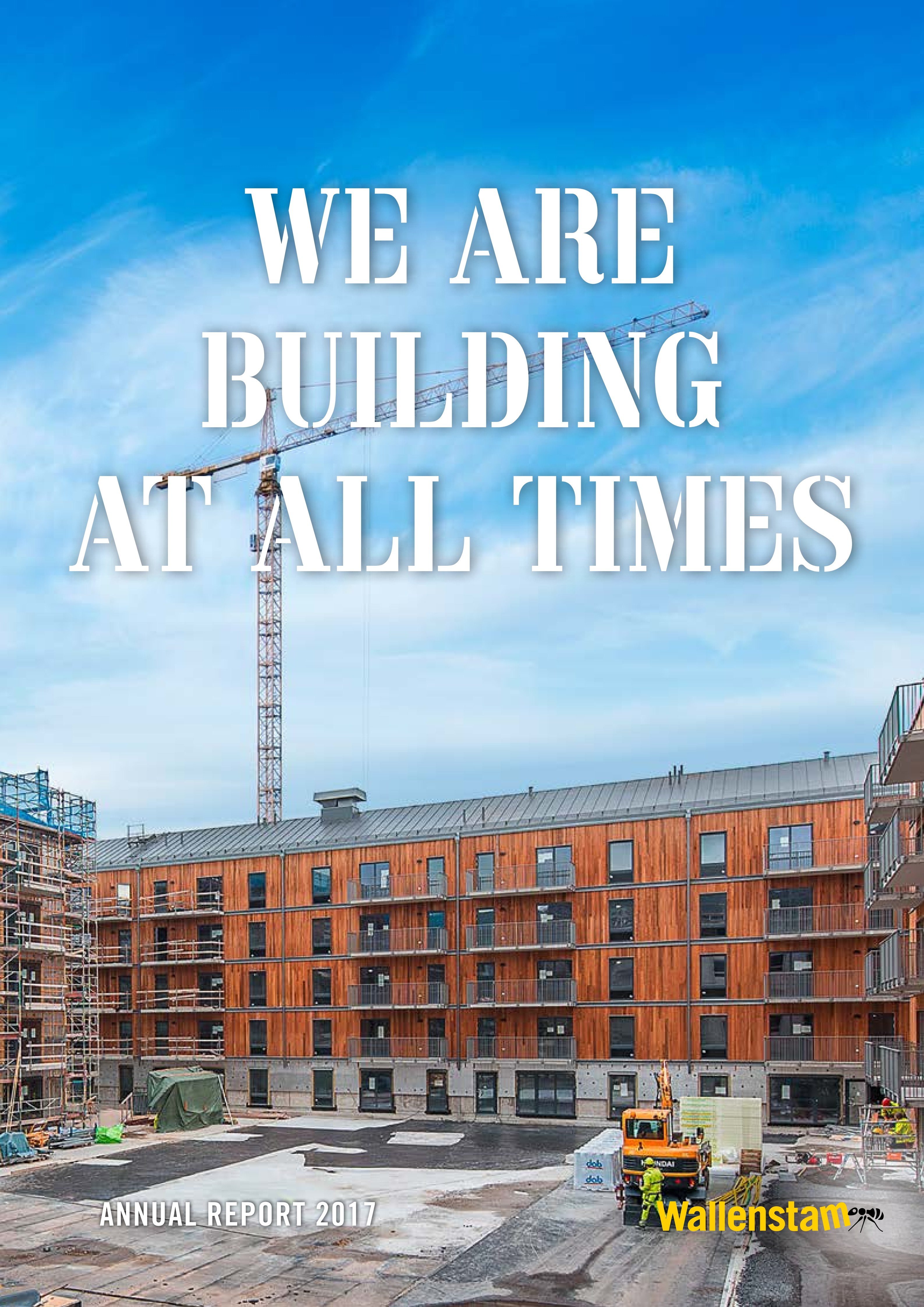
WE ARE BUILDING AT ALL TIMES

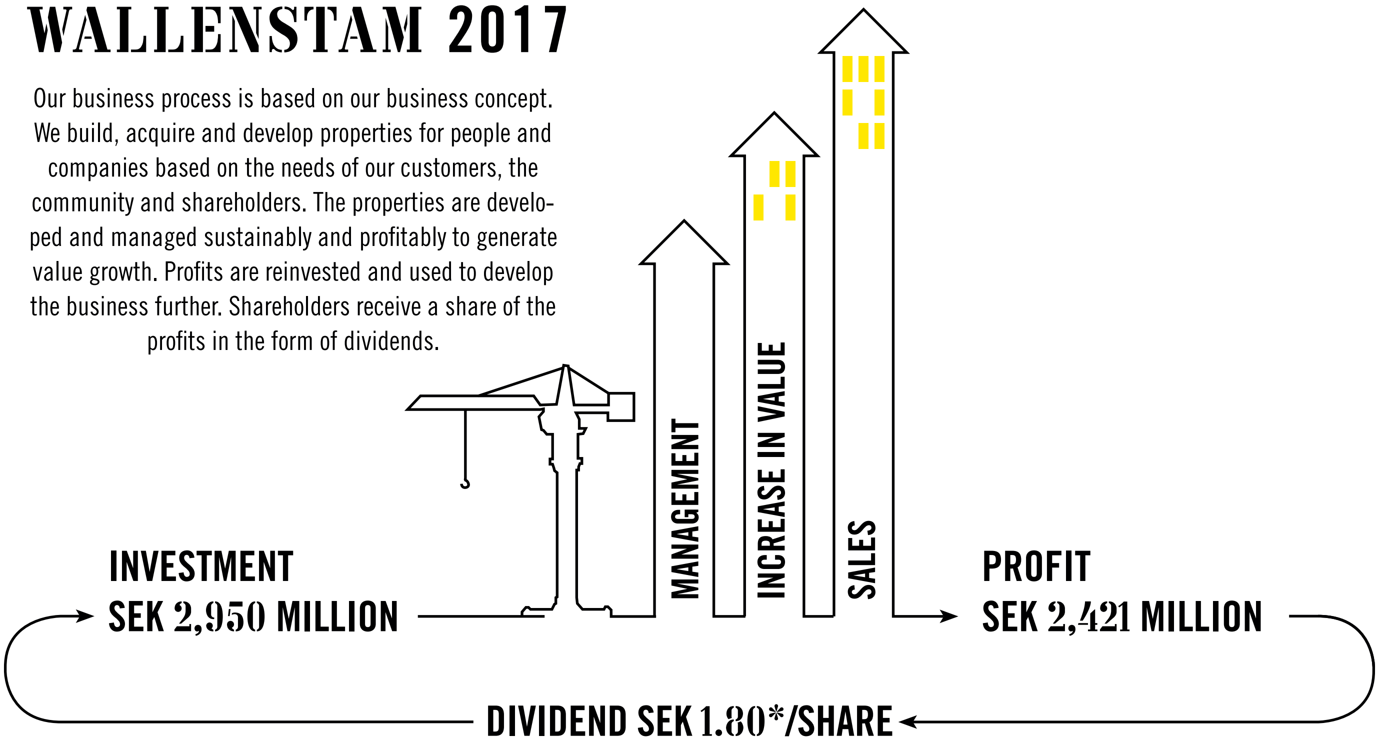


ANNUAL REPORT 2017

Wallenstam

WALLENSTAM 2017

Our business process is based on our business concept. We build, acquire and develop properties for people and companies based on the needs of our customers, the community and shareholders. The properties are developed and managed sustainably and profitably to generate value growth. Profits are reinvested and used to develop the business further. Shareholders receive a share of the profits in the form of dividends.



*Proposed dividend

– Q1 –

14

percent increase in profit from property management during the first quarter, mainly due to improved efficiency in management and letting operations.

Wallenstam was chosen by Järfälla Municipality as one of two anchor developers for Barkarbystaden IV. In addition, Wallenstam received land allocations of 17,000 sq m for construction of commercial space and apartments in central Gothenburg and for more than 300 apartments in central areas of Mölndal.

– Q2 –

446

Construction starts of 446 apartments in four different projects in Tyresö, Sundbyberg and Helsingborg.

More than one thousand people came to the inauguration of the “Mitt i Kallebäck” meeting place, the hub in our urban development project in Gothenburg involving 2,000 apartments in total.

We obtained land allocations for more than 400 apartments in Österåker, a completely new municipality for Wallenstam to build and operate in.

In May, Wallenstam’s office in central Uppsala opened.

– Q3 –

76

percent was the surplus ratio on closing day, an increase of two percentage points compared to the previous year.

Marina Fritsche succeeded Thomas Dahl and became responsible for the Gothenburg business area and joined the Group Management team as from July 1.

Wallenstam’s CO_2-neutral property Kopparhuset on Kungsportsavenyen in Gothenburg was named Western Sweden’s smartest property. Wallenstam also won the “Listed Company of the Year” award.

A reduction of the share capital was carried out through cancellation of 10,000,000 of the B shares, which the company itself was the holder of, in accordance with the resolution of the Annual General Meeting 2017.

– Q4 –

1,953

apartments were in production by Wallenstam in the fourth quarter.

Due to the uncertain market situation, the first phase of the co-op apartment project Orangeriet in Solberga, involving 90 apartments was converted into rental apartments in October. Later in the fall, several ongoing co-op apartment projects were converted into rental apartments.

The urban development project Umami Park was chosen as the winner of the YIMBY prize for 2017, which is awarded every year to an organization that has made a positive contribution to Stockholm becoming a more densified, sustainable and vibrant urban city.

In November, an MTN program was established with a framework amount of SEK 5 billion, and bonds were issued for SEK 1,750 million.

WE ARE BUILDING AT ALL TIMES

With more than 70 years' experience of property management and construction of both residential and commercial properties, we offer a wealth of expertise in the development and densification of our cities. We manage more than 8,000 rental apartments and 530,000 sq m of commercial floor space, mainly office and retail premises. We conduct extensive construction operations, mainly production of rental apartments for our own management. Through our cost-efficient new production, we are able to complete our new construction projects in both economic upturns and downturns.

For us at Wallenstam, urban development is about taking economic, social and environmental responsibility. We set the goal in our business plan of achieving an average rate of net asset value growth, excluding dividends and repurchases, of at least 10 percent per year during the period 2014–2018.

We have been listed on the Stockholm Stock Exchange since 1984 and we now have more than 13,000 shareholders for whom we are working every day to create value through efficient management and profitable new construction projects.

We currently own and build residential properties in growth markets, mainly in Stockholm, Gothenburg and Uppsala.

Our commercial properties are found in attractive inner city locations in Gothenburg. In close collaboration with the city, we are working to ensure the right mix of companies, stores and restaurants in and around our properties. We are engaged in the areas we operate in through co-operation and support to various youth activities and organizations, with the aim of strengthening and supporting the local community. We are self-sufficient in renewable energy, through our 64 wind turbines.

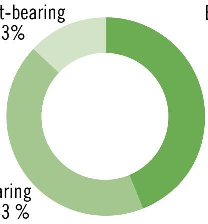
Wallenstam makes it possible for more people to stay, work and live their lives in pleasant and attractive areas.

PROPERTY VALUE 2017

SEK 41 billion

Our 211 properties are found in attractive locations in cities with high growth and strong demand. 66 percent of the floor space is found in the Gothenburg region, 32 percent is in the Stockholm region and the rest is in Uppsala.

HIGH EQUITY/ASSETS RATIO



A high equity/assets ratio and a low loan-to-value ratio gives us a strong financial position and good conditions for our investment program with an investment plan of about SEK 2–3 billion annually.

TOTAL OCCUPANCY RATE, AREA

98 percent

The occupancy rate in our residential holdings amounts to 100 percent and in our commercial properties it is 96 percent. The total lettable area is about 1.1 million sq m. We have just over 8,000 residential tenants and 1,000 commercial tenants.

VALUE CREATED THROUGH COST-EFFICIENT NEW CONSTRUCTION

SEK 733 million

A large part of the properties' unrealized changes in value comes from our own work with cost-efficient new construction.

NUMBER OF APARTMENTS IN PRODUCTION DEC 31, 2017

1,953

We create homes! We are primarily a rental apartment producer, building properties for our own management. A smaller proportion of our projects consist of cooperative apartments and development properties constructed for sale.

NUMBER OF APARTMENTS IN OUR PROJECT PORTFOLIO, ABOUT

12,000

Our major efforts in acquiring land and land allocations for new construction have led to a large number of potential future apartments.

KEY RATIOS

	2017	2016	2015
PROPERTY-RELATED KEY RATIOS			
Rental income, SEK million	**1,701**	1,607	1,549
Net operating income properties, SEK million	**1,264**	1,175	1,130
Surplus ratio property management, %	**74**	73	73
Income from property management, SEK million	**806**	733	672
Occupancy rate – lettable area, %	**98**	98	98
Value of investment properties, SEK million	**41,410**	36,555	32,090
FINANCIAL KEY RATIOS			
Net asset value, SEK million	**24,314**	22,159	18,630
Equity/assets ratio, %	**44**	45	44
Loan-to-value ratio, %	**43**	43	45
Average interest rate on closing day, %	**1.88**	1.97	2.22
Income from natural energy management, SEK million	**-40**	-61	-5
Profit before unrealized changes in value, SEK million	**765**	865	1,027
Profit after tax, SEK million	**2,421**	3,348	2,754
Return on equity, %	**13.0**	20.9	19.6
PER-SHARE DATA			
Profit after tax, SEK	**7.4**	10.1	8.3
Equity, SEK	**60**	54	45
Dividend, SEK	**1.80***	1.70	1.50

** Proposed dividend for the 2017 financial year.*

A number of alternative performance measures (APM) are referred to in the Annual Report. For definitions and further information see page 65.

CONTENTS

Wallenstam's statutory sustainability report is found on the following pages: business model inside cover, pages 2, 20 and 24–25, environmental questions pages 24–28, 30–32, 35 and 145, social conditions and personnel-related questions pages 24–30, 32–34, 36–38 and 145, respect for human rights pages 24–27, 29–30, 33 and 145, anti-corruption pages 24–26, 33–34, 38, 133–134 and 145 as well as diversity in the Board page 131.

WALLENSTAM WORKS TO DEVELOP, BUILD AND MANAGE PROPERTIES IN A SUSTAINABLE MANNER

VISION

To be a leading urban developer and market-leading property owner in selected metropolitan areas.

BUSINESS CONCEPT

To develop, build, buy and sell properties that are sustainable in business and human terms in selected metropolitan areas.

GOAL

To achieve an average rate of net asset value growth, excluding dividends and repurchases, of at least 10 percent annually until the end of 2018.

GOAL 2014–2018

NET ASSET VALUE GROWTH

The growth rate in net asset value, excluding dividends and repurchases, must be at least 10 percent per year.

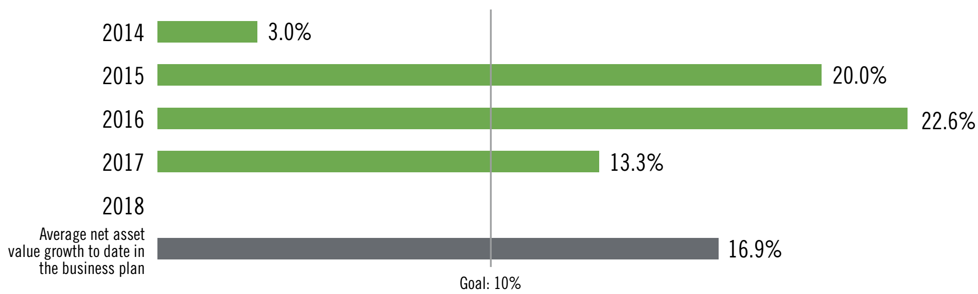
TOTAL VALUE CREATED

The Group's net asset value amounted to SEK 24,314 million (22,159) on closing day. Net asset value describes the Group's total value and includes equity and deferred tax liability. Deferred tax liability refers mainly to differences between carrying amounts and residual values for tax purposes in Group properties, and amounted to SEK 4,907 (4,383) in 2017. Net asset value growth is created by cost-efficient new construction, efficient management and letting, value-creating investments and successful business operations.

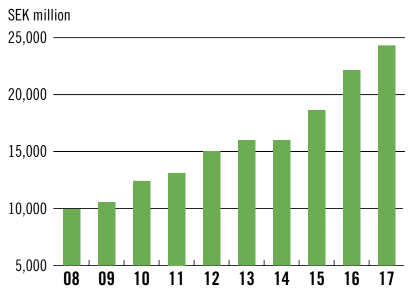
In 2017, net asset value growth, excluding dividends and repurchases, was 13.3 percent. Net asset value growth during the year was mainly affected positively by more efficient property management and changes in value of properties. The positive changes in value are due to several different factors, such as successful letting operations, which resulted in higher rental income, and improved net operating income through efficient management and operational optimization. The property value is also increasing thanks to our cost-efficient new construction projects, which we are gradually adding to our property holdings. In 2017, 29 percent of the change in value was generated from our new construction projects. We strive for cost-efficiency in every part of our business, which also contributes to the strong net asset value trend. All in all, we can state that Wallenstam is successfully creating value and is following its plan to reach the goal.

The average net asset value growth to date in the business plan amounts to 16.9 percent. In total, we have created almost SEK 11 billion in value since the start of the business plan, which is equivalent to SEK 33 per share.

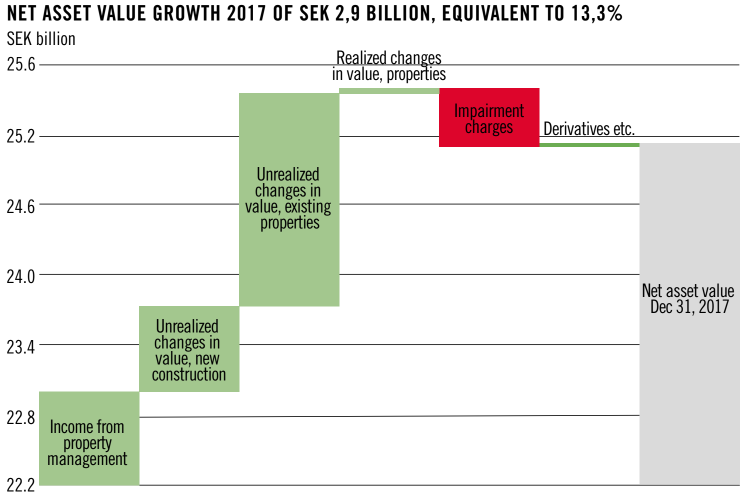
NET ASSET VALUE GROWTH



NET ASSET VALUE



NET ASSET VALUE GROWTH 2017 OF SEK 2,9 BILLION, EQUIVALENT TO 13,3%



4.8 times

The realized interest coverage ratio amounted to 4.8 times, and the equity/assets ratio was 44 percent on closing day.

We have defined two financial key ratios in the current business plan, which are particularly important – the realized interest coverage ratio on a rolling full-year basis should not be less than two times, and an equity/assets ratio of at least 30 percent.

GUIDING PRINCIPLES 2014–2018

Our guiding principles serve as guidelines and aim to clarify important and prioritized areas in our operations.

RESIDENTIAL PRODUCTION

To start production of 7,500 apartments.

