan maturity structure as of 31-03-2011

Year	Credit term	
	SEKm	Share, %
Within one year	2,635	22.9
1-2 years	4,426	38.4
2-3 years	2,047	17.8
3-4 years	6	0.1
4-5 years	389	3.4
> 5 years	2,025	17.6
Total	11,528	100.0

Other information

Events after the end of the period

Balder purchased a real estate portfolio from Catena at the start of the year, through the subsidiary Balder Fjorton AB. Balder sold 50 per cent of the shares in Balder Fjorton to Peab in April. A joint company for project development and real estate investments was established pursuant to this.

Peab's acquisition was based on the same real estate value which prevailed at the time of Balder's acquisition from Catena. The name Balder Fjorton will be changed and the company gained a property portfolio, valued at SEK1.6 billion, which has significant improvement potential.

A residential property was also sold to a tenant-owners' association during April. The purchase price amounted to SEK 32.5, which is 39 per cent over the property's valuation.

Risks and uncertainty factors

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 2010, on pages 40–43. No material changes have occurred subsequently.

Accounting policies

In its consolidated accounts, Balder applies IFRS (International Financial Reporting Standards) and the interpretations of these (IFRIC) as adopted by the European Union. This interim report is prepared in accordance with IAS 34, Interim Financial Reporting, and 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 reports 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 2010.

The changes in IFRS which have become effective and apply for the financial year 2011 have not had, and are not expected to have, any material impact on Balder's financial statements.

Gothenburg, 6 May 2011

Erik Selin
CEO

Auditor's Report on Review of Interim Financial Information

To the Board of Directors of Fastighets AB Balder (publ)

Review report

Introduction

We have reviewed this report for the period January 1 to March 31, 2011 for Fastighets AB Balder (publ). The board of directors and the CEO 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 an opinion on this interim financial information based on our review.

The focus and scope of the review

We conducted our review in accordance with the Swedish Standard on Review Engagements (SÖG) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review 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 less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing standards in Sweden. 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. Therefore, the opinion expressed based on a review does not give the same level of assurance as an opinion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the group, and with the Swedish Annual Accounts Act, regarding the parent company.

Gothenburg, 6 May 2011

Öhrlings PricewaterhouseCoopers
Bengt Kron
Authorised Public Accountant

Consolidated statement of comprehensive income

SEKm	2011 Jan–Mar	2010 Jan–Mar	2010/2011 Apr–Mar	2010 Jan–Dec
Rental income	377	318	1,392	1,333
Property costs	–151	–141	–463	–454
Net operating income	226	177	929	880
Changes in value of properties, realised	1	–	21	20
Changes in value of properties, unrealised	156	254	929	1,027
Changes in value of financial investments	–4	85	1	90
Other income/expenses	–4	–	–2	2
Management and administrative costs	–29	–25	–107	–103
Participation in the profit from associated companies	3	3	69	68
Operating profit	350	493	1,840	1,983
Net financial items	–116	–67	–426	–377
Changes in value of derivatives, unrealised	123	–33	304	148
Profit before tax	357	393	1,718	1,754
Current tax	0	0	–3	–3
Deferred tax	–91	–81	–423	–413
Net profit for the period/year	266	312	1,292	1,338
Other comprehensive income				
Translation difference	0	–	–2	–2
Participation in other comprehensive income from associated companies	–	–	0	–
Net profit for the period/year attributable to	265	312	1,290	1,336
Net profit for the period/year attributable to				
The parent company's shareholders	266	312	1,292	1,338
Minority interest	0	0	0	0
	266	312	1,292	1,338
Comprehensive income for the period/year income attributable to				
The parent company's shareholders	265	312	1,290	1,336
Minority interest	0	0	0	0
	265	312	1,290	1,336
Profit from property management before tax, SEKm	85	88	413	417
Profit from property management before tax per share, SEK	0.82	0.89	4.10	4.18
Profit after tax per share, SEK	2.56	3.13	12.82	13.43

There is no dilutive effect as no potential shares arise.