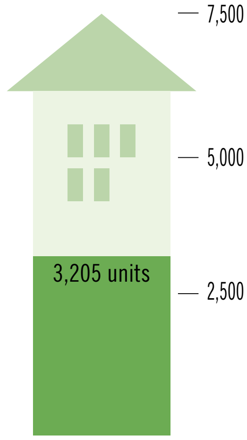
7,500 APARTMENTS

Housing is in very short supply in our regions. Through our new construction, we want to make it possible for more people to get their own home and create value for the community, our customers and our shareholders. As Sweden's largest private rental apartment producer for our own management, we work diligently to accelerate the processes in projects so we can begin construction. We mainly build rental apartments but we adapt forms of tenure to what is possible and requested in each individual project.

Housing construction is work that requires endurance and good advance planning due to the long processes involved. We continually work with construction of our ongoing projects, and on filling our project portfolio with potential new projects. We currently have just over 12,000 apartments in our project portfolio.

During 2017, we started construction of 786 apartments, of which 491 were in the Stockholm business area and 295 in the Gothenburg business area. In total during the business plan, construction has started of 3,205 apartments through 2017.

NUMBER OF APARTMENT CONSTRUCTION STARTS IN THE BUSINESS PLAN



REDUCE CARBON FOOTPRINT

To reduce the carbon footprint in the property holdings by at least 15 percent per sq m.

REDUCTION OF 15 PERCENT

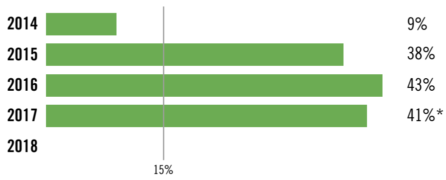
Our guiding principle of reducing the carbon footprint in our apartments contributes to lower operating costs and a reduced carbon footprint. We have been self-sufficient in renewable energy from our own wind turbines since 2013, where electricity production covers our own and tenant needs for renewable energy on a monthly basis.

The heating of a property represents a considerable part of a property's energy usage. Only three properties in our holdings are heated using fossil fuels. 54 percent of our heating supply comes from renewable energy sources.

Our carbon footprint mainly comes from district heating. The work to reduce our carbon footprint occurs in several ways, such as optimized operations, improved technical installations with modern energy units powered by internally produced carbon-neutral electricity, and by replacing fossil fuel with greener technology.

In 2017, the carbon footprint per square meter in our property holdings increased marginally, which was due to the fact that the district heating this year was based on larger proportion of oil, something that Wallenstam cannot influence. So far in the business plan, the carbon footprint has decreased by just over 40 percent per square meter. This result includes the effects of our energy conservation initiatives as well as climate effects, e.g. in the form of mild winters. In addition, the carbon footprint per square meter is impacted positively by gradually adding our recently built, energy-efficient properties to our holdings.

REDUCED CARBON FOOTPRINT PER SQ M, %



* Estimated value of actual impact.
Shows total improvement from the start of the business plan.

TENANT RECOMMENDATIONS

The proportion of tenants willing to recommend Wallenstam should increase annually.

INCREASE EVERY YEAR

As a major landlord, we have a significant impact on people's everyday lives – at home, at work or perhaps both. It is important that our customers are happy and satisfied with their apartment or premises, and we conduct annual surveys among our tenants to find out their opinions, needs and wishes. We use the results to identify and prioritize areas for improvement, which are important for our customers.

Over the years, tenants' responses and views have led to a number of concrete improvements, for example renegotiated supplier contracts for better cleaning of stairwells, new playground equipment and central customer service, which improved accessibility and service levels, with increased customer satisfaction as a result.

Both the proportion of residential tenants and the proportion of commercial tenants that are willing to recommend Wallenstam as a landlord increased in 2017 compared with the previous year, and amounted to almost 85 percent. Read more about our customer surveys on page 49.

MORE CUSTOMERS RECOMMENDING WALLENSTAM

	Tenants Residential	Tenants Commercial
2014	✓	✓
2015	✓	✗
2016	✗	✓
2017	✓	✓
2018		

COMMENTS BY THE CEO

Our goal in the business plan 2018 is to achieve average net asset value growth of more than 10 percent per year. With net asset value growth of more than 13 percent in 2017 and average growth of almost 17 percent per year in the first four years, I cannot be other than satisfied! This has been a fanstastic effort by all employees, who with great dedication have contributed to the company's development and profit!

The performance in 2017 shows that our operations are working very well. We delivered excellent numbers again that confirm the improvements we are continually making. Income from property management increased by SEK 73 million, 10 percent, as a result of our own work, including through more efficient management and occupations in our cost-efficient new construction projects. The fact that we are taking efficient properties into operation is also noted in the further improvement in our surplus ratio to 74 percent, among other ways. About SEK 733 million in value growth was generated from our cost-efficient new construction and this is particularly satisfying as we have a large investment program for many years to come.

Strong demand for housing and premises

Our letting organization had an intensive year with signing of contracts and occupations, where we had a record year in terms of completed apartments. In Uppsala, we now have 400 apartments under management and during the year we also opened a local office where we can meet our tenants. Growth in the metropolitan areas we operate in is strong, and demand for our apartments is still huge. In Gothenburg, where our commercial properties are concentrated in the inner city, the business community is performing very well and there is heavy demand for our premises, retail and office space. There is strong rental growth and low vacancy rates as a consequence of this. The occupancy rate in our commerical properties is currently 96 percent. This has posed an added challenge for our letting agents and account managers to satisfy existing and potential customers when they need more floor space to expand their businesses.

Reduced carbon footprint

Our three guiding principles aim to clarify important and prioritized areas in our operations, and the guiding principle about reducing the carbon footprint in the property holdings by at least 15 percent per square meter, is contributing to lower operating costs and reduced environmental impacts. So far in the business plan, the carbon footprint has decreased by just over 40 percent per square meter, which includes the effects of our energy conservation initiatives as well as climate effects.

Increased customer satisfaction

Our customers, and the work on strengthening customer satisfaction and loyalty, are important to us. For this reason, we have a guiding principle in the business plan that focuses on increasing the proportion of customers willing to recommend Wallenstam as a landlord. I can confirm that our work during the four years of this business plan has been successful but naturally not without challenges. In 2017, our customer surveys showed that the proportion of customers willing to recommend Wallenstam as a landlord increased among both residential and commercial tenants.

Cost-efficient new construction

The guiding principle on building homes is perhaps the one that has received most attention during the business plan, which is natural since it is a product in huge demand that also creates strong value growth for the company. We started the construction of more than 3,200 apartments so far in the business plan, and as they are completed and come into management this will contribute to increased income from property management and an improved surplus ratio, and will also create value growth.

In the processes and phases that ultimately lead to new homes for more people, a lot of effort and work is devoted to creating the conditions to start construction of projects, not least when it comes to carrying out zoning plan work together with the municipalities.

In Kallebäck in Gothenburg, we will build about 2,000 apartments, of which 800 units are planned as part of the BoStad2021 initiative, to be completed by 2021 when Gothenburg will celebrate its 400th anniversary. Unfortunately, the municipality has been delayed with the zoning plan work, which in turn means that there is uncertainty about when we can start. Even our urban development project in Älta in Nacka Municipality, where we will build about 1,000 apartments and where we have been pursuing zoning plan work for about seven years, has been affected by delays. We hope to be able to start the project during the business plan but we are dependent on the municipality's ability to handle the planning work in time. Both projects will be completed, but according to an altered timetable.

Sustainable development

To build apartments cost-efficiently so that more people have the opportunity to get their own home is one of our most important contributions to the

communities we operate in, as well as our efforts to reduce the carbon footprint and ensure that our customers are happy with their accommodation or premises. We are also self-sufficient in renewable energy, an investment I am very proud of. But responsible enterprise involves more than this. Wallenstam wants to contribute to a better society, today and for future generations. This is our driving force and what makes us proud of our business. Sustainability is an integrated part of our business strategy and our attitude is that the business can always be developed and improved.

During the year, we started work on structurally analyzing how we contribute to sustainable development, in order to advance the strategy and overhaul the sustainability organization. These efforts will continue during 2018.

Co-op vs rental apartments

We mainly build rental apartments for our own management. Rental apartments currently account for more than 95 percent of our ongoing production. We also produce a smaller proportion of co-op apartments. Even before the summer, we noted some slowdown in the previously rising price trend for co-op apartments. During the fall, this slowdown continued and considerable uncertainty was noted among interested parties during the start of sales in October of phase 1 of the co-op apartment project Orangeriet Solberga in Stockholm. We opted to convert the project, and subsequently even some other co-op apartment projects into rental apartments, something that reflects our flexible business model.

All our projects – even co-op apartment projects – should hold up as rental apartments from a calculation point of view. Our business model also means that we do not sell co-op apartments before the project approaches completion and we can therefore convert these into rental apartments if the market is uncertain like at present. As far as Wallenstam is concerned, this change is not dramatic. There is still a housing shortage in the cities we operate in and demand is extremely strong. When the situation is tougher in the co-op apartment market, there are even more interested parties for our rental apartments.

Falling building costs?

There is much to suggest that the co-op apartment market will remain uncertain for some time ahead, since there is a very large selection of mainly new co-op apartments right now and lower demand, among other factors. Our strong finances – an equity/assets ratio of 44 percent and a loan-to-value ratio of 43 percent – combined with our cost-efficient new construction of rental apartments and our flexible business model provides us with the basis to take advantage of the market trend.

For instance, the development in the co-op apartment market, with fewer expected co-op apartment project starts, as far as can be judged,

Stora Sjöfallet 3, Stockholm

will put downward pressure on costs and on pricing on the contractor side. We have chosen to wait and see with procurements, and have therefore deferred construction starts somewhat in some of our projects in order to obtain better contractor prices.

The share price increased

I would like to convey a big thank you to the Board and to all the shareholders that have chosen to invest in the company. Wallenstam's employees and I work every day to generate growth and good profits for the company, profits that benefit all shareholders through the dividend. The Board is also proposing an increase this year, which is gratifying.

We strive to be transparent and open in our communication with our shareholders and other stakeholders. Recognition of this came in the form of the Listed Company of the Year award, which we received for our IR communication work through our annual report, interim reports and website.

The share price also rose during 2017, from SEK 70.90 to SEK 78.90, which is equivalent to an increase of more than 11 percent, which may be compared to the property index, which increased by just over 6 percent. The highest price paid during the year was SEK 85.75, which was also an "all-time-high" for our share! The fact that the price paid for our share was more than SEK 80 during the year, meant that the company's synthetic options scheme for our fantastic employees was redeemed, which naturally feels extra satisfying. A synthetic options scheme, which is linked to the company's share price, is a good incentive for ensuring that employees and shareholders strive towards the same goals.

Outlook

External developments have been turbulent for several years now with many uncertainties created by unpredictable rulers, wars, natural disasters and terrorist attacks. Sweden's economic development does not seem to have been affected negatively so far and in 2018 I think we will continue to see high growth, particularly in metropolitan areas. Our concentration strategy combined with our strong financial position and flexible business model gives us freedom of action. We are well-equipped to respond to market changes so that we can use them to our advantage.

2018 will be an extremely exciting year for Wallenstam, where we now enter the final year of the business plan. We are perfectly positioned for the challenges that lie ahead. We are now moving up a gear and will give it all in the final spurt!

Hans Wallenstam
CEO

COMMENTS BY THE CHAIRMAN

I can proudly and humbly state that we have just seen another eventful and extremely good year for Wallenstam. During 2017, the company's business model and management once again showed strength, potential and was a driving force for development of the business.

Strategic choices

Wallenstam's chosen strategy of concentrating the operations towards construction, development and management of rental apartments and commercial premises in the metropolitan areas of Stockholm, including Uppsala, and Gothenburg, is a clear success factor. A choice, which has resulted in a very stable and secure foundation. Together with a well-balanced property portfolio, this provides scope for development and opportunities for the future.

Building at all times

In early 2017, the co-op apartment market in Sweden was inflated, largely related to demand, a prevailing economic boom, low interest rates and general growth. During the second half of the year, a number of limiting factors were discussed and approved, such as the amortization requirement and interest deduction limitations. These measures resulted in a stagnation in the co-op apartment market, but Wallenstam's core product is the rental apartment, which we have built, developed and managed with pride since Lennart Wallenstam put the spade in the ground in 1944 and founded the company.

Based on Wallenstam's project portfolio, experience, financial position and know-how, my view is that there is every possibility to continue delivering qualitative new homes and premises going forward. Building at all times.

Committed developer

The Board is very satisfied with the results achieved during 2017. One of the success factors at Wallenstam is the very committed and knowledgeable staff that takes responsibility and consciously works towards the company's overriding goals.

My view is that with Wallenstam's current business model and plan, it will continue to be a successful property company focused on rental properties with a full order book over time.

Stable economic and financial development

I have had the privilege to be Chairman of Wallenstam for a long time and I was involved in the mid-90s when the equity/assets ratio was just a few percent. The lesson that the company and its Management learned from that time was invaluable. This has resulted in know-how and experience, which is unique and has contributed to the Group's development and governance in a very positive way.

With an equity/assets ratio of 44 percent, good financial management and control, I am positive about the future, despite some concerning market conditions and an interest rate level that may change.

Corporate governance

Wallenstam's Board of Directors is relatively small and unlike many other listed companies now has a majority of female members. As I see it, the Board has a good composition of talented members that have great confidence in one another. The Board work is very informative, efficient and provides us with a good basis for decisions on important strategic questions.

During the year, the Board held a number of physical board meetings. These were also supplemented by a number of telephone meetings held for certain specific decisions of major and key importance. I feel that as in previous years, we have taken the strategic decisions and precautionary measures required by the operations.

A board evaluation was conducted like in previous years. During 2017, this was performed externally and it confirmed that the Board believes that the work is functioning very well and that it has even developed in a more positive direction.

To sum up, I can confirm that the board work in Wallenstam's Board is characterized by open and trustful cooperation.

Outlook

Wallenstam is stable with a clear strategy and positioning, which I am not afraid to say will work very well for a long time to come. My possible concerns about the future are not linked to the company's operations in any way but rather the global geopolitical situation. However, it is worth highlighting in this context, that the future for Wallenstam looks bright and successful!

By way of conclusion, I would like to thank the Board, Management and staff for an exceptional performance in 2017! I am personally convinced that 2018 will be at least as good.

Christer Villard
Chairman of the Board

BOARD OF DIRECTORS

ANDERS BERNTSSON

Board member
Born 1954, Bachelor of Laws
Board member since 1997 (Deputy 1981–1996)
Previous experience working at Handelsbanken AB and as Vice CEO of Wallenstam AB 1979–2006 and a number of other board and consultancy assignments related to the property and construction industries.
Other assignments: inter alia, Chairman of POR MI CUENTA GROUP AB. Board member of Produktionsbolaget Jörneman & Ullaeus AB.
Shareholding in Wallenstam: 20,100,000 B shares*.

KARIN MATTSSON WEIJBER

Board member
Born 1972, Master of Science in sociology (human resources specialist). Board member since 2016.
Previous experience, including as chairman of the Swedish Sports Confederation and deputy membership manager of the Federation of Swedish Farmers.
Other assignments: inter alia, Chairman of WCR 2019 Jämtland/Härjedalen AB, Flyinge AB, Ridskolan Strömsholm AB, Länsförsäkringar Jämtland and Prins Carl Philips och Prinsessan Sofias Stiftelse. Board member of Frösö Park Fastighets AB, ENGSO (European Non-Governmental Sports Organisation), Skogsägarna Mellanskog Ekonomisk Förening, Astrid Lindgrens Värld AB, OK Ekonomisk Förening with subsidiaries and Svenska Hockeyligan AB.
Shareholding in Wallenstam: 1,500 B shares.

** Including family members.*
The information refers to the year-end status.

CHRISTER VILLARD

Chairman
Born 1949, Bachelor of Laws
Board member since 1995.
Previous experience from various executive positions e.g. CEO of Aragon Fondkommission, Hägglöf & Ponsbach Fondkommission AB, Kaupthing Bank Sverige AB, Retriva AB and Vice CEO at Götabanken and World Bank advisor to the governments of Lithuania and Indonesia.
Other assignments: inter alia, Chairman of Drottningholmsteaterns vänner and Länsförsäkringar Stockholm. Board member of AB Segulah, ACCVI AB, G Hamiltons familjestiftelse, Fagerbergs stiftelse in Stockholms Borgerskap, Stiftelsen Drottningholms Slottsteater and Länsförsäkringar AB.
Shareholding in Wallenstam: 180,000 B shares*.

ULRICA JANSSON MESSING

Vice Chairman
Born 1968, upper secondary qualification in social science.
Board member since 2008.
Previous experience, including as a member of parliament and cabinet minister at the Ministries of Employment, Culture and Enterprise, and from positions at Hassela care homes.
Other assignments: inter alia, Chairman of Astrid Lindgrens Värld AB, the Port of Gothenburg and ALMI Invest Småland & Öarna. Board member of H.M. Konungens Jubileumsfond and Länsförsäkringar Fondförvaltning AB.
Shareholding in Wallenstam: 301,474 B shares*.

AGNETA WALLENSTAM

Board member
Born 1952, educated in theology, ethnology, archaeology and social anthropology. Master of Cultural Anthropology. Ordained as a pastor in 1987.
Board member since 2010.
Previous experience working as a pastor and parish director for a number of parishes since 1987.
Other assignments: inter alia, Pastor, Bethlehem Church, Gothenburg. Board member at the Refugee Mission in Gothenburg and Ulla och Lennart Wallenstam stiftelsen. Runs Kolboryd estate since 2003.
Shareholding in Wallenstam: 22,204,000 B shares.

GROUP MANAGEMENT

SUSANN LINDE

CFO and Head of Investor Relations
Born 1979, employed since 2001
Education: Bachelor of Science (Economics)
Previous executive positions at Wallenstam: Group Controller.
Shareholding in Wallenstam: 129,080 B shares*.

MATHIAS ARONSSON

Vice CEO Wallenstam AB, Regional Director Stockholm and Uppsala business area
Born 1972, employed since 1996
Previous executive positions at Wallenstam: CEO Wallenstam Stockholm AB, Regional Director Stockholm Wallenstam Bostad AB, CEO Wallenstam Bostad AB.
External assignments: Board member of Nordisk Byggdag.
Shareholding in Wallenstam: 271,000 B shares.

HANS WALLENSTAM

CEO, Wallenstam AB
Born 1961, employed since 1986
Education: Bachelor of Science (Economics)
Previous executive positions at Wallenstam: Finance Director, CEO Wallenstam i Göteborg AB.
External assignments: Honorary Consul for Portugal in Gothenburg and Board member of Ulla och Lennart Wallenstam stiftelsen.
Shareholding in Wallenstam: 34,500,000 A shares, 47,841,000 B shares**.

AUDITOR

Harald Jagner, Auditor, Born 1971, Authorized Public Accountant, Deloitte AB. Re-elected auditor in 2017.
Other assignments: inter alia, Serneke, NetOnNet, Voestalpine Precision Strip, KVD Kvarndammen gruppen, Skeppshypotekskassan and Jeppesen Systems.
Pernilla Lihnell, Deputy auditor, Born 1969, Authorized Public Accountant, Deloitte AB. Re-elected deputy auditor in 2017.
Other assignments: inter alia, Viskaforshem, Fristadsbostäder, Industribyggnader i Borås, Borås Djurpark, Borås kommuns Parkerings AB and Linfre Education.

MARINA FRITSCHE

Regional Director Gothenburg business area
Born 1967, employed since 2005 and 2010
Education: Master of Science, Civil Engineering, Chalmers University of Technology
Previous executive positions at Wallenstam: Technical manager Företag Göteborg, Business area manager Bostad Region Göteborg.
External assignments: Chairman of Fastighetsägare Centrala Hisingen and Board member of Göteborgskretsen, Fastighetsägarna Göteborg första regionen. Board member of Itsumo AB.
Shareholding in Wallenstam: 8,500 B shares**.

ULF EK

Finance Director
Born 1949, employed since 2004
Education: MBA
Previous executive positions at Wallenstam: Finance and Public Relations Director
External assignments: Board member of Länsförsäkringar i Göteborg och Bohuslän.
Shareholding in Wallenstam: 76,000 B shares.

ELISABETH VANSVIK

Communications Director
Born 1970, employed since 2002
Education: M.A., Media and Communications Science
Previous executive positions at Wallenstam: Head of Communications, Communications and HR Director.
External assignments: Board member of Barn i Nöd.
Shareholding in Wallenstam: 10,000 B shares.

** Including family members.*
*** Including shares held via companies and family members.*
The above information refers to the year-end status.

THE WALLENSTAM SHARE

We create our own value growth primarily through cost-efficient new construction projects and our project portfolio provides the opportunity for a good overall return for our shareholders. Our strong financial position with a low loan-to-value ratio and high equity/assets ratio combined with a high proportion of residential properties contributes to the low risk profile of the share.

Market capitalization

Wallenstam's B share has been listed since 1984 and is on the Large Cap segment of Nasdaq Stockholm. The market capitalization on closing day was SEK 26,037 million (24,106) based on the number of registered shares (A shares and B shares).

Share capital and owners

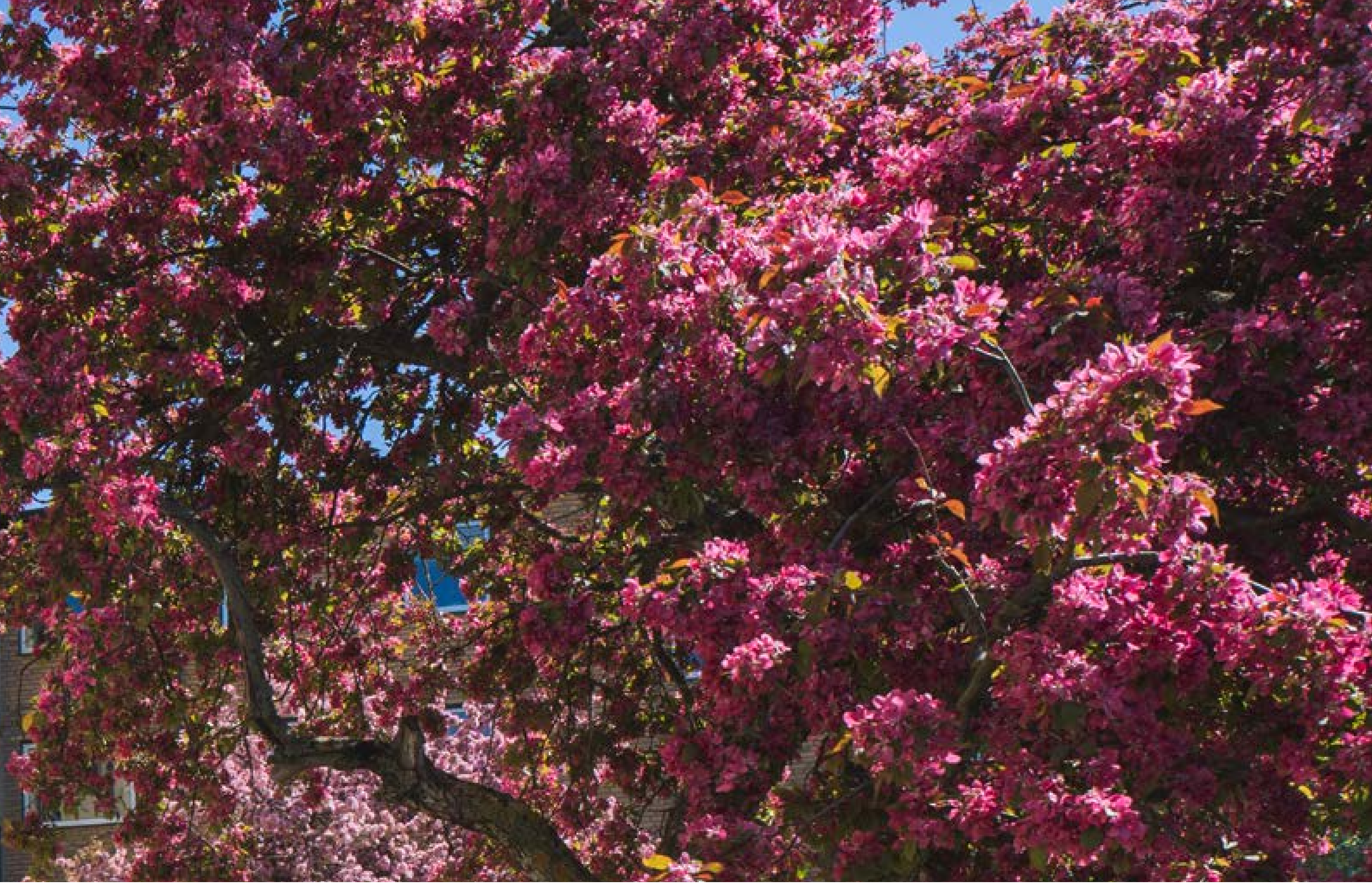
On August 1, 2017, the share capital was reduced through cancellation of 10,000,000 of the B shares, which Wallenstam itself was the holder of, in accordance with the resolution of the Annual General Meeting 2017. Wallenstam's share capital amounts to SEK 165 million distributed among 34,500,000 A shares (ten votes per share) and 295,500,000 B shares (one vote per share). The total number of repurchased B shares on closing day amounted to 4,000,000. The number of outstanding shares, i.e. the number of registered shares less the number of repurchased shares amounted to 326,000,000 (329,000,000) as of December 31, 2017. On closing day, the company had 13,291 shareholders (13,358).

Trading and turnover

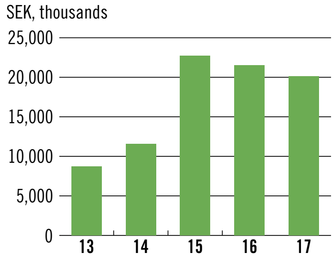
During 2017, 65.3 million (80.6) Wallenstam shares were traded at a value of SEK 5,048 million (5,436) on Nasdaq Stockholm, corresponding to an average value of SEK 20.1 million (21.5) per day. The average daily turnover was about 260,200 shares (318,400). In addition to Nasdaq Stockholm, where around 70 percent of the share turnover took place in 2017, 30 percent of the shares were traded on other exchanges such as Chi-X Europe and Bats Trading Europe.

The highest price during the year on Nasdaq Stockholm was SEK 85.75 and the lowest was SEK 67.00. At year-end, the share price was SEK 78.90 (70.90), which amounts to an increase of 11.3 percent during 2017. This may be compared to the OMX Stockholm Real Estate PI and OMX Stockholm PI indices, which increased by 6.7 percent and 6.4 percent respectively during the same period.

The share had a standard deviation of 4.8 in 2017. The beta value is 0.82 in relation to the OMXC All PI index.

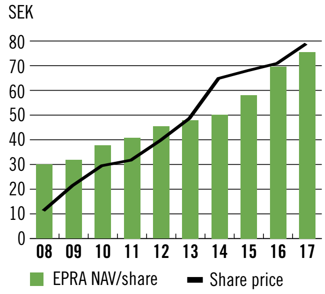


AVERAGE SHARE LIQUIDITY

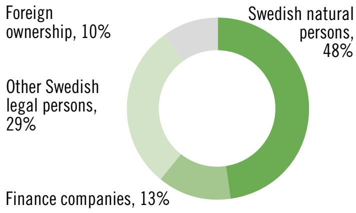


Refers to trading on Nasdaq Stockholm.

SHARE PRICE AND EPRA NAV/SHARE

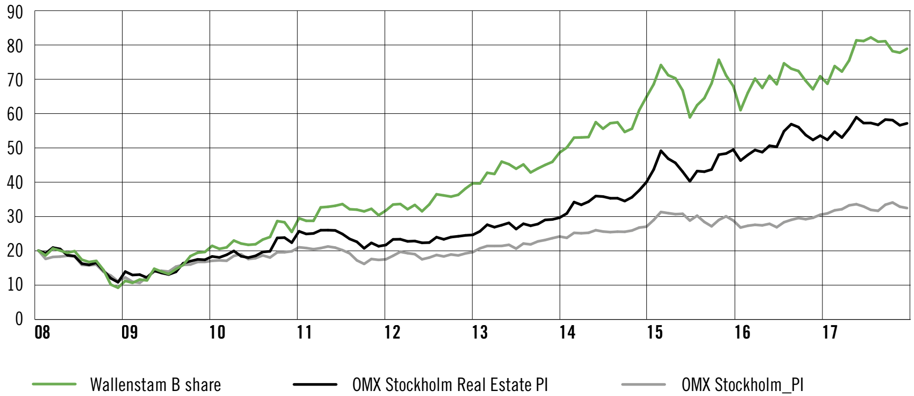


HOLDING BY OWNER CATEGORY



Foreign ownership amounted to 10% of which 5% in USA and 5% in Europe excl. Sweden.

SHARE PRICE TREND 2008–2017, SEK



SUSANN LINDE

CFO and Head of Investor Relations

"The Wallenstam share is a share that has long been associated with low risk. It is stable with low volatility, and is generally regarded as a long-term investment rather than a trading share. Owning shares in Wallenstam means investing in a value-creating company with stable growth. The distribution of the property holdings in terms of floor space – about half consists of rental apartments in Gothenburg, Stockholm and Uppsala and half of commercial premises in Gothenburg inner city – means that the risk level is relatively low for us as a company.

During 2017, according to the resolution of the Annual General Meeting, we cancelled 10,000,000 of the repurchased shares, which Wallenstam itself was the holder of. As a result of this, the existing shareholders will own a larger share of the company after the cancellation.

Interim reports and the annual report are important tools in our efforts to be transparent with our information to the market. We also hold meetings with analysts and roadshows with larger investors. If you want to follow us and receive continual information about Wallenstam, I can recommend the video comments that we publish on our website in connection with the release of reports. In addition, anyone who wants to can participate in the conference calls, which are held on the same day as the publication of interim reports. The fact that we received the "Listed Company of the Year" award is proof that we are reaching the market in a satisfactory way."

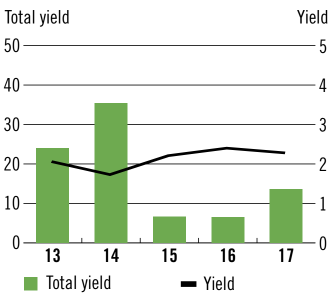
Repurchase

Repurchase is a shareholder-friendly measure that distributes surplus value to the shareholders. In accordance with the AGM resolution, Wallenstam is able to acquire up to 10 percent of the outstanding B shares. During 2017, 3,000,000 shares were repurchased up to and including closing day. On closing day, the company held a total of 4,000,000 treasury shares, repurchased at an average price of SEK 76.00 per share.

Net asset value

Net asset value on closing day amounted to SEK 24,314 million (22,159). Net asset value describes the Group's total created value and includes equity and deferred tax liability. Our goal in the Business Plan 2018 is to achieve average net asset value growth, excluding dividends and repurchases, of at least 10 percent per year. See also page 3.

DIVIDEND YIELD, %



Dividends to shareholders

According to Wallenstam's dividend policy, reported profits in the first place should be reinvested in the operations for continued development of the Group's core business and thereby create increased net asset value growth in the company. The ambition is also for the operations to provide a stable level of dividends over the long term. However, the distributable amount must never exceed profit before unrealized changes in value and impairment losses after the standard tax rate. When determining the size of the dividend, consideration should be given to the Group's investment requirements, need to strengthen its balance sheet and its position in general, and the ability of the Group to develop further in the future while maintaining its financial strength and freedom of action. The Board of Directors will propose a dividend of SEK 1.80 per share (1.70) to the AGM, an increase of 5.9 percent, spread over two payment dates of SEK 0.90 each per share. Profit before unrealized changes in value, after the standard tax rate for 2017, is estimated at SEK 597 million and the proposed dividend is estimated to amount to SEK 587 million.

Share yield

The proposed dividend is equivalent to a yield of 2.3 percent (2.4), based on the share price at the end of the period. The share's total yield was 13.7 percent (6.5).

Information to the market

Information about the company is available at www.wallenstam.se. We also publish all of our press releases and financial reports on our website. Financial information is mainly provided in interim reports, year-end reports and annual reports. We also arrange regular conference calls and meetings with analysts, investors and shareholder representatives. The website provides access to presentations and films from the AGM and annual accounts, and a subscription function allows readers to select how they would like to receive information. We send the annual report to shareholders who so request.

PER-SHARE DATA, SEK

	2017	2016	2015
Profit after tax	**7.4**	10.1	8.3
Equity	**60**	54	45
Share price	**78.90**	70.90	68.00
Dividend	**1.80***	1.70	1.50

*Proposed dividend

SHAREHOLDINGS, DECEMBER 31, 2017

	A shares	B shares	Equity, %	Votes, %
Hans Wallenstam and family, and company	34,500,000	47,841,000	24.95	61.72
AMF – Insurance and funds		28,395,000	8.60	4.46
Agneta Wallenstam		22,204,000	6.73	3.49
Anders Berntsson and family, and company		20,100,000	6.09	3.16
Henric Wiman and family		12,112,328	3.67	1.90
Bengt Norman and company		8,200,000	2.48	1.29
Monica and Jonas Brandström		7,754,171	2.35	1.22
Christian Wallenstam and company		5,900,000	1.79	0.93
David Wallenstam		5,640,000	1.71	0.89
Other owners		133,353,501	40.43	20.94
Total number of shares	**34,500,000**	**291,500,000**		
Repurchased shares*		4,000,000	1.20	
Registered shares	34,500,000	295,500,000		
Total registered shares	**330,000,000**		**100.00**	**100.00**
Total outstanding shares	**326,000,000**			

The proportion of institutional ownership amounted to around 14 percent of equity and around 7 percent of the votes.
Foreign ownership amounted to around 10 percent of equity and around 5 percent of the votes.

Source: Euroclear Sweden AB * Repurchased own shares lack voting rights. They receive no dividends either.

SHARE CAPITAL DEVELOPMENT

Year	Issue	Change in share capital, SEK	Share capital, SEK	Number of shares	Nominal value, SEK
1960	Original capital		200,000	200	1,000
1984	Bonus issue 9:1	1,800,000	2,000,000	2,000	1,000
1984	Split 1000:1		2,000,000	2,000,000	1
1984	New share issue 1:2 to SEK 32	1,000,000	3,000,000	3,000,000	1
1986	Bonus issue nom. SEK 1 to 10	27,000,000	30,000,000	3,000,000	10
1986	New share issue 1:3 to SEK 75	10,000,000	40,000,000	4,000,000	10
1987	Bonus issue 1:1	40,000,000	80,000,000	8,000,000	10
1995	New share issue in kind to SEK 43	109,302,320	189,302,320	18,930,232	10
2000	Redemption of shares	-9,396,690	179,905,630	17,990,563	10
2001	Reduction	-7,376,200	172,529,430	17,252,943	10
2002	Reduction	-11,363,000	161,166,430	16,116,643	10
2003	Reduction	-13,115,000	148,051,430	14,805,143	10
2004	Reduction	-10,051,430	138,000,000	13,800,000	10
2005	Split 5:1		138,000,000	69,000,000	2
2005	Reduction	-7,000,000	131,000,000	65,500,000	2
2006	Reduction	-3,000,000	128,000,000	64,000,000	2
2007	Reduction	-4,000,000	124,000,000	62,000,000	2
2008	Reduction	-6,000,000	118,000,000	59,000,000	2
2011	Split 3:1		118,000,000	177,000,000	0.67
2011	Reduction	-3,333,333	114,666,667	172,000,000	0.67
2012	Bonus issue	57,333,333	172,000,000	172,000,000	1
2013	Reduction	-2,000,000	170,000,000	170,000,000	1
2015	Split 2:1		170,000,000	340,000,000	0.50
2017	Reduction	-5,000,000	165,000,000	330,000,000	0.50

INVESTING IN WALLENSTAM

Stable return at a low risk

Wallenstam's property holdings are distributed among 54 percent residential properties, 41 percent commercial properties and 5 percent public use properties, in terms of floor space. The company stands for long-term value creation and has a flexible business model, for example regarding form of tenure in new construction projects. The financial position is strong, with a high equity/assets ratio and low loan-to-value ratio. Historically, the share has displayed a good performance delivering a stable return. The dividend has been at a maintained or higher level since 1992.

Create growth through cost-efficient new construction and efficient management

We plan future investments in new construction of about SEK 3 billion per year, and we show average value growth, thanks to cost-efficient new construction, in completed rental apartment projects of 30–40 percent per invested krona. Combined with efficient management and successful letting operations this contributes to value creation, through our own work, benefiting both the company and shareholders.

Offer the desired product in selected growth markets

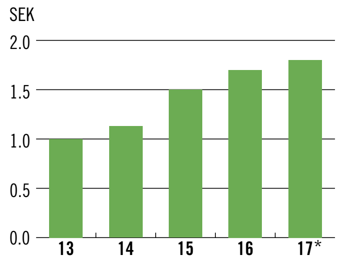
We are building and managing rental apartments in attractive locations in Gothenburg, Stockholm and Uppsala. Our commercial holdings are concentrated in Gothenburg inner city. Our concentration strategy has delivered stable value growth and high occupancy rates regardless of the market climate.

Responsible enterprise

From our long experience of property management, housing construction and of the conditions and requirements of commercial and private tenants, we have good know-how about urban development to ensure a vibrant city. Combined with innovation and environmental investments and social commitments in the places we operate in, we are working to contribute to a better society.

WALLENSTAM SHARE PRICE TREND 2000–2017, SEK

DIVIDEND

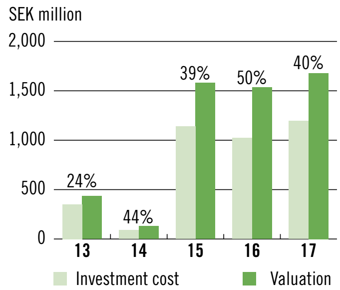


* Proposed dividend

PARAMETERS THAT AFFECT THE DEVELOPMENT OF THE COMPANY IN THE SHORT AND LONG TERM

- **Attractive properties and good management** result in satisfied tenants, stable occupancy rates and rental income and good business opportunities for the company.
- **Access to land** in the right locations is essential for safeguarding construction of new homes and requires daily strategic and practical work.
- **Secure financing** because access to capital is a vital resource for the operations, and is crucial if we are to develop and expand to the desired extent.
- **Good corporate culture and competence** in order to attract and engage the right personnel are important factors for continued successful development.
- **Market situation and market conditions**, which change over time, affect property values. Properties in attractive locations where demand is high generate good returns and excellent value growth over time.

CHANGES IN VALUE, NEW CONSTRUCTION, INVESTMENT PROPERTIES



Stallbacken 9, Mölndal

FINANCIAL STRATEGY

Access to capital is a basic requirement for building, developing and owning quality properties. Financing expenses, borrowing and cash management combined with financial risk management are central issues.