Consolidated statement of financial position

SEKm	31 Mar 2011	31 Mar 2010	31 Dec 2010
Assets			
Investment properties	16,821	12,937	14,389
Other property, plant and equipment	160	32	41
Participations in associated companies	205	145	202
Deferred tax assets	—	349	14
Other receivables	159	155	167
Financial investments	207	381	204
Cash and cash equivalents	38	4	48
Total assets	17,590	14,003	15,065
Shareholders' equity and liabilities			
Shareholders' equity	5,197	3,630	4,654
Minority interest	4	5	4
Interest-bearing liabilities ¹⁾	77	—	—
Derivatives	11,528	9,355	9,631
Other liabilities	154	458	277
Total equity and liabilities	630	555	499
Summa eget kapital och skulder	17,590	14,003	15,065
1) Of which interest-bearing liabilities in respect of properties	11,185	9,025	9,297

Consolidated statement of changes in equity

Attributable to the parent company's shareholders, SEKm	2011 Jan–Mar	2010 Jan–Mar	2010 Jan–Dec
Opening equity	4,654	3,317	3,317
New issue	278	—	—
Comprehensive income for the year	265	312	1,336
Closing equity	5,197	3,630	4,654

Consolidated statement of cash flows

SEKm	2011 Jan-Mar	2010 Jan-Mar	2010 Jan-Dec
Net operating income	226	177	880
Other income/expenses	-4	—	2
Management and administrative costs	-29	-25	-102
Reversal of depreciation and amortisation	2	1	7
Adjustment item	—	—	-2
Net financial items paid	-118	-69	-384
Taxes paid	—	—	0
Cash flow from operating activities before changes in working capital	78	84	400
Change in operating receivables	7	-9	-20
Change in operating liabilities	71	31	-23
Cash flow from operating activities	156	107	356
Acquisition of properties	-2,297	—	-835
Acquisition of Din Bostad, liquidity	-121	-15	-31
Acquisition of property, plant and equipment	-7	-67	-86
Acquisition of financial investments	-59	-41	-159
Investment in existing properties	—	—	-1
Acquisition of minority share	80	27	321
Sale of financial investments	—	158	356
Acquisition of shares in associated companies	—	-17	-6
Cash flow from investing activities	-2,403	45	-442
New issue	278	—	—
Loans raised	1,931	18	662
Amortisation of loans/redemption of loans sold properties/change credit facility	29	-190	-553
Cash flow from financing activities	2,237	-172	109
Cash flow for the period/year	-10	-20	24
Cash and cash equivalents at the beginning of the period/year	48	24	24
Cash and cash equivalents at the end of the period/year	38	4	48
Unutilised credit facilities	181	266	255
Financial investments	207	381	204

Segment information

SEKm	2011 Jan-Mar	2010 Jan-Mar	2010/2011 Apr-Mar	2010 Jan-Dec
Rental income				
Stockholm	115	107	433	425
Gothenburg/West	130	110	459	438
Öresund	60	29	208	177
East	40	40	163	164
North	32	32	129	129
Total	377	318	1,392	1,334
Net operating income				
Stockholm	70	60	295	288
Gothenburg/West	81	63	313	295
Öresund	39	20	143	125
East	21	17	102	98
North	15	16	76	73
Total	226	177	929	880

The group's internal reporting of the operations is divided into the above segments. Total net operating income corresponds with the reported net operating income in the income statement. The difference between net operating income, SEK 226m (177) and profit before tax, SEK 357m (393) consists of changes in value of properties, SEK 157m (254), changes in value of financial investments, SEK -4m (85), management and administrative costs, SEK -29m (-25), other income/expenses, SEK -4 (-), participation in profits from associated companies, SEK 3m (3), net financial items, SEK -116m (-67) and changes in value of derivatives, SEK 123m (-33).