Finance policy

Our finance policy aims to limit the company's financial risks, which consist chiefly of liquidity, refinancing and interest risks. It is laid down by the Board of Directors and reviewed annually. The company's short- and long-term supply of capital should be secured by adapting the financial strategy to the company's operations.

Capital structure

The value of the Group's assets on December 31, 2017 amounted to SEK 43,673 million (39,402) financed partly by equity of SEK 19,410 million (17,788), and partly by liabilities of SEK 24,263 million (21,614), of which SEK 18,701 million (16,473) are interest-bearing. We strive to achieve a balance between an acceptable level of risk and a good return on equity. In the current business plan, the equity/assets ratio may not fall below 30 percent.

In the prevailing market climate with high property values, we choose to have a strong financial position ahead of future investments. At year-end, the equity/assets ratio was 44 percent (45).

Available liquidity

Available liquid assets, including available bank overdraft facilities, amounted to SEK 1,028 million (891). Approved overdraft facilities amounted to SEK 800 million (800). The Group also has an approved credit commitment and credit facilities of SEK 4,238 million (2,337). Available liquid assets totaled SEK 5,116 million (3,019), which means good access to credit for developing the business.

Interest-bearing liabilities

Interest-bearing liabilities mainly consist of conventional bank loans combined with interest derivatives, commercial paper with a limit of SEK 4 billion, and bond loans. During the year, an MTN program (Medium Term Notes) was established, which provides the opportunity to issue bonds for SEK 5 billion in total, and in November bonds were issued for SEK 1.75 billion within the framework of this program. In addition, Wallenstam already has bond loans for SEK 900 million in the form of green bonds.

Financing is secured by mortgage deeds for properties. For the bond loans and the commercial paper program, no sureties are pledged, but covenants are issued, see page 106. We continually review the various forms of capital borrowing in order to adapt the structure in the best way for the company in the short and long term.

Fixed interest terms and capital tied up

Interest expense is our largest single expense item, which is mainly affected by changes in market interest rates and changing conditions in the credit market. We aim for a distribution among different lenders and different fixed terms. The term during which capital will be tied up is assessed according to pricing and refinancing risk. The proportion of our interest-bearing liabilities with capital tied up for long terms (more than 12 months) is 13 percent (8) and the proportion with long fixed interest terms is 51 percent (47). At year-end, the average remaining fixed interest term was 36

months (37). The average interest rate during the year was 1.93 percent (2.04) and the average interest rate on closing day was 1.88 percent (1.97).

Interest rate derivatives

Interest rates derivatives are a flexible and cost-efficient way of extending loans with short fixed interest terms. From a cash flow perspective, the outcome over time is essentially the same as raising a loan with fixed interest. According to the accounting standards, interest rate derivatives must be marked to market. If the agreed price deviates from the market interest rate, a theoretical surplus or deficit value will arise in profit or loss. During the year, the deficits on interest rate derivatives decreased, and the market value of the interest rate derivative portfolio amounted to SEK -787 million (-970) at year-end. Unrealized changes in value do not affect cash flow and when a derivative contract matures, its market value is dissolved in its entirety and the change in value over time does not affect equity.

Realized interest coverage ratio

The interest coverage ratio measures how many times profit before interest is sufficient to pay interest expenses. At year-end, the interest coverage ratio was 3.8 times (4.1). Wallenstam opts to measure the realized interest coverage ratio, which takes into account all the realized profit (cost less selling price) from the property transactions during the period. In the current business plan, the realized interest coverage ratio for a rolling full-year may not be less than 2 times. With due consideration for transactions concluded during 2017, the realized interest coverage ratio is 4.8 times (5.6).

Currency policy

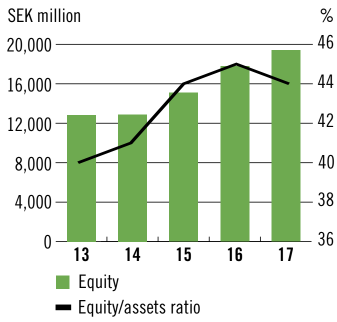
The currency policy aims to minimize currency risk, for example through hedging of currency flows.

FIXED TERMS, AVERAGE INTEREST RATES, DEC 31, 2017

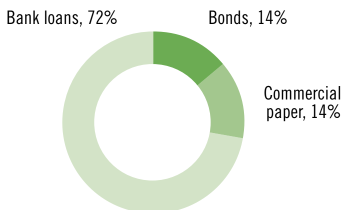
Interest maturity structure	Amount, SEK million	Average interest rate, %	Proportion, %
0–3 mths	7,842	1.55*	41.8
3 mths–1 year	1,307	0.35	7.0
1–2 years	130	2.57	0.7
2–3 years	997	3.44	5.3
3–4 years	1,200	3.05	6.4
4–5 years	1,700	2.38	9.1
5–6 years	1,475	2.71	7.9
6–7 years	1,450	1.92	7.8
7–8 years	1,300	1.32	7.0
8–9 years	1,100	1.95	5.9
> 9 years	200	2.55	1.1
Total	**18,701**	**1.88**	**100**

** Variable interest loans with an interest maturity within three months have an average interest rate of 0.42%. 1.55% includes the effects of all swap agreements entered into.*

EQUITY/ASSETS RATIO AND EQUITY

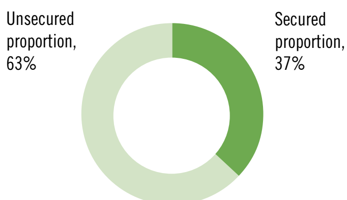


FINANCING



Interest-bearing liabilities totaled SEK 18,701 (16,473). The loan-to-value ratio is 43 percent (43).

SECURED PROPORTION OF THE PROPERTY VALUE



RESPONSIBLE ENTERPRISE

Wallenstam wants to contribute to a better society, today and for future generations. This is our driving force and what makes us proud of our business. Sustainability is an integrated part of our business strategy and our attitude is that the business can always be improved.

We consider sustainable development in our entire business model, both operationally and on a long-term basis. An economic, social and environmental responsibility is also the basis of the three guiding principles that advanced our business during 2017 – to create more homes through new construction, to reduce our carbon footprint and to meet customer expectations so that they are willing to recommend us as a landlord.

Our asset-creating factors consist of a dynamic business process in which sustainable housing, urban development and profitable management operations form the basis for value growth and continual development of the company. Combined with the guiding principles and firmly-established core values, we drive and develop our business in a manner that creates value for owners, customers, employees, investors, municipalities and other stakeholders.

We are careful to follow applicable legislation in all of our operations, including in construction and management. By actively monitoring developments in the legislative field and devoting time and resources to further training, we keep updated and well-prepared for changes. In the environmental area, our level of ambition is often higher than required by law.

Investing in Wallenstam should mean investing in a company that takes responsibility. Meanwhile, it is difficult to work sustainably at all stages. It demands a lot from us and we know very well that the work never ends. We can always become better by making continual improvements.

Clarity with values

Our core values – progress, respect, commitment – are clearly reflected in our long-term sustainability work. *Progress* shows our attitude to continual improvements, that the work is never finished. We find rewarding opportunities for collaboration, for example with researchers regarding solar cells and battery storage, in the planning work with municipalities and land owners and in order to offer services to our tenants relating to mobility and e-commerce deliveries. We will continue to advance these efforts during 2018 and beyond.

Respect towards each other in the company is something natural. We want to spread the same attitude during contacts with customers, contrac-

tors, suppliers and other stakeholders. For instance, that we comply with laws and regulations, that we do not insult or discriminate against anyone and that we work actively to ensure the equal value of everyone, both in the company and in society. Respect in our business is based on active anti-corruption work. We have a declared policy of zero tolerance against bribery, inappropriate gifts and the like, both from other people to employees of Wallenstam and the contrary.

The boundary for what is a bribe or equivalent extends a long way. Our internal guidelines determine how we should act in relation to bribery and inappropriate gifts.

Our drive to contribute to a better society is based on a great *commitment*. We want to be close to our customers and offer good housing and premises. We are committed to our commercial tenants' operations and we want to be flexible in order to meet their needs. Our ambition is to conduct long-term sustainable business and develop responsible enterprise for the benefit of society and our own operations. We see that it is important for society to have attractive, vibrant inner cities and more housing. Wallenstam safeguards the rental apartment as a flexible form of housing for the tenant and a crucial form of housing so that more people will have the chance to reside in the inner city.

Code of Conduct and Ethics Council

In the construction and property sector, there are risks, for example related to the working environment, corruption, human rights and the environment. Our Code of Conduct serves as a guide for us. It is based on our core values, and provides guidance and continuity for our actions all the way to the dialogue and meeting with our stakeholders. The Code of Conduct,

and a number of guidelines connected to it, indicate Wallenstam's approach and clarify how we want to act as a company. Violations of the Code of Conduct, internally or by partners, can damage Wallenstam's operations and brand.

The Code of Conduct is revised annually and adopted by the Board. Training and information about the Code of Conduct and specific guidelines such as anti-corruption and information security are mandatory for all employees including the Group Management and Board. Training occurs regularly, as part of the introductory program for new employees, among other ways. Contractors that enter into cooperation agreements with us are required to follow the content of the Code of Conduct and act according to it. During our internal and external dialogues, we are open to hearing opinions about things that are not working, and we can make improvements in this way. The policy is available in full on www.wallenstam.se.

We have an Ethics Council that holds about four meetings annually. The members of the council include representatives from HR, legal, communication, projects, letting and management. The Ethics Council receives regular questions of an informational character that the council answers. Most questions relate to what employees can give or receive, in other words, questions connected to business ethics and corruption. We provide information to all employees based on commonly asked questions. No cases arose during 2017 where further investigation was required.

The council has developed a whistleblower function, which will be introduced during 2018.

Governance and reporting

The CEO, supported by Group Management, is responsible for leading and following up the work with the material aspects and risks, which are prioritized in Wallenstam's sustainability work. The practical, day-to-day sustainability work is carried out in all parts of the operations. Successes and setbacks in respect of these efforts are reported to Management. During late fall 2017, work started on analyzing how we contribute to sustainable development, on developing the strategy for sustainability questions and an overhaul of how we work with these issues in the organization. This work will continue during 2018, where as support we will also implement the UN's sustainable development goals, Agenda 2030, in the operations. We already work with several of the goals and by clarifying how we contribute to the global goals, we can compare our own work to regional, national and global development efforts. These efforts will further strengthen our sustainability aspects as a natural part in all of our operations and will make us even better equipped for the challenges we will face when working for a better society.

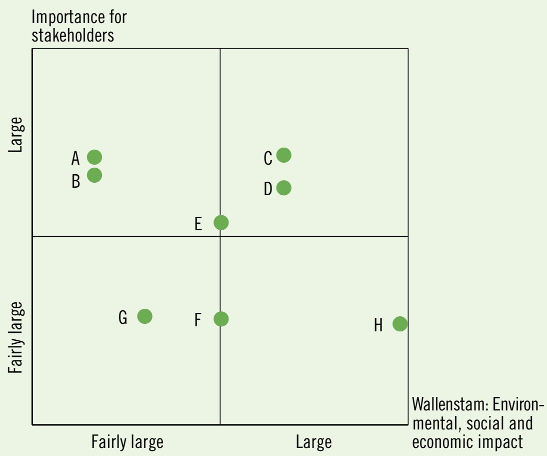
Wallenstam has reported its sustainability work since 2006 and according to Global Reporting Initiative (GRI) since 2010.

The adopted goals are continually followed up with the aim of making continuous improvements. We achieved excellent results during the year. Read more under GRI Reporting, page 145.

MATERIAL SUSTAINABILITY ISSUES

The diagram shows Wallenstam's material sustainability aspects and how stakeholders and Wallenstam weighted them.

A Anti-corruption
B Reduction of energy consumption in our properties
C Compliance with laws and regulations
D Non-discrimination
E Reduction of emissions into air, for example greenhouse gases
F Result of surveys measuring customer satisfaction
G Reduced water consumption in our properties
H Direct economic value generated and distributed



Stakeholders crucial to success

Wallenstam has conducted a comprehensive stakeholder analysis in a questionnaire format in order to pinpoint the key issues that we should focus on within the scope of our sustainable development efforts. We meet our stakeholders on a daily basis where the absolute largest group are the people who live and work in our properties. Others are shareholders, employees, suppliers, partners and municipalities. These groups are considered to have a direct impact on our organization, and/or are directly impacted by us. Through our stakeholder dialogues, we obtain a relevant view of external requirements and wishes. Satisfying stakeholders is crucial to our continued success. Through an active dialogue in our day-to-day operations, we can develop in the right direction.

Issues that emerged in the materiality analysis and that we are actively working with include for example climate impact and reduced emissions, reduced water and electricity usage and that Wallenstam should take an active social responsibility in questions such as non-discrimination, fight corruption and bribery and create value through profitable development.

Long-term economic sustainability

We create the right conditions for long-term economic sustainability in tune with the environment and social development. Long-term profitability is one of the basic requirements for us as a company and our owners want to see a return on the capital they have invested in the business. Through efficient organization, yield requirements prior to construction starts and a business, which is focused on growing areas with strong demand, we can ensure long-term economic sustainability. This also means that we should be profitable – profits that we can reinvest in the business.

Wallenstam is flexible in a volatile housing market in a way that provides assurance for those who invest in us. We showed this during the year.

We mainly build rental apartments for our own management, and provide badly needed housing. Through profitable property development, we create value for our customers, society in general and also for the company's employees and owners. Long-term plans and investments over time also create secure jobs in production and management.

Close collaboration – good working conditions

We aim for close and long-term collaboration, which means that we can develop together with our partners. We currently work with contractors and suppliers with regard to management, new construction and purchasing of material and services. As a client, we have both a responsibility and an opportunity to demand good operational standards in the entire production chain.

During procurement of contractors and purchasing of services, the responsibilities of our partners are stipulated in agreements in relation to business ethics, the environment, working conditions, safety etc. We will further develop our control routines and initiate dialogues with contractors and suppliers about the existing risks, for instance concerning working conditions at building sites, production methods and choice of material.

WE DEVELOP THE DISTRICT THROUGH DIALOGUE

Kallebäcks Terrasser is a new district, which Wallenstam is creating in Gothenburg. The development of the district is based on the character of the area with the hill and proximity to nature and also on what the future residents want to have in the area.

Wallenstam wants to be part of the municipality's planning work and we have developed excellent dialogue methods to create more lively planning work. In the dialogue about Kallebäcks Terrasser, the stakeholders highlighted that they want a lot of places to meet, various exercising possibilities and proximity to services.

Mobility has also proved to be crucial for the area. Not only should it be easy to move about in the area or get to and from the area, but it should also be a safe environment to stay in with a reasonable amount of transport alternatives. Wallenstam has signed a ten-year mobility agreement with the municipality for 20 unique mobility measures, which will be offered to residents and those working in the area. Cost-free access to bicycle pools with special bikes, a starter pack for new tenants, cycle repair room, carpool membership and limitation of reserved personal parking places are some examples.

In the many consultations and dialogues we held about Kallebäcks Terrasser, we received valuable insights and experience, which we are taking with us to similar processes in Gothenburg and in other regions.

Innovation and collaboration

We actively participate in research and development within urban development, construction and management. Development efforts can relate to all from new technology in management operations to modern mobility solutions in new city districts. A large part of our development work occurs in collaboration with others. Results from our different projects become solutions in the housing of the future and town planning.

One cooperation project we are participating in is the Södertörn model – a meeting place where the business sector, researchers and municipalities are collaborating in order to create sustainable urban development with the main focus on citizens. The model focuses on knowledge-driven, co-creation and value-creating urban development. We participated in developing the Södertörn analysis, a tool for comparing the development potential of different locations based on knowledge about economic, ecological and social factors. In the pilot version, there are indicators describing socio-economic development and migration patterns. In the next stage, we will look at indicators, which are linked to physical planning. Ultimately, we want to increase knowledge about how regional and local priorities impact individual areas.

We are continually seeking new solutions to reduce our carbon footprint connected to operation and energy supply of properties. Thus we have chosen to support, for example, the development of solar cells and have invested in Exeger Sweden AB. We are also investigating and testing solutions for battery storage of electrical energy together with Mälardalen University. By investigating these solutions, we will be able to better understand how to build in storage solutions during the planning and design of new properties.

Wallenstam is co-financer of a research project about housing production at the Royal Institute of Technology (KTH) and for some years has sponsored a professorship in property management at KTH together with other property management companies. Our financing contributes to research in the property field, where the results will provide good insights to support our long-term development work. Our active participation in Johanneberg Science Park in the Chalmers area in Gothenburg is also a longer term investment. This is a meeting point for exchanging ideas and knowledge among the business sector, academia and society. Focus areas include town planning, energy as well as material and nanotechnology.

Building for safer areas

We aim to create safe and welcoming areas and properties, which people want to live in, work in and visit. To succeed with this, we contribute to research, participate in development projects and follow advancements in knowledge about what creates security in urban development, new production and management of residential areas. The physical environment as well as relations with neighbours and visitors in the area, influence tenants perceptions of security. In the work to increase security, we are making a number of efforts in the day-to-day management as well as selective measures. One example is our collaboration with Huskurage, which works proactively to prevent violence in close relationships through neighborhood cooperation.

Within the scope of our urban development projects, we want to create the conditions for safe communities already during the projecting and zoning plan work. We can achieve this by planning premises for various types of activities, such as offices, stores, geriatric and child care etc. In collaboration with our commercial tenants, the city and other organizations in society, we are pursuing activities to create a vibrant inner city, for example Julstaden Gothenburg and FoodMarket Magasinsgatan. Taken together, this is helping to create a 24-7 pulse in the area and we can meet various needs at the same time.

An example, which shows how we can improve an area's security is Rosenlundsgatan in Gothenburg. The area was perceived as unsafe, particularly in the evening. Parts of the street and area were dark with covered

MAJORNAS SAMVERKANSFÖRENING
– AN EXAMPLE OF OUR SUPPORT TO YOUNG PEOPLE IN A CITY DISTRICT

The association Majornas Samverkansförening in Gothenburg works to help children and young people realize their ideas and thoughts in the district. A lot of the activities occur in Aktivitetshuset, a mix of an association premises and community center including a rehearsal hall and space for training courses.

Majornas Samverkansförening was established by a broad group of stakeholders to reverse a trend relating to cut-backs, emigration, increased wear and tear etc. in the area. The present activities are really showing successful results.

Through summer camps and summer job opportunities for young people, solidarity has increased among those living in the area. Residents in the area can arrive in with ideas and then receive support to develop them. In 2018, a toy library will open which was the brainchild of a person living in the area.

A basic requirement for the activities is, among other things, Wallenstam's long-term participation as a sponsor and creator of summer jobs.

sidewalks that created insecurity. By removing the covered paths and developing premises for new stores and restaurants, we created an environment, which is much more attractive and the area is perceived as safer. Wallenstam was a driving force in this work, from the initial dialogue with those concerned all the way to completion.

Reduced exclusion through initiative for young people

Wallenstam is passionate about fighting exclusion and about creating city districts where everyone can feel safe and a sense of belonging. We believe that supporting youth activities in the local communities where we operate is a recipe for success. For this reason, we participate in many local projects, which focus on helping young people to have active leisure time. Examples of our initiatives include letting premises for associations, creating meeting points and supporting activities for young people and particularly vulnerable groups. We also make it possible for young people to participate in the development of areas and we have collaboration that provides summer jobs in property management.

The aim to reduce exclusion is also the background for our collaboration with organizations such as Project Playground, Barnens Ö, Barn i Nöd, BRIS, Maskrosbarn, Stiftelsen Läxhjälpen, Mitt Liv, Stockholm City Mission, the Refugee Mission in Gothenburg and many sports associations.

We expect that our engagement in this area will increase further in the future, as segregation and exclusion is growing in society.

Human rights

Our operations are conducted in Sweden and we follow applicable rules for example relating to working conditions, the working environment and freedom of association. Wallenstam supports the UN Declaration of Human Rights and we see that we can contribute positively in many areas, including by fighting discrimination, treating all employees, customers etc. with respect and offering equal opportunities to employees. Having a home is a fundamental need and constitutes an important part of a functioning society. Ultimately, we want to contribute to good living standards for many people by producing and managing residential properties as well as safe and lively city districts.

There is currently a severe housing shortage, which also means that many people are finding it hard to get a home. We have more than 220 social contracts with municipalities and organizations, where we make housing available for people who find it difficult to obtain a regular contract. For example, this can relate to transitional accommodation or various types of sheltered accommodation and housing for new arrivals. Several of the contracts change over to regular leases when it is possible for the tenant.

Respect for each other in the organization

For us, equality and diversity are important principles. We work to ensure that men and women enjoy the same conditions during recruitment and internally in our processes, for example in relation to development initiatives and setting of salaries. Wallenstam has a uniform distribution between men and women among its employees, leaders and managers. Nevertheless, we always need to maintain an ongoing dialogue about what equality, respect and diversity mean in our company. Our Code of Conduct is clear that discrimination must not occur. We work with this issue in various forums connected to a continual internal dialogue around our values.

Driving development of reduced environmental impacts

We place great importance on limiting environmental impacts in our production, operation and management of properties. The property sector in Sweden uses a lot of energy and accounts for a large proportion of the overall carbon footprint in society, which means that it is a prioritized area for Wallenstam from an environmental and economic perspective. Environmental legislation impacts many parts of our business and includes health protection, waste management and potential disruptions from properties such as noise, smoke and odours. There are also rules for maximum energy usage in our properties and soil remediation measures based on soil investigations prior to construction starts. In our existing holdings, we work systematically with investigations and produce action plans based on possible environmental risks.

The standard of our work is not always based on legislation or external requirements but we create new solutions ourselves. This occurs to a large extent in operation of properties, where we continually optimize and operate metering in order to reduce consumption of energy and resources and create a good financial position through continuous improvements. During 2017, we implemented major energy saving projects in six commercial properties, which delivered a reduction in energy use of 10-65 percent in each property.

Heating water requires a lot of energy, which means that the environment benefits from less water use. Individual metering has been standard in our new construction projects since 2006 – an installation usually contributes to a reduction in consumption by tenants of 10-25 percent following a running-in period.

Our efforts in the environmental area are delivering good results. So far during the business plan, we have reduced carbon emissions by more than 40 percent per square meter and also reduced water use by about 12 percent per square meter.

Environmental certification of properties

There are several environmental programs and certification systems for buildings in the market, such as Green Building and Miljöbyggnad ("Sweden Environmental Building"). We use environmental programs as a specification for requirements concerning energy usage, quality of indoor environments and climate as well as choice of material for both new construction and existing buildings.

Our aim is to achieve at least a Miljöbyggnad silver rating for our new production and many of our properties meet the requirements for certification under this standard although they are not certified. We have chosen to certify our buildings when required, for example by a municipality or customer. Four residential properties in the environmentally-designed Kvillebäcken district in Gothenburg are currently certified according to Miljöbyggnad silver rating. Twelve of the properties in our commercial holdings meet the requirements for Green Building certification.

Renewable energy

Through our wholly-owned wind power company, Svensk NaturEnergi, we can offer all tenants and customers in our properties a renewable alternative for electrical energy. The production in our 64 wind turbines covers Wallenstam's overall electrical energy needs. In our older property holdings, not all tenants have chosen to connect to the service. There is great development potential here for us to encourage tenants to connect to our renewable energy production.

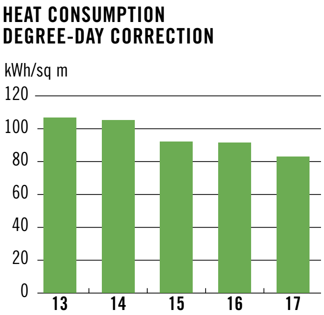
Our largest carbon footprint comes from district heating, which supplies the heating in many properties. To the extent that the heating is based on waste heat or is produced with renewable raw materials, district heating can be a good environmental alternative. Wallenstam participates in a dialogue with district heating producers about finding new solutions to deliver a better environmental performance. We aim to be able to replace district heating with renewable energy from our own wind turbines in more and more of our properties.

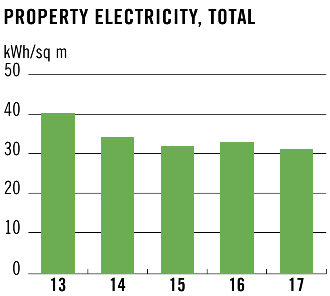
Transport and environmental impact

We are looking at various mobility solutions in order to offer our tenants practical and environmentally-friendly transport solutions. We previously conducted a pilot project where we offered a carpooling service to our tenants. The concept – Wallenstam Drive – has been further advanced and in 2018 we will launch the service in several of our areas in conjunction with AVIS.

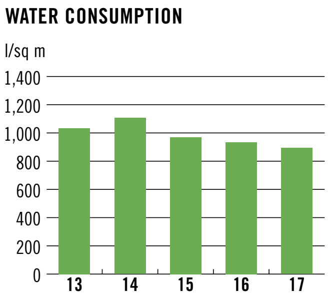
We are currently developing composite mobility solutions involving bicycles, cars and other types of transports in some of our urban development projects, for example in Kallebäcks Terrasser.

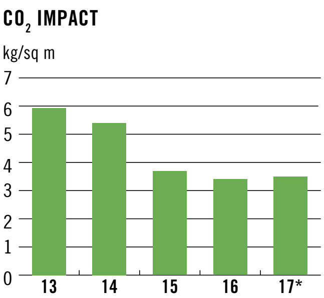
Today we are building in recharging possibilities for electric vehicles in our new construction projects. Developments are moving quickly and we often perform installations in collaboration with developers of technology to take advantage of leading edge technology so we can always stay one step ahead. Internally, we encourage use of public transport to and from the workplace by offering the possibility of buying an annual travel card through a net salary deduction. Bicycles are available for shorter trips and we are expanding the number of internal pool cars.





Includes consumption of electricity relating to heat pumps, see page 145.





* Estimated value for actual impact, see page 145.

See also page 145 for exact values.

RISKS THAT GENERATE OPPORTUNITIES

Minimizing risks and optimizing opportunities is an integrated part of our business plan. Wallenstam's employees participate in both the risk inventory and preventative work.

Employees at Wallenstam participated in seminars aimed at conducting an inventory of risks in the operations. An impact assessment of the identified risks was performed based on an estimate of harmfulness and probability. The company management and Board subsequently prioritized the most important risks. The work aims to develop strategies and measures to reduce risks and optimize opportunities. During 2016 and 2017, our work focused on the risks described below. This is ongoing work, which is continually developed and the company's compliance function is responsible for follow up.

All events cannot be foreseen. For this reason, part of our risk identification work is to be prepared for crisis management. We conduct regular drills of our crisis organization based on special guidelines and crisis checklists. This help to minimize losses to the operations and to our stakeholders.

Operations

Opportunities and risks connected to the operations refer to matters that are related to our core business.

RISK AREA	DESCRIPTION OF RISK	DESCRIPTION OF OPPORTUNITY	WALLENSTAM'S MANAGEMENT
Production and management of properties	• Occupational accidents. • Unpredictable events that result in increased costs, such as environmental factors, for example substances in soil or leakage that requires decontamination or areas of natural value, which need to be protected.	• Safe working environment without personal injuries. • Good financial position and environmental performance. • Value growth through cost-efficient new construction projects.	• Working environment plans are prepared early on and followed up in the entire project. Building work environment coordinators are appointed to ensure occupational safety at the planning stage. In contractor agreements, coordinators are appointed with equivalent responsibility during the construction phase. Sufficiently long time plans to avoid stress and mistakes. • Analysis of environmental risks during acquisition of land, soil investigations during new construction and continual investigations of environmental risks. • Efficient organization of projecting, planning, procurement, construction and choice of contractor.

RISK AREA	DESCRIPTION OF RISK	DESCRIPTION OF OPPORTUNITY	WALLENSTAM'S MANAGEMENT
Partners	• Competition for contractors. • That procurements are not conducted/agreements not correctly entered into, which can cause uncertainty about responsibility and increased costs. • That partners do not follow entered into agreements or our Code of Conduct.	• Good collaboration, long-term planning, good financial position and high quality. • That we have secure and efficient processes for purchasing and signing of contracts, providing secure collaboration. • Good business ethics and satisfactory working conditions among contractors and subcontractors.	• Develop long-term relationships and well-established collaboration with contractors and suppliers. • We have developed processes and templates for procurement and purchasing, we bring in the right competencies to the process and at least two people always review tenders and agreements before they are signed. • Information to and dialogue with contractors about requirements for compliance with Wallenstam's Code of Conduct. • Project managers are highly knowledgeable and very closely involved in their projects. Improved routines for follow-up of agreements and on-site checks. • Routines for logbooks and ID checks etc. have been introduced at workplaces and random checks are regularly performed at partners. • Training and development of routines regarding supplier checks.
Information and IT security	• That IT systems are attacked and the operations manipulated or that information gets into the wrong hands. • That sensitive information is circulated to the wrong people. • Non-compliance with legal requirements.	• Well-functioning and fit-for-purpose IT security for our operations and that information is handled securely. • Increased administrative efficiency due to new routines for IT security.	• Continual work with security-enhancing measures surrounding IT security, upgrades of firewalls, anti-virus protection and systems, anti-hacking tests, routines for IT security etc. • New policy and guidelines for information security as well as internal information and training. New routines for information sharing and handling. • A person appointed with responsibility for the introduction of GDPR.

RISK AREA	DESCRIPTION OF RISK	DESCRIPTION OF OPPORTUNITY	WALLENSTAM'S MANAGEMENT
Anti-corruption	• Risk for corruption linked to allocation of apartments/premises. • Risk for corruption during procurements and purchasing.	• Good control of business operations, strong credibility for business partners and other stakeholders and assurance for employees with clarity regarding rules and routines.	• Improved, clear processes and templates for procurements, purchasing and letting. Routines where two persons jointly shall review and authorize lettings and purchasing and also check tenders and agreements prior to signing. Spot-checks for reviewing agreements. Focus on checking existing contracts, for example unlawful subletting. • Establishment of an Ethics Council tasked with driving and monitoring the anti-corruption work at Wallenstam. • Internal information and support through the Ethics Council. • Internal transparency about side-line jobs and assignments that may affect interests.
Financing	• Weak liquidity impedes investments and the ability to meet payment obligations.	• Strong liquidity provides freedom of action to complete approved investments and meet payment obligations.	• Proximity to the market and the banks. Good relationships with several lenders provides good financing possibilities. • Financing is always ensured before new construction starts, which eliminates the risk of low liquidity. • Strong liquidity and high equity/assets ratio. • Liquidity forecasts are updated continuously with the aim of optimizing cash management.
Employees	• Less confidence or attractiveness among existing and potential employees. • Not to be able to recruit and retain employees with the right competencies. • That employees do not live and act according to the company's values.	• To be perceived as an attractive employer. • Possibility of recruiting employees with the right profile and competencies. • Development of employees and the company. • To develop employees, the operations and the brand based on strong common values.	• Focus on employees is regarded as important for quality and satisfied customers. Offer a good working environment, attractive and market-related working conditions, health and wellness training, skills development and internal recruitment for new positions. The synthetic options scheme for employees, which generates clear participation in the company's development. • Recruitment is prioritized as a strategic area. The processes are being strengthened and HR competencies should always be engaged during recruitments. • Regular employee surveys are a tool for improvements. • Introduction program with conference about the company's history, values, policies and guidelines etc. • Managers are supported in dialogues about values in the form of checklists, templates for development discussions etc.

External

Opportunities and risks connected to the external environment exist outside of our operations, e.g. in the form of changing market conditions. These are risks that we have little ability to influence in the short term, but which we must take into account in the planning of strategic development.

RISK AREA	DESCRIPTION OF RISK	DESCRIPTION OF OPPORTUNITY	WALLENSTAM'S MANAGEMENT
Market conditions	• Weaker property values. • Increased land prices. • Lower electricity prices, which means lower wind turbine values. • Lack of resources and increased costs.	• Positive development in the value of our properties. • Increased access to land and land allocations as most other players do not have the same long-term possibilities for investments during an economic downturn. • Higher electricity prices, which means increased wind turbine values.	• Having properties in attractive locations lowers the risk of falling values during an economic downturn. • Cost-efficient new construction means less sensitivity to changing property values, since we generate surplus value in our construction, mitigating the effects of a downturn. Profitability is also ensured in the event of a change in the market conditions through the yield requirement prior to construction start. • Self-sufficiency in renewable energy provides lower price sensitivity.
Interest rates	• Interest rate increases that result in higher costs and a large impact on profits.	• Long-term assurance and control over financing costs.	• Loan portfolio of different maturities and spread among various forms of credit and lenders. Assessment of the term for capital tied-up is based on factors such as pricing and refinancing risk in the capital market. • Interest rate derivatives are used to diversify risk, to protect the underlying portfolio and as a flexible means of influencing the fixed interest terms in the loan portfolio.
Supply and demand	• Lower demand, for example for commercial premises, co-op apartments, or rental apartments. • Protracted planning processes and a shortage of available land.	• Heavy and stable demand for our products. • Good access to land for new construction.	• Own and manage properties in attractive areas, which are characterized by growth and strong demand. • Follow market trends. Flexible business model with the possibility to convert and adapt supply, form of tenure and conditions etc. in the case of changing demand. • Long-term planning, close collaboration with municipalities, several concurrent development projects. Land acquisition in focus.
Changes in laws and regulations	• Changes in laws, regulations and regulatory requirements, for example relating to the environment, design, tax issues etc., which result in increased costs and additional administration.	• Changes in laws and regulations, which result in reduced costs and less administration.	• Follow development of issues concerning our operations. Interprets legal cases and regulatory changes that may result in changed conditions. Proactivity in order to meet new requirements, practice and laws. • Comments on proposals, meetings with decision-makers in order to clarify the consequences for the property and energy sectors. • Energy-efficient construction and renewable energy investments.

SENSITIVITY ANALYSIS

Changed yield requirement for properties	SEK million
0.50 percentage points lower	47,460
0.25 percentage points lower	44,185
Property value according to our estimate	**41,410**
0.25 percentage points higher	38,998
0.50 percentage points higher	36,904

Cash flow	SEK million
Change in rental income, residential, 1%	8.0
Change in rental income in negotiable commercial contracts, 1%	1.7
Change in operating costs, 1%	4.4
Change in loan interest rate, 1 percentage point (annual)	90
Annual wind, change 10%	11.5
Electricity price, change 5 öre	12.2

ORGANIZATION AND EMPLOYEES

Almost 250 people work in the Wallenstam Group and are strongly engaged in the company's development. We are careful to maintain an atmosphere where consideration is shown to employees and offer challenges that provide individuals with the opportunity to grow in their professional roles.

Attractive employer

Recruitment of the right people with the right competencies in the right place is one of the key factors for successful enterprise, as well as a pleasant workplace, which offers employees the opportunity to develop and grow along with the company. As far as possible, Wallenstam provides opportunities for advancement within the company, e.g. by announcing vacant positions internally first. Continual skills development and challenges in the day-to-day work are other elements of a positive working environment.

Absence due to illness fell slightly and amounted to 3.2 percent during the year. We have guidelines and well-functioning routines in place to identify ill health among our employees, and we attach great importance to the physical working environment and health-promoting activities. There are excellent opportunities for both group and individual training in fitness centers at each office, while health and wellness training is subsidized. All employees are also offered regular health checks with the purpose of promoting continued good health.

During 2017, the synthetic options scheme matured, which all permanent employees were invited to participate in during 2013. The synthetic options scheme is used as a further incentive to actively contribute to value creation in the business. See also page 84.

In recent years, increasing demand is being noted for certain occupational groups, particularly in construction, which is reflected in slightly higher employee turnover. Wallenstam is an attractive employer, which can offer good conditions and an excellent working environment. The company also has clear and well-functioning routines for new recruitment. Great importance is attached to personal characteristics and qualities, and a welcoming and effective introduction for new employees enables them to quickly become acquainted with the business. There is also an introduction and support process for new managers.

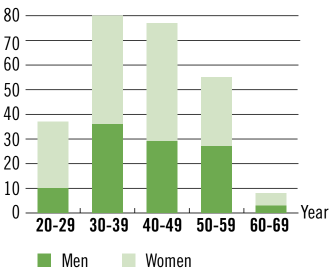
Dedicated employees

Employee performance reviews are conducted annually to support career and personal development, follow up jointly-established goals, gauge the work situation and plan future skills development efforts. Every third year,

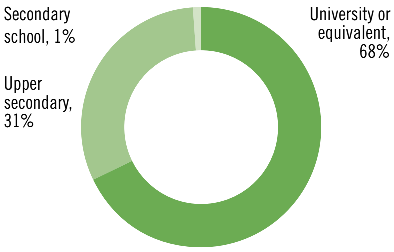
244

Wallenstam had an average of 244 employees (227) during 2017. The majority are permanent employees, with a distribution of 58 percent (57) women and 42 percent (43) men. Approximately 27 percent of the employees are based in Stockholm, the rest are in Gothenburg. All employees are covered by the collective bargaining agreement with Fastigo.

AGE DISTRIBUTION IN THE GROUP



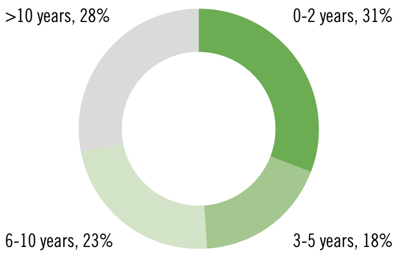
EDUCATION LEVEL

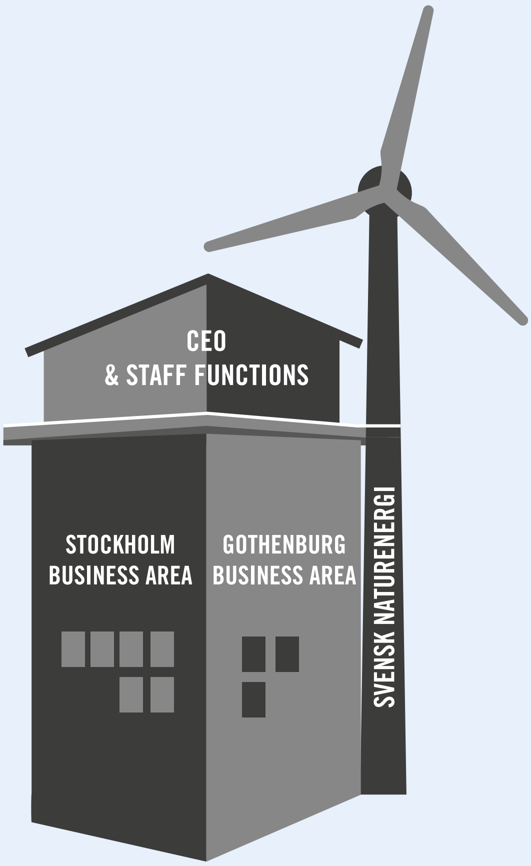


7.4 years

is the average length of employment for permanently employed personnel in Wallenstam. Absence due to illness during the year amounted to 3.2 percent. Employee turnover during the year was 10 percent.

PERIOD OF EMPLOYMENT





MANAGEMENT AND BUILDING OPERATIONS WITH A LOCAL PRESENCE
Wallenstam is organized as follows: the Stockholm business areas, also including the operations in Uppsala, the Gothenburg business area, also including Helsingborg, and Svensk NaturEnergi. Property management and building operations are conducted in each business area. The local presence enables knowledge about the local property market, changes and business opportunities and provides the basis for understanding our customers' needs and businesses. Our staff, specialized in e.g. finance, law, IT, personnel, information and market, supports our operations.

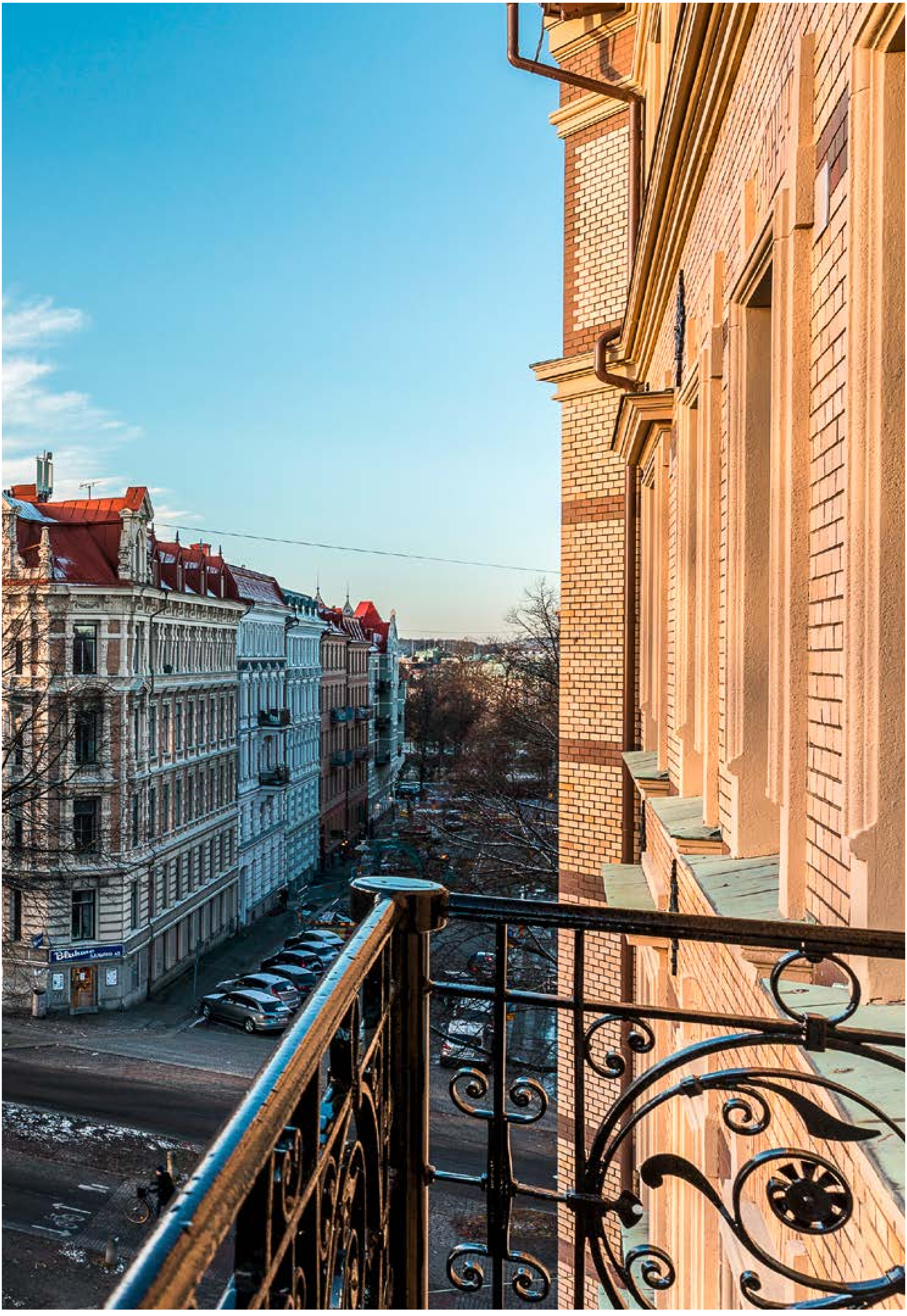
CENTRAL CUSTOMER SERVICE
Our customer service is organized as a central function within the company, which enables longer opening hours and better accessibility for our customers who can reach us via the web, e-mail or cost-free phone call. Systematic work and well-developed routines ensure that cases are handled in the best way and we report back to customers during the process. Follow-up and improved routines help us in our continuous ambition to increase customer satisfaction.

PARTNER CONCEPT FOR PROPERTY CARE
Property care and maintenance are services we procure from external suppliers through a well-developed partner concept, Wallenstam Partner. Recognition and peace of mind for the customer are created by a common working method and by having the Wallenstam logo on vehicles, clothes and ID cards. Close collaboration, frequent partner meetings and visits to buildings by our own property managers on a rolling schedule are important for assuring the quality of property care.

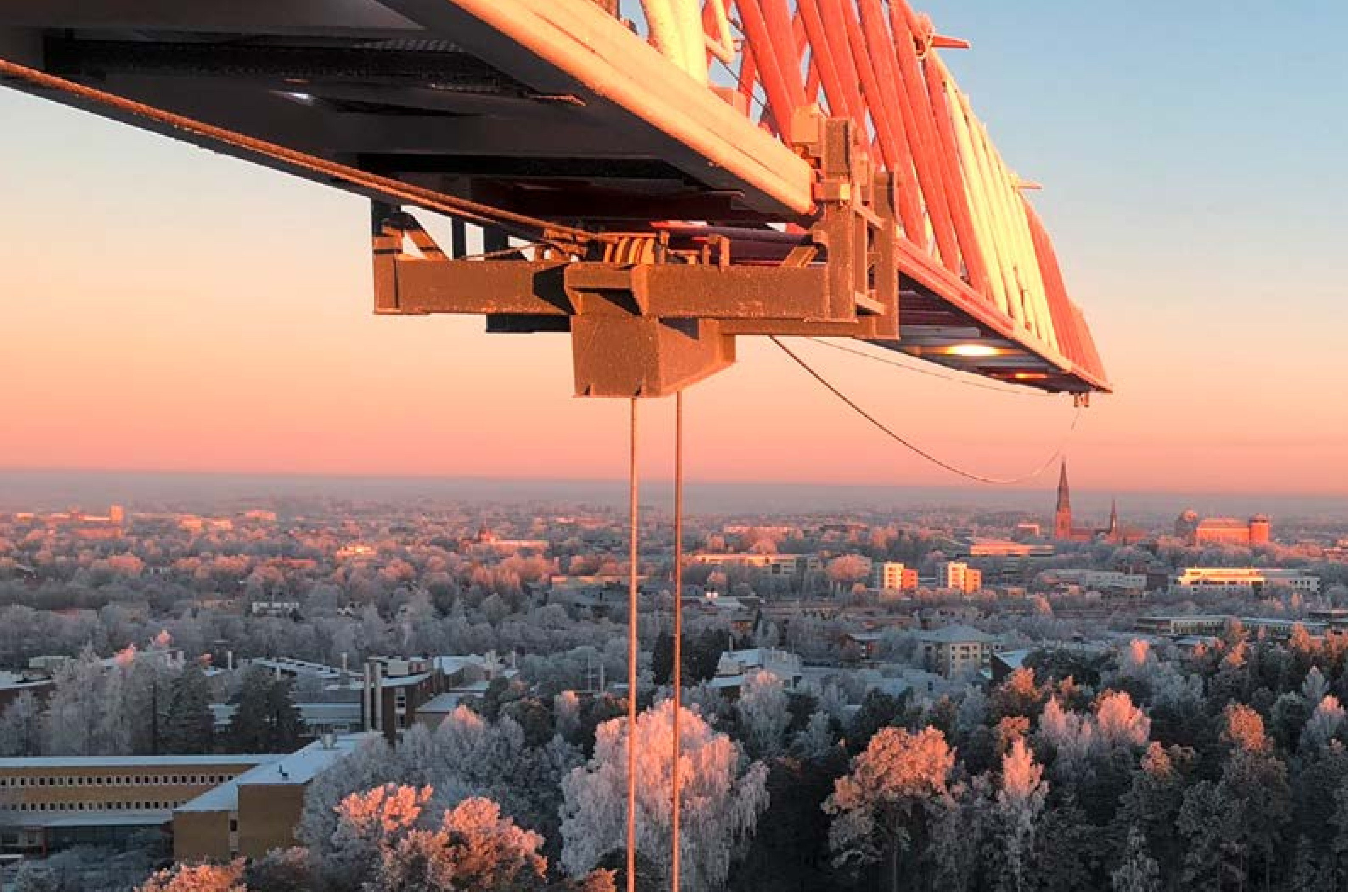
we conduct employee surveys in the form of an employee satisfaction index (ESI) to measure employees' views of their personal work situation, the company and its management. The most recent survey was conducted in late 2015 and showed a continued high level of satisfaction, great dedication, highly-regarded leadership and confidence in the management. The results are used as one of a number of tools for advancement of the company. We also conduct an annual evaluation where employees provide feedback to their manager based on a number of identified leadership qualities. The result of the evaluation is used as an individual development tool for the company's managers.

Skills development
Skills development occurs via external and internal training courses and through exchange of knowledge among colleagues. During 2017, Wallenstam's employees participated in training courses in property management and operation, updates to construction rules, law and finance, among other areas. In addition, all employees attended lectures and gained knowledge about how stress impacts us, and how we can identify and reduce stress.

Code of Conduct and values
Wallenstam's long-term success depends on the operations being conducted in a responsible way. Work at Wallenstam is governed by decision-making and authorization orders, policies, guidelines and instructions, which are important for clearly defining the company's standpoints and working methods for the entire organization. The day-to-day operations are conducted on the basis of the Group's core values; progress, respect and commitment. The Code of Conduct is based on our core values and emphasizes the policies and guidelines that govern the Group in relation to employees, customers, suppliers and partners. The goal is to have an environmental, social and commercial commitment in everything we do. We shall comply with laws and regulations, and apply responsible business methods – characterized by high business ethics and good business practice. The Ethics Council is the body that works centrally in the Group on advancing the Group's anti-corruption work, and it conducts risk analyses in the area and proposes possible measures.



Vasagatan 33, Lorensberg 50:1, Gothenburg



MARKET OUTLOOK

Despite a comparatively high new construction rate in recent years, there is currently a major housing shortage in Sweden, particularly in metropolitan areas, which are characterized by strong growth and large inflows of people. Demand for both housing and commercial premises is strong.

Wallenstam is both a project developer and a property owner and also has property holdings, which are well-balanced between residential and commercial properties. This combination provides us with valuable competencies in management and urban development work and also contributes to the low risk profile of the company. Our properties are found in attractive locations in Gothenburg, Stockholm and Uppsala.

Strong demand for rental apartments and premises

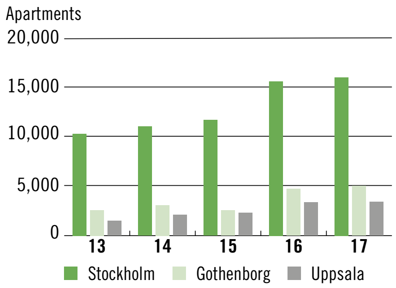
The need for housing is still very considerable, and we see continued strong demand for our newly produced rental apartments. We have many applicants for our apartments via the municipal housing agencies in Stockholm and Uppsala and Boplats Göteborg in Gothenburg. In our own queue, where half of our new production in Stockholm and Uppsala is supplied, we had more than 35,000 people registered at year end 2017.

The local market development is related to the level of new construction, demand and rental trends. In Gothenburg, where Wallenstam's commercial holdings are located, there has been an imbalance for several years with higher demand than supply, which has led to a strong rental trend. The prime rent, the highest rents in the most fashionable locations (based on observed lettings over 500 sq m), is about SEK 3,200 per sq m in the CBD (Central Business District) and SEK 2,600 per sq m in the rest of the inner city, according to the property consultancy JLL. New production volume of commercial floor space was 18,000 sq m during 2017, which was a decrease compared to last year. The vacancy rate in Gothenburg was just over 5 percent overall.

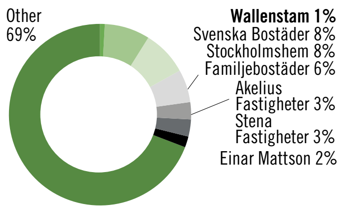
Apartment construction starts

Housing production in Sweden has increased in recent years, but there is still a huge need for more homes. The National Board of Housing estimates that 600,000 new apartments need to be provided in Sweden over the next 9 years, of which about 320,000 are

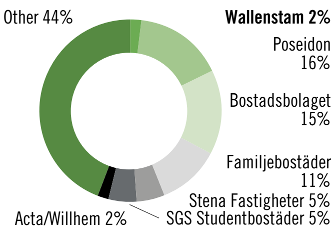
STARTED APARTMENTS IN WALLENSTAM'S MARKETS



MARKET SHARES RENTAL APARTMENTS STOCKHOLM*

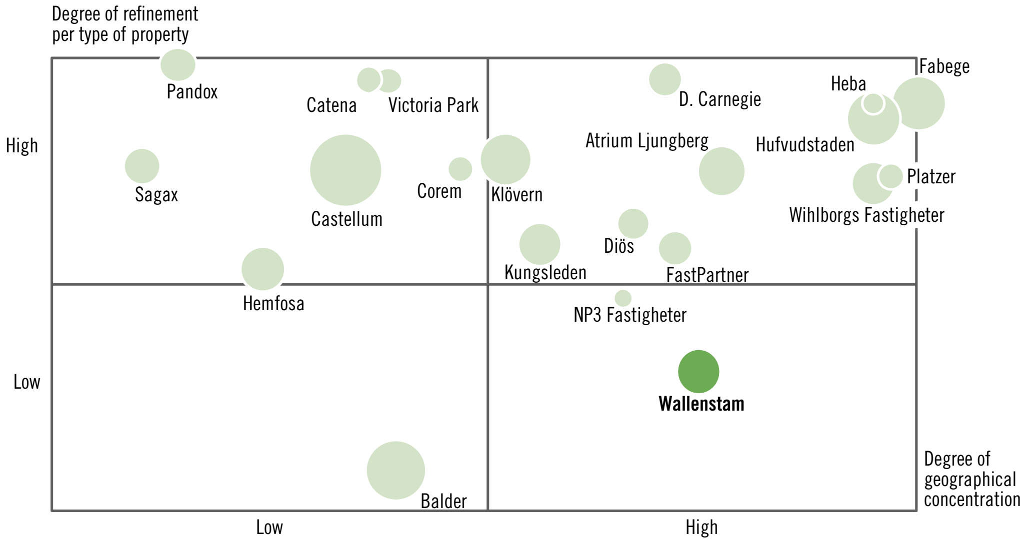


MARKET SHARES RENTAL APARTMENTS GOTHENBURG*



* The market share consists of the number of rental apartments in relation to the total number of rental apartments according to Statistics Sweden.

WALLENSTAM'S CONCENTRATION STRATEGY



Wallenstam's concentration strategy leads to a high level of geographical concentration. The mix of well-located residential property holdings in Stockholm and Gothenburg and commercial holdings focused on the Gothenburg market, means that the degree of property specialization is slightly lower.
Source: Brunswick Real Estate IB AB

MATHIAS ARONSSON

Vice CEO Wallenstam AB, Regional Director Stockholm and Uppsala business area

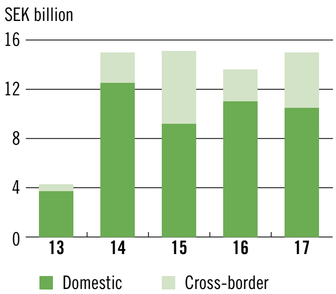
"The housing market in Stockholm was characterized by strong demand and a high new production rate during 2017. During the fall, it became very clear that the high price rises in the co-op apartment had peaked and interest among buyers began to cool off. In light of this, we opted to convert our ongoing co-op apartment projects into rental apartments.

If the development in the co-op apartment market leads to fewer construction starts of co-op apartment projects generally, it may result in a different price model on the construction side. This may benefit us in our new constructions of rental apartments.

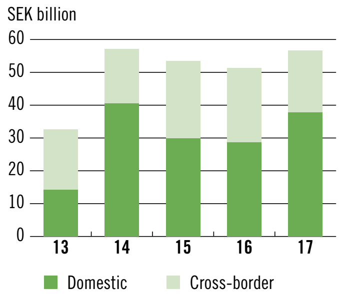
Even if demand for more expensive co-op apartments has fallen, there is still a housing shortage in both Stockholm and Uppsala. The need and demand for rental apartments is huge, which is clearly noted when we let our apartments, both newly produced and those in our existing holdings. In 2017, we completed many projects, which meant more properties under management and a record number of occupations during one year – more than 720. In Uppsala, we have now established ourselves as a player, with completed properties, ongoing projects and a local office where we can meet our tenants.

Several projects we have been working on during the year are now approaching start of construction, and we are continuing to create the right conditions for future projects. During the year, we received land allocations, including in Barkarbystaden, Järfälla, where we have already completed two new construction projects, and in Österåker, a new municipality for us."

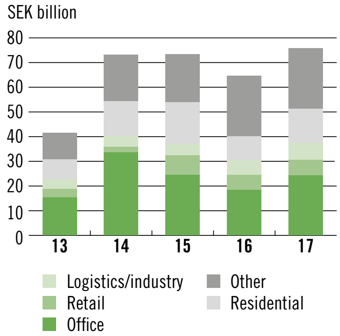
TRANSACTION VOLUME – GOTHENBURG



TRANSACTION VOLUME – STOCKHOLM



TRANSACTION VOLUME IN WALLENSTAM'S MARKETS PER SECTOR



required as early as 2020. This implies an average annual rate of more than 80,000 units.

During 2017, construction started of about 18,500 apartments in the Stockholm region, a small increase compared to the previous year. Just over 85 percent of these homes were in the form of apartment blocks. In Uppsala, about 4,200 apartments were started, of which more than 80 percent were in the form of apartment blocks and overall construction was in line with 2016. Housing construction increased in Gothenburg during 2017 by almost 5 percent, when about 6,400 homes were started. Of these, just over 5,000 apartments were in the form of apartment blocks. In 2017, Wallenstam started construction of 491 apartments in Stockholm and Uppsala and 295 units in Gothenburg and Helsingborg.

Rental and cooperative apartments

As an urban developer and Sweden's largest private rental apartment producer for own management, we work intensively to provide the market with new housing in pleasant and attractive locations. We believe in rental apartments as a form of tenure. It is a flexible and convenient form of housing, which requires no risk on the part of the tenant. It also acts as a lubricant in society, for instance when someone needs to move home quickly for work or some other reason. It is also an important factor for companies with recruitment needs, particularly in order to attract international talent. For these reasons, rental apartments are crucial for the growth of cities and development of the business sector.