Key ratios

SEKm	2011 Jan–Mar	2010 Jan–Mar	2010/2011 Apr–Mar	2010 Jan–Dec
Share-related ¹⁾				
<i>Average number of shares, thousands</i>	103,976	99,658	100,726	99,658
Profit after tax, SEK	2.56	3.13	12.82	13.43
Profit after tax excluding unrealised changes in value, SEK	0.60	0.87	3.45	3.86
Profit from property management before tax, SEK	0.82	0.89	4.10	4.18
Net operating income, SEK	2.18	1.78	9.22	8.83
<i>Outstanding number of shares, thousands</i>	106,358	99,658	106,358	99,658
Carrying amount of properties, SEK	158	130	158	144
Shareholders' equity, SEK	48.87	36.42	48.87	46.70
Share price on the closing date, SEK	47.50	25.88	47.50	44.10
1) There is no dilutive effect as no potential shares arise.				
Property related				
Rental value full-year, SEK/sq.m.	1,094	1,070	1,094	1,087
Rental income full-year, SEK/sq.m.	1,027	1,001	1,027	1,016
Economic occupancy rate, %	94	94	94	94
Surplus margin, %	60	56	67	66
Carrying amount, SEK/sq.m.	11,170	10,236	11,222	10,887
Number of properties	454	418	454	432
Lettable area, sq.m. thousands	1,506	1,264	1,499	1,322
Financial				
Return on equity, %	9.1	16.5	29.3	33.6
Return on total assets, %	6.5	6.6	13.6	14.8
Interest coverage ratio, multiple	1.7	2.3	2.0	2.1
Equity/assets ratio, %	29.6	26.0	29.6	30.9
Debt/equity ratio, multiple	2.2	2.6	2.2	2.1
Loan to value ratio, properties, %	66.5	69.8	66.5	64.6
Profit from property management before tax, SEKm	85	88	413	417

Condensed parent company income statement

SEKm	2011 Jan–Mar	2010 Jan–Mar	2011/2010 Apr–Mar	2010 Jan–Dec
Net sales	19	13	69	63
Administrative expenses	–24	–19	–88	–83
Change in value of financial investments	–4	150	1	155
Operating profit	–9	144	–18	136
Profit from financial items				
Net financial items	–2	26	20	51
Changes in value of derivatives, unrealised	78	–17	190	96
Profit before tax	66	154	192	282
Deferred tax	–18	–2	–47	–32
Net profit for the period/year	48	152	144	250

Condensed parent company balance sheet

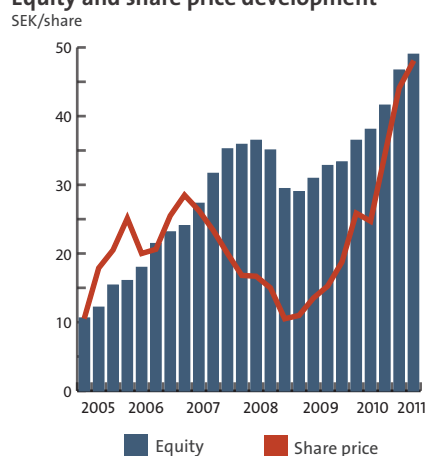
SEKm	31 Mar 2011	31 Mar 2010	31 Dec 2010
Assets			
Property, plant and equipment	30	7	31
Financial assets	2,099	2,176	2,131
Receivables from group companies	7,177	3,865	6,053
Current receivables	11	13	11
Financial investments	207	381	204
Cash and bank balances	28	3	6
Total assets	9,552	6,445	8,435
Shareholders' equity and liabilities			
Shareholders' equity	3,172	2,738	2,846
Interest-bearing liabilities	3,929	2,859	3,186
Liabilities to group companies	2,260	414	2,124
Derivatives	50	239	126
Other liabilities	142	194	152
Total equity and liabilities	9,552	6,445	8,435

The share and owners

Share development

The Balder share is listed on Nasdaq OMX Stockholm, Mid Cap. A total of 11 million shares were traded during the first quarter 2011, which is equal to an average of 176,000 shares per day (38,400). On 31 March, Balder's share price was SEK 47.50 (25.88), which means that the company's market capitalisation amounted to SEK 5,052m (2,579). The number of shareholders amounted to 5,905 (2,927) on 31 March. The principal owner in Fastighets AB Balder is Erik Selin who owns 40.3 per cent of the capital and 53.2 per cent of the votes.