In recent years, a smaller proportion of our new construction projects have consisted of cooperative apartments. During fall 2017, a slowdown was noted in the strong price increase of recent years in the co-op apartment market, particularly in the Stockholm region. For Wallenstam, this signal became clear in connection with the start of sales of our Orangeriet Solberga project in Stockholm and we opted to convert the project into rental apartments. Two of our other co-op apartment

MARINA FRITSCHE

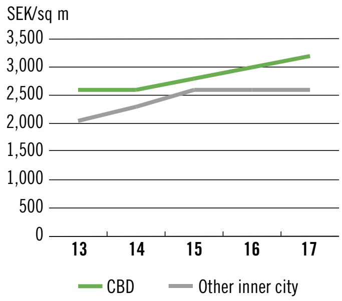
Regional Director Gothenburg business area

"During the year, we developed a number of major zoning plans, which involved intensive work in collaboration with the municipalities. Both Kallebäcks Terrasser and Mölnlycke Fabriker are approaching start of construction. In Stallbacken, Mölndal, we helped to put a new residential area on the map through our construction of almost 600 apartments. Tenants have moved into the first completed buildings, and we began the final phase during the fall.

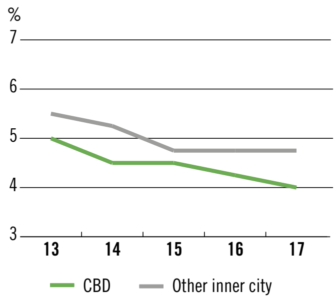
We took account of developments in the co-op apartment market and converted a co-op apartment project into rental apartments. There is still huge demand for the apartments we produce. We do not see any slowdown and the need for housing remains very strong in the region.

Demand for office premises is also strong and vacancies are very low in the locations where our commercial properties are found, i.e. in central Gothenburg. We can see that factors such as increasing e-commerce and competition from shopping malls pose a challenge for city center trading. As a landlord and property owner, we are countering this through a great commitment to strengthening urban space, among other ways, by creating experiences that complement trading. The right offerings, meeting places and environments that attract visitors, creates a lot of hustle and bustle and thereby also potential customers for the various businesses operating in our premises."

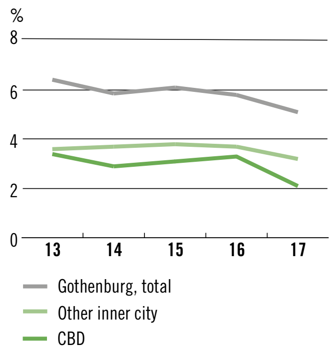
RENTAL RATES OFFICES IN GOTHENBURG



YIELD REQUIREMENTS FOR OFFICE PROPERTIES IN GOTHENBURG



VACANCY RATES OFFICES IN GOTHENBURG



COMPETITION ANALYSIS COMMERCIAL MARKET, GOTHENBURG (Source: JLL)

Property company	Floor space, sq m	Market share, %*
Wallenstam	**455,000**	**8.8**
Castellum Väst	508,000	9.8
Platzer	451,000	8.7
Vasakronan	410,000	7.9
Balder Göteborg/Väst	360,000	6.9
Bygg-Göta	230,000	4.4
Other	2,786,000	53.5
Total	**5,200,000**	**100.0**

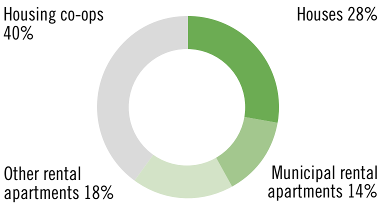
* Market share is calculated on the basis of each property owner's floor space in relation to the total floor space in Gothenburg as assessed by Business Region Göteborg.

REGIONAL DATA (Source: JLL)

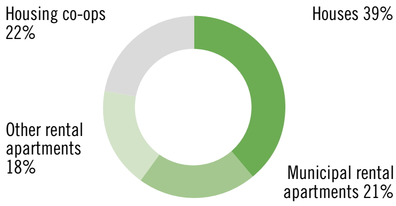
	GREATER GOTHENBURG Outcome 2017	GREATER GOTHENBURG Trend 2018	STOCKHOLM COUNTY Outcome 2017	STOCKHOLM COUNTY Trend 2018	UPPSALA COUNTY Outcome 2017	UPPSALA COUNTY Trend 2018
Number of inhabitants	1,012,569	↗	2,308,143	↗	368,971	↗
Net inflows, number of inhabitants	15,123	↗	39,083	↗	7,598	↗
Unemployment, %	5.7	↘	5.8	↘	4.9	→
Employment, %	68.4*	↗	71.9	↗	67.9	→
Housing						
Rental rate new builds SEK/sq m/year	1,800–2,200	→	2,100–2,500	→	1,700–2,100	→
Vacancy rate, %	0	→	0	→	0	→
Yield level, %	2.25–3.50	→	2.0–3.25	→	3.0–4.0	→
Number of apartment starts, units	5,052	↗	16,076	↗	3,417	→
Rental market, size, SEK billion	12.2	↗	26.1	↗	2.8	↗
Rental market growth compared to 2016, %	2.1		10.6		3.7	
Offices central location						
Rental rate "A" location SEK/sq m/year	2,600–3,200	↗				
Vacancy rate, %	2.1	→				
Yield level, %	4.00–4.75	→				
Retail central location						
Rental rate "A" location SEK/sq m/year	6,000–12,000	→				
Vacancy rate, %	0–3	→				
Yield level, %	4.25	→				
Total commercial market size (Gothenburg), sq m	5,200,000	↗				

*Refers to the whole of Västra Götaland County.

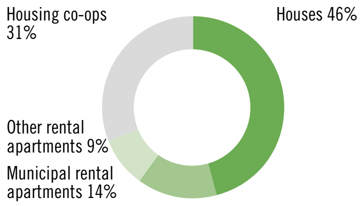
HOUSING DISTRIBUTION BY TYPE, STOCKHOLM



HOUSING DISTRIBUTION BY TYPE, GOTHENBURG



HOUSING DISTRIBUTION BY TYPE, UPPSALA



projects in Gothenburg and Stockholm were also converted into rental apartments later in the year.

Transaction market trend

Growth was strong in Sweden, particularly in metropolitan areas. Interest in property investments also held up during 2017, due to the continued low interest rate level and low yields from other asset classes, which contributed to continued activity in the transaction market. According to the property consultancy JLL, transaction volume in 2017 was about SEK 155 billion in total, 26 percent lower than the record year 2016, but an increase compared to the years 2014 and 2015. In Stockholm, transaction volume reached SEK 56 billion during the year, which corresponded to 36 percent of Sweden's full-year volume and an increase of 11 percent compared to 2016. The total volume in Gothenburg during the full-year 2017 was about SEK 15 billion, which was 10 percent of Sweden's overall volume and an increase of 5 percent compared to 2016.

Energy market

The Swedish Government has a goal to increase the proportion of renewable energy in the Swedish energy system. Between the years 2002 and 2020, production of renewable energy should increase by 30 TWh, and between 2021 and 2030 by 18 TWh. This will generate a total increase in renewable electricity of 48 TWh in the system, which in total consists of 140 TWh.

Swedish wind power production broke all records in 2017. Total wind power production amounted to 17.6 TWh (15.4) during the year, which was an increase of 14 percent compared to the previous year. During the year, 59 new wind turbines were installed contributing to the total of 3,437 wind turbines (3,378) at year-end with a total output of 6,691 MW (6,495).

The Nordic electricity market is unified, and electricity trading mostly takes place via Nord Pool, the electricity exchange in Oslo. Grid fees and taxes are government regulated while the cost of the electricity itself is the part of the consumer price that is exposed to competition. Simplified, the price of electricity can be said to comprise two elements, the spot price and the price of renewable energy certificates.

Higher electricity prices

After two years of varying electricity prices, 2017 was a comparatively stable year, where the spot price was around 30 öre per kWh. The price of coal also increased sharply during the year, which meant that the electricity price also increased, despite a greater supply of renewable electricity production. The futures market was uneventful during the first six months of the year, but the price rose sharply after that.

Renewable energy certificates

A renewable energy certificate system was introduced in Sweden in 2003 to promote the development of renewable energy, such as wind, solar, hydroelectric power and biofuels etc. It is a market-based support system structured so that renewable electricity producers receive a certificate for each MWh of electricity generated. Demand is regulated through a so-called quota obligation, which means that it is obligatory for electricity suppliers and certain consumers to purchase a given quantity of certificates in relation to their electricity supply/consumption. The renewable energy certificate system is financed through a surcharge on the electricity price for consumers. The government's goal for new renewable energy of 18 TWh between the years 2021 and 2030 in combination with regular adjustment in the checkpoint for 2017, has led to new quota obligations for the years 2018-2045. This means a change in the quota obligation as of January 1, 2018 from 24.7 percent to 29.9 percent.

KARIN MIZGALSKI

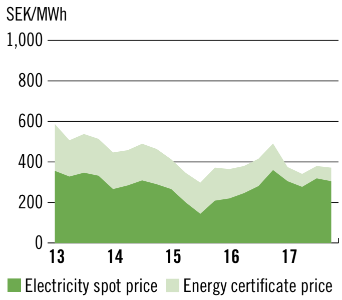
CEO Svensk NaturEnergi AB

"It was slightly windier than normal during 2017. Good wind resources combined with increasing electricity spot prices during the year of course generated excellent revenues for us as a producer of electricity from wind power. However, the renewable energy certificate market was characterized by falling prices during the first half of 2017. A contributory reason was the protracted decision-making process regarding the design of the system from 2020 and beyond, which created an uncertain market.

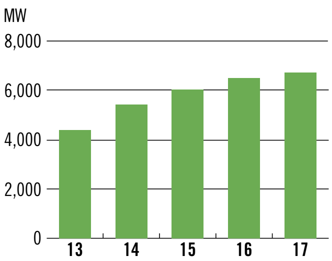
What is gratifying is that Svensk NaturEnergi during 2017 enjoyed very good, positive cash flow. This shows that our management and end customer business is performing very well. During the year, we worked with measures to boost production in our existing holdings, and thus increased the capacity of our turbines. These measures consisted of software upgrades, capacity increases in transformers and improved control of wind turbines in relation to noise restrictions. Taken together, these efforts increased our annual production by about 4 percent. I can also confirm that our "top ten customers" are expanding and therefore their electricity needs are increasing, which means that our deliveries are also growing to existing customers.

It is once again time for an increase in the quota obligation as of January 1, 2018, which was approved by the government in April 2017 according to decision data from the Swedish Energy Agency. The increase from 24.7 percent to 29.9 percent is a change that benefits players like us, which are focused exclusively on green electricity production."

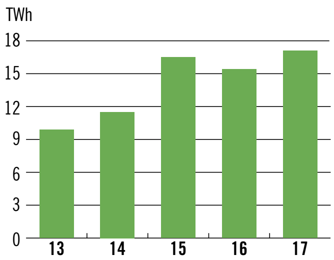
TOTAL ELECTRICITY SPOT AND ENERGY CERTIFICATE PRICE, PER QUARTER



INSTALLED EFFECT WIND POWER IN SWEDEN



ANNUAL PRODUCTION WIND POWER IN SWEDEN



PROPERTY MANAGEMENT

At year-end, our 211 properties had a property value of about SEK 41 billion. Residential properties are concentrated in the growth regions of Gothenburg, Stockholm and Uppsala. The commercial properties are concentrated in Gothenburg's inner city.

Property holdings

Investment properties include properties under current management and property development projects for the company's own holdings that are under construction or conversion. Properties built for sale as co-op apartments, as well as development properties constructed for sale, are not considered investment properties. We have a well-balanced mix of residential and commercial properties in good, attractive locations and built to excellent standards. About 40 percent of our residential holdings were built 15 years ago or less. Our residential properties are located in the metropolitan regions of Stockholm and Gothenburg where we manage around 4,000 and 3,600 apartments, respectively. In Uppsala, we manage 400 apartments. Apartment sizes correspond well to market demand. 67 percent of the apartments have 1-2 bedrooms. Our typical apartment is a 1 bedroom apartment of 63 sq m. Our commercial holdings, mainly consisting of office and retail space, are concentrated in inner city locations and attractive office locations in Gothenburg. In all, we have around 1,000 commercial tenants. The total area of our property holdings amounts to about 1.1 million sq m.

Acquisitions and divestments

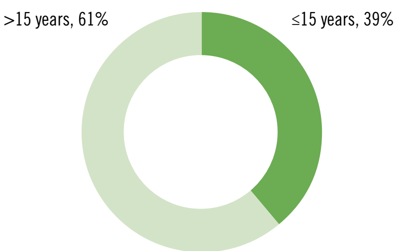
During the year, we sold properties with a floor space of around 25,000 sq m for about SEK 0.6 billion, at prices that on average exceeded the latest valuation by 2 percent. This represents average annual value growth under our management of 4.2 percent. During the year, Wallenstam carried out a structural transaction with Castellum, where Wallenstam sold two properties at Mölndalsvägen in Gothenburg, and acquired one property in Mölnlycke and one in Gothenburg, which is located adjacent to the urban development project Kallebäcks Terrasser. Other sales included Vildvinet 1 in Helsingborg, which was acquired by Willhem. We also acquired three further properties in Gothenburg and four co-op premises and land with building rights. The property transactions provide opportunities for future new construction, which will generate value growth and add homes to the market.

Active letting

The occupancy rate in our properties is stable at 98 percent in terms of floor space.

The shop Heyday is one of our tenants on Kyrkogatan in Gothenburg.

RESIDENTIAL PROPERTIES, AGE STRUCTURE

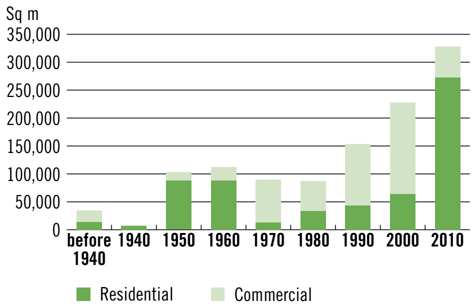


PROPORTION RESIDENTIAL PROPERTIES

54 percent

of the properties consist of residential properties. Commercial properties account for 41 percent, and public use properties for 5 percent.

PROPERTY HOLDINGS AGE STRUCTURE

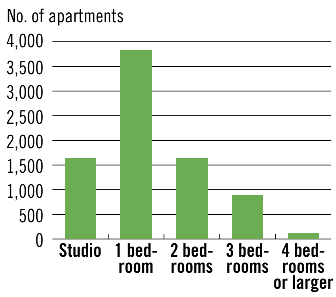


GEOGRAPHICAL DISTRIBUTION

66 percent

of the property floor space is found in Gothenburg, 32 percent in Stockholm and 2 percent in Uppsala.

DISTRIBUTION, APARTMENT HOLDINGS



PROPERTY HOLDINGS, SQ M THOUSANDS

Type of premises	Dec 31, 2017	Dec 31, 2016	Change
Residential	**507**	477	30
Office	**234**	226	8
Retail	**111**	111	0
Industry/ warehouse	**112**	88	24
Education	**36**	36	0
Other	**36**	37	-1
Garage	**108**	100	8
Total	**1,145**	1,074	71

CAREFUL WORKMANSHIP PRESERVES BEAUTIFUL BUILDINGS

Several of our commercial properties in Gothenburg are old, distinguished buildings, as much as one hundred or one hundred and fifty years old. Just like all properties, these need to be looked after, and our older buildings require special care as well as solid craftsmanship. During 2017, we finished the renovation of one of the beautiful, older properties in our holdings. The building was constructed in 1850 and is located on Basargatan/Lilla Korsgatan, just beside Vallgraven in central Gothenburg.

Among other things, we renovated and painted the façade, repaired the detailed ornamentation and put in new windows in the same style as the original ones. Through careful workmanship, the beautiful dome was renovated and the entire building gained a new copper roof.

Our apartments are fully let and we notice strong demand for apartments in our regions. During 2016, we launched our own housing queue for our newly constructed apartments in Stockholm and Uppsala, where more than 35,000 people had registered as of year-end 2017. Half of the apartments in our newly constructed properties in Stockholm and Uppsala are allocated via our own queue and half via the municipal housing agency in each city. In Gothenburg, all of our new construction projects are advertised on Boplats Göteborg.

The average relocation rate in the existing holdings during the year amounted to 12 percent in Stockholm and 15 percent in Gothenburg. During the year, about 790 newly constructed apartments became ready for occupation and the work with viewings and signing up tenants and occupation is increasing in line with completion of our new construction projects. Processes and routines for this were further developed and refined during the year, to improve the customer experience and our own efficiency.

The occupancy rate in our commercial properties amounted to 96 percent at year-end in terms of floor space. There should be some vacancy in the commercial holdings to effectively meet changing customer needs. The low vacancy rate in our CBD holdings has implied a challenge in terms of being able to offer larger premises to existing commercial tenants, which are expanding. Close collaboration with the customer and great commitment helps to find solutions that work based on customer needs for more commercial space. The total rental value of unlet commercial space amounted to about SEK 59 million at year-end. We have good knowledge of the local market and show great commitment in taking care of customer relationships, which is a good basis for successful letting operations. During the year, we signed about 130 new agreements, covering approx. 28,000 sq m.

Rental income

Rental income in 2017 amounted to SEK 1,701 million (1,607), an increase of SEK 94 million. Rental income from our completed new construc-

DELIVERY ROOM FOR SIMPLE E-COMMERCE

In line with increasing e-commerce, more services are being requested that simplify handling of deliveries and returns for the customer. In collaboration with Qlocx, we arranged a delivery room in one of our properties in Hammarby Sjöstad. Through a mobile app, tenants in the 135 apartments are offered a simple and secure way to collect their packages.

All packages are delivered to our partner, which then sends on the packages by bike to our property – also reducing trucks transports in the environmentally-designed city district. It is also possible to expand the concept to include deliveries of bags of groceries, for example.

This is a solution that is being tested within the framework of Wallenstam's "Housing of the future" focus area, where we look at how developments and trends in society influence how people want to live and reside in the future. The delivery room is a pilot project, which will be gradually evaluated and possibly introduced in more of our properties.

tion, and our successful new lets and renegotiations in the commercial holdings contributed to the increase. Leases for apartments and parking spaces run for three months with automatic renewal, and rents are generally renegotiated once a year. During 2017, rent increases for our apartments amounted on average to 0.9 percent in Stockholm. In Gothenburg, rental negotiations resulted in an average rent increase of 1.3 percent for both 2016 and 2017 combined, effective from April 1, 2017.

The average lease term in our commercial holdings is 2.2 years (2.4). Some 19 percent (8) of contracts' rental value may be renegotiated during 2018 but a business assessment is made for every lease. Rental agreements above SEK 1 million constitute 69 percent of the Group's commercial rental income. Rental rates for our commercial properties increased by 4.1 percent in comparable holdings, as a result of completed new lets and renegotiations. Apart from rent increases through renegotiated commercial contracts, cost index escalations in running leases for our premises contributed to an increase in rental rates of 1.3 percent.

Management with customers in focus

We aim to continually improve in our landlord role and meet customer expectations in the best possible way. Through telephone calls, e-mail and personal contacts, we meet our customers every day, including through our customer service that receives reports of defects and viewpoints. We also conduct annual surveys among our tenants in order to take care of customer wishes and viewpoints in a structured way. The results give us valuable feedback about what our customers think of their apartment or premises, their property and area but also feedback about our service and Wallenstam generally. The results are analyzed by district and by property and form the basis of action plans for the operations in the coming years. These measurements enable us to follow up our guiding principle that the proportion of tenants willing to recommend Wallenstam should increase annually. The results from the latest survey conducted during fall 2017, showed that a large proportion of customers are willing to recommend Wallenstam as a landlord to others. Wallenstam gets the best praise from customers in the areas of treatment and availability. Feedback is an important question for customers and is something we are continually working to improve.

Development of our properties

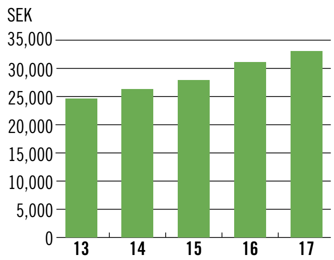
Through the work on developing apartments, premises, properties and surrounding areas, we create value for our customers, visitors, the company and our shareholders. Management and the day-to-day operations are conducted with sustainability in focus and according to developed plans, routines and processes. We have continued our efforts to improve public spaces in and around properties in large parts of our holdings in order to create safe and pleasant environments to stay and socialize in. Apart from the planned maintenance for each prop-

THE TEN LARGEST COMMERCIAL TENANTS

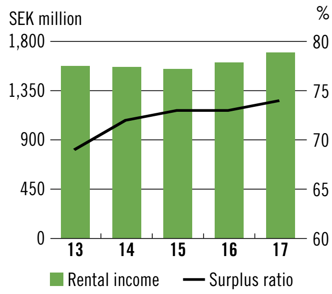
Tenant	Floor space, sq m
City of Gothenburg	23,181
SF Bio AB	14,508
Academedia AB	13,682
SCA Hygiene Products AB	13,317
Gothenburg Regional Archives	11,000
Migration Agency	8,936
Sodexo AB	7,596
ICA Fastigheter AB	6,906
Folkuniversitetet	6,308
Frisk Service i Göteborg Aktiebolag	6,212
Total	**111,646**

At year-end, the rental value of our ten largest tenants corresponded to 9 percent of the total rental value or 17 percent of the rental value in the commercial holdings. The let area is equivalent to 20 percent of the total floor space in the commercial holdings.

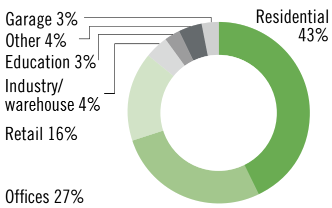
PROPERTY VALUE PER SQ M



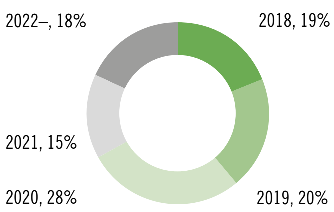
RENTAL INCOME AND SURPLUS RATIO



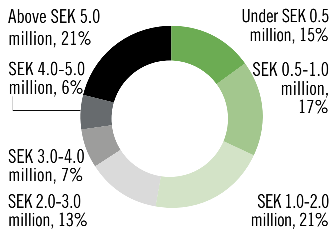
DISTRIBUTION OF RENTAL INCOME 2017 BY TYPE OF PREMISES



VALIDITY, RENTAL AGREEMENT PREMISES, RENTAL VALUE



RENTAL AGREEMENT SIZE, PREMISES



EMPTY GARAGE WITH DREARY FAÇADE BECAME A POPULAR WINE BAR FOR NEW MEETINGS

Until last summer, the façade of our property on Andra Långgatan in Gothenburg consisted of large garage doors, which concealed a distribution board, a refuse storage room and an old loading platform. The former bakery business closed long ago and the premises on the top floor consisted of office space.

We estimated there was huge potential – the property is located in an area that is growing in popularity, and with a visitor base in the form of residents as well as those working in the area. The property also became a typical example of how we work on finding solutions to eradicate lifeless façades and create new target points for city center experiences, something that contributes to increased wellbeing, safety and to the attractiveness of the area.

After approximately one year of planning and finding the right businesses for the premises, the reconstruction work began. In April 2017, the wine bar Tvinky opened its doors and has now become a popular and well-frequented place to socialize and enjoy good food and drinks.

erty, we are implementing standard-enhancing measures, for instance through individual options according to tenant wishes or renovation of an apartment when a tenant moves out.

In the commercial holdings in Gothenburg city center, we continued our work during the year on modernization and maintenance of a number of properties. On Avenyn, we completed the Mid Avenue Valand project where the Convendum business service center moved into "Mässingshuset", and several businesses are gradually opening in the new premises facing Teatergatan. In several commercial properties, energy saving projects were carried out, something that reduces the properties' operating costs while improving climate comfort for our tenants. We are also strongly committed to the development of our commercial premises in order to create the best conditions for the various businesses conducted. For example, we are making adaptations based on customer needs and improvements of the property and surrounding area to create pleasant working environments. It is important for us to develop places and experiences that contribute to a vibrant streetscape and good customer potential for the tenants operating businesses on the ground floor. The regular Bruksgatan Market event in Mölnlycke Fabriker and the FoodMarket on Magasinsgatan in Gothenburg are a couple of examples. Activities take place both on our own initiative and together with other local players, and with the city and joint action associations such as Avenyföreningen and Innerstaden Göteborg.

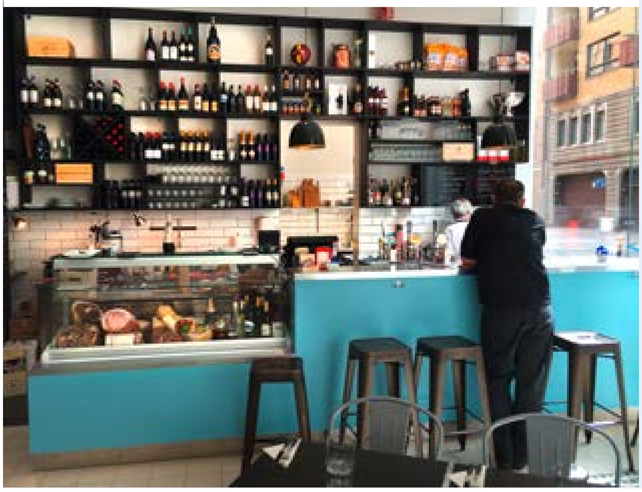
Value of apartment buildings

The market value of investment properties amounted to SEK 41,410 million (36,555) at year-end, and includes both completed newly-produced properties in operation and apartment buildings for our own management under construction. Excluding new constructions in progress, this is equivalent to about SEK 33,100 per sq m (31,100). The increase was mainly due to our new construction projects coming into operation and our work on refinement, management, operational optimization and letting. Our own work with cost-efficient new construction and property development are important components of sustainable and profitable value growth. During 2017, SEK 2,447 million (2,245) was invested in investment properties, of which SEK 615 million (223) related to acquisitions and SEK 1,832 million (2,022) related to work on new constructions, extensions and reconstructions. The value creation achieved through our cost-efficient new construction of investment properties, is reported separately in the income statement. This also includes the profit from newly constructed apartment buildings for our own management during the construction phase until completion. Changes in value arising after newly constructed properties have been taken into operation for a full calendar year are included in the unrealized changes in value that are recognized for the entire holdings.

CHANGES IN VALUE

	SEK million
Changes in value, existing properties incl. reconstruction projects	1,755
Changes in value during the year, sold properties	68
New construction	733
Unrealized changes in value	2,556
Realized changes in value, investment properties	13
Total changes in value, investment properties	2,569

A property's unique characteristics determine its value. In rental income, great emphasis is placed on location, standard and security. Our property holdings are concentrated in good locations in attractive metropolitan regions and hold their value well regardless of the economic cycle.



KOPPARHUSET – WEST SWEDEN'S SMARTEST PROPERTY 2017

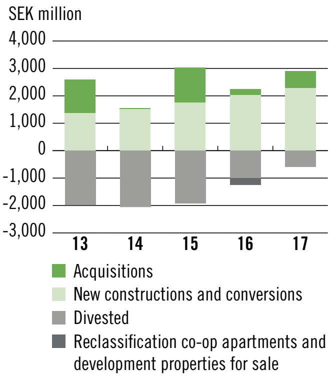
We are very happy and proud to have received the prize "West Sweden's smartest property", which is awarded by Fastighetsägarna and trade fair arranger Easyfairs.

Prior to the development of the property that is now known as Kopparhuset, on Gothenburg's most distinguished street Avenyn, it was important for us to take account of aesthetics, sustainability and the complexity of the property. We wanted to strengthen the attractiveness and trade on Avenyn and add apartments to provide more people and life in the city for more hours of the day. We also saw an opportunity to make the property extra climate-smart where a geothermal heating unit supplies the property with electricity and the distribution station is powered by our internally-produced renewable electricity.

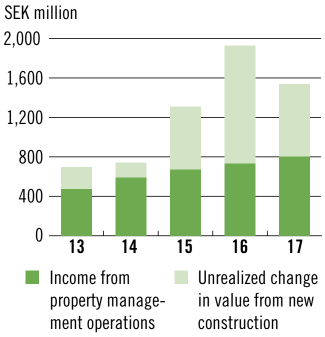
After a couple of years in operation, we can see that this was a successful investment. Geothermal heating supplies the entire property, essentially the whole block, with green electricity and cooling, and the energy usage is completely CO_2-free. We have added new rental apartments on Teatergatan, which together with the new stores and restaurants, has given Teatergatan a completely new vibrancy. The street is perceived as safer and the restaurants and cafes that opened have become meeting places for both nearby residents and visitors.

Kopparhuset has also become a landmark in the area thanks to its exciting architecture and copper façade. Our newly constructed stores on Avenyn and Teatergatan are totally unique in Gothenburg in terms of their design and have helped to improve the attractiveness of Avenyn, which is creating value for the area's property owners and shopkeepers.

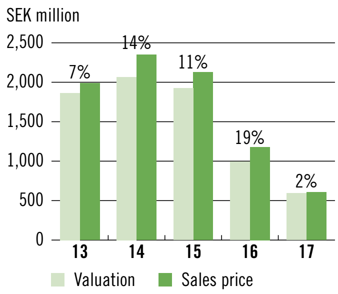
ACQUISITION, CONSTRUCTION AND SALES OF INVESTMENT PROPERTIES



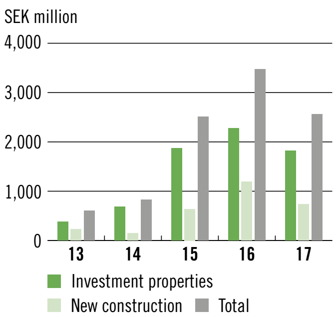
THE ORGANIZATION IS CREATING VALUE



VALUATION/SALES PRICE SOLD PROPERTIES



UNREALIZED CHANGES IN VALUE INVESTMENT PROPERTIES

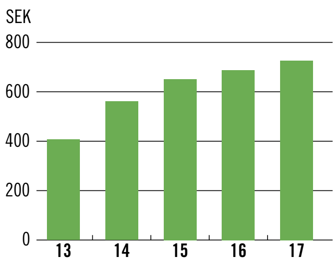


COST-EFFICIENT NEW CONSTRUCTION CREATES VALUE

SEK 733 million

of the unrealized changes in value during the year came from our own new construction work.

INCOME FROM PROPERTY MANAGEMENT PER SQ M



PROPERTY VALUATION

Wallenstam measures all of its investment properties internally at fair value. We enjoy good market and property intelligence through active property trading, which provides us with a firm basis for performing internal valuations of our property holdings. However, we must emphasize that a property's fair value only becomes a reality when the property is sold, for which reason a valuation is always an estimation.

Development properties and new construction of co-op apartments are valued at cost.

Valuation at fair value

Investment properties are valued at fair value and are divided into four different categories:

- Investment properties in operation
- New construction in progress of rental apartments for own management
- Investment properties undergoing comprehensive reconstruction
- Land and building rights.

Investment properties in operation

Investment properties in operation are valued at fair value through a yield valuation. Every year, we carry out a great number of valuations. Some relate to our own property holdings and others are properties under consideration for acquisition. Analysis of these property transactions, completed or not, is one of the parameters considered during the valuation. Property values depend on market conditions, which change over time. Analysis of rental rates, contract lengths, vacancy and rental trends is conducted. Even existing tenants and credit market conditions are analyzed and considered.

We used different yield requirements in our assessments of property values. These are based on each respective market. The yield requirements reflect market conditions and differ based on where a property is located, condition, type of property, etc.

As our properties are valued individually, the portfolio premium that may exist in the property market is not taken into consideration.

Properties that are contracted for sale with taking of possession after closing day, are valued at the selling price from the contract date.

During 2017, demand for properties remained high with a general price increase for properties combined with lower yield requirements as a consequence. The average yield requirement for Wallenstam's commercial properties amounted to 4.7 percent and to 3.2 percent for residential properties.

A yield value means that the net operating income of each individual property is divided by the yield requirement for the property concerned. The computed yield value is then compared with current price statistics for similar properties. Location premiums are added in cases where the yield requirement deviates from prices for the area.

WALLENSTAM'S VALUATION MODEL

+	Rental value
-	General vacancies of 3 percent in the commercial holdings
-	Operating costs including property tax, excluding administration
=	Net operating income
/	Yield requirement of the property
=	The property's gross yield value
-	Two years' rent for vacant floor space
-	Planned investments and significant repairs
+/-	Present value of temporary additions/ deductions
+	Location adjustment
=	**Estimated market value of property**

New construction in progress of rental apartments for own management

The fair value of new construction in progress of rental apartments for own management is determined as cost plus the estimated surplus on the completion date in relation to the degree of completion of the construction. The degree of completion in turn is based on the costs incurred.

Investment properties undergoing comprehensive reconstruction

The fair value of investment properties undergoing comprehensive reconstruction is based on the value prior to reconstruction plus subsequent costs incurred during the reconstruction project. When the building is completed or when critical factors such as rental rates have been determined with reasonable certainty, the property is again valued according to the yield valuation model.

Land and building rights

Land rights and building rights for zoned land are valued at market value using the comparative method.

Valuation at cost

Development properties and co-op apartments

A development property is a property, for example an apartment building, which is constructed with the intention of being sold upon completion. Co-op apartment properties are properties that are constructed with the intention of being sold as co-op apartments upon completion. Development properties and new constructions of cooperative apartments are continually recognized at cost and profit/loss is recognized when each co-op apartment/property is completed, sold and handed over to the customer.

AVERAGE YIELD REQUIREMENTS INVESTMENT PROPERTIES

Place	Property type	%
Stockholm	Residential	3.2
Stockholm	Commercial premises	4.3
Gothenburg	Residential	3.2
Gothenburg	Commercial premises	4.9

PROPERTY VALUE USING OTHER YIELD REQUIREMENTS

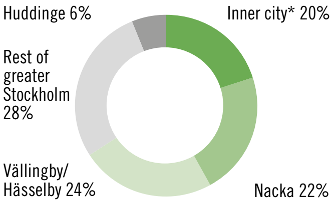
	SEK million
0.50 percentage points lower	47,460
0.25 percentage points lower	44,185
Property value according to our estimate	**41,410**
0.25 percentage points higher	38,998
0.50 percentage points higher	36,904

PROPERTY OVERVIEW

	Stockholm business area	Gothenburg business area	Total 2017	Comparison 2016
Residential				
Floor space, sq m, thousands	267.7	239.6	507.4	476.7
Proportion of total floor space, %	69.1	31.6	44.3	44.4
Proportion of rent, %	80.6	28.1	43.4	41.4
Average rent, SEK/sq m	1,612	1,531	1,574	1,501
Office				
Floor space, sq m, thousands	31.8	202.2	234.0	225.7
Proportion of total floor space, %	8.2	26.7	20.4	21.0
Proportion of rent, %	8.6	34.4	26.9	27.8
Average rent, SEK/sq m	1,445	2,223	2,117	2,128
Retail				
Floor space, sq m, thousands	17.3	93.5	110.8	110.5
Proportion of total floor space, %	4.5	12.3	9.7	10.3
Proportion of rent, %	3.5	20.7	15.7	16.8
Average rent, SEK/sq m	1,073	2,888	2,604	2,628
Industry/warehouse				
Floor space, sq m, thousands	15.2	97.2	112.4	88.4
Proportion of total floor space, %	3.9	12.8	9.8	8.2
Proportion of rent, %	1.2	4.9	3.9	3.4
Average rent, SEK/sq m	436	664	633	666
Education				
Floor space, sq m, thousands	3.2	32.3	35.5	35.8
Proportion of total floor space, %	0.8	4.3	3.1	3.3
Proportion of rent, %	1.4	4.1	3.3	3.5
Average rent, SEK/sq m	2,259	1,666	1,719	1,685
Other*				
Floor space, sq m, thousands	3.1	33.3	36.4	37.1
Proportion of total floor space, %	0.8	4.4	3.2	3.5
Proportion of rent, %	0.9	4.6	3.5	3.8
Average rent, SEK/sq m	1,564	1,809	1,788	1,765
Garage/parking spaces				
Garage space, sq m, thousands**	49.2	59.0	108.2	100.0
Proportion of total floor space, %	12.7	7.8	9.4	9.3
Proportion of rent, %	3.9	3.1	3.3	3.3
Total				
Floor space, sq m, thousands	387.5	757.2	1,144.7	1,074.3
Average rent, SEK/sq m***	1,522	1,820	1,717	1,715

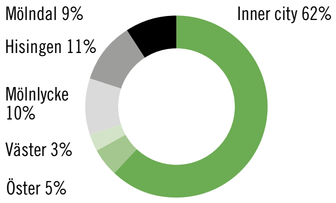
*Includes healthcare premises, etc. **Heated garage space ***Garage not included

PROPERTY HOLDINGS, DISTRIBUTION BY FLOOR SPACE, STOCKHOLM



* Incl. Hammarby Sjöstad and Uppsala

PROPERTY HOLDINGS, DISTRIBUTION BY FLOOR SPACE, GOTHENBURG



VALUE-CREATING CONSTRUCTION

Metropolitan regions are growing as people move to cities, and with that also the need for housing. Our construction creates value for the city, company and our shareholders – and makes it possible for more people to get their own home.

Our cost-efficient new construction process means that we can build quality housing while maintaining good control over production and costs. In this way, we create value growth in our projects through our own work, regardless of the market climate. At year-end 2017, we had about 1,950 apartments under construction.

Strong demand for new construction

The growth rate in terms of both population and employment is high in the regions we operate in – Gothenburg, Stockholm and Uppsala – and there is an extensive housing shortage. There is currently very strong demand for our new construction projects, something that is noted in our own housing queue, our own tenant bases for projects and in the number of applicants for every apartment.

Both residential and commercial

Wallenstam is both a construction company and a property management company, and also has a unique combination of residential and commercial properties. We offer a wealth of expertise in the development and densification of our cities with energy-efficient buildings and lively areas that people want to live in, work in and visit. We are increasingly working with urban development of the entire area, where an entire district will be developed or where the existing buildings will be preserved and supplemented with new ones. If a district is to come alive and work together with the rest of the city, a holistic view is needed to create a balance between housing and the provision of services required. It is about such things as planning for nursery schools, homes for the elderly and other municipal services as well as for retail stores