Equity and share price development



Share capital

On 31 March, the share capital in Balder amounted to SEK 108,264,568 distributed among 108,264,568 shares. Each share has a quota value of SEK 1.00, at which 7,486,288 shares are of class A and 100,778,280 shares are of class B. Of the B shares, 1,906,400 were repurchased as of 31 March, which means that the total number of outstanding shares amounts to 106,358,168. Each class A share carries one vote and each class B share carries one tenth of one vote.

A directed share issue of 6,700,000 B shares was carried out in January 2011. The issue has provided the company with approximately SEK 278m after transaction costs and just over 60 new, mainly international institutional shareholders.

Ownership list as of 31-03-2011

Owners	A shares	B shares	Total number of shares	Capital, %	Votes, %
Erik Selin Fastigheter AB	5,532,396	38,138,532	43,670,928	40.3	53.2
Länsförsäkringar fondförvaltning AB	—	13,210,448	13,210,448	12.2	7.5
Arvid Svensson Invest AB	1,943,928	9,028,360	10,972,288	10.1	16.2
Andra AP-fonden	—	5,280,904	5,280,904	4.9	3.0
Swedbank Robur fonder	—	4,718,756	4,718,756	4.4	2.7
Handelsbanken fonder	—	2,774,924	2,774,924	2.6	1.6
Livförsäkrings AB Skandia	4,932	1,300,500	1,305,432	1.2	0.8
Rasjö, Staffan	—	1,276,333	1,276,333	1.2	0.7
Kjellberg, Göran	—	1,250,000	1,250,000	1.2	0.7
Rahi, Sharam via company	—	1,118,548	1,118,548	1.0	0.6
Other	5,032	20,774,575	20,779,607	19.1	11.9
Total outstanding shares	7,486,288	98,871,880	106,358,168	98.2	98.9
Repurchased own shares	—	1,906,400	1,906,400	1.8	1.1
Total registered shares	7,486,288	100,778,280	108,264,568	100.0	100.0

Definitions

FINANCIAL

Return on equity, %

Profit in relation to average shareholders' equity. The values were converted to a full-year basis in the interim accounts without taking account of seasonal variations which 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 which normally arise in the operations with the exception of changes in value.

Loan to value ratio, properties, %

Interest-bearing liabilities with direct or indirect collateral in properties in relation to the fair value of the properties.

Profit from property management before tax, SEKm

Profit before tax with reversal of changes in value. Reversal of changes in value and tax as regards participation in profit from associated companies also takes place.

Risk-free interest

Annual average of a five-year government bond.

Interest coverage ratio, multiple

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

Debt/equity ratio, multiple

Interest-bearing liabilities in relation to shareholders' equity.

Equity/assets ratio, %

Shareholders' equity including minority in relation to the balance sheet total at the end of 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, %

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, commercial, residential and other properties. Other properties include hotel, educational, nursing, industrial/warehouse and mixed-use properties. The property category is determined by what the property is used for most.

Property costs, SEKm

The item includes direct property costs, such as operating expenses, costs for media, maintenance, ground rent and property tax.

Rental value, SEKm

Contracted rent and estimated market rent for vacant premises.

Surplus margin, %

Net operating income in relation to rental income.

SHARE RELATED

Equity per share, SEK

Shareholders' equity in relation to the number of outstanding shares at the end of the period.

Average number of shares

The number of outstanding shares at the start of the period, adjusted for 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.

Profit after tax per share, SEK

Profit attributable to the parent company's shareholders in relation to the average number of shares.

The information in this report is such that Fastighets AB Balder (publ) is obliged to publish according to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information has been published at 12.30 p.m. on 6 May 2011.

This report is a translation of the Swedish Q1 Report 2011. In the event of any disparities between this report and the Swedish version, the latter will have priority.

Contact

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Financial information

There is an overall presentation of information on Balder's home page www.balder.se, regarding the operations, board of directors and management, financial reporting and press releases.

Calendar

Interim report January-June 2011 26 August 2011
Interim report January-September 2011 8 November 2011

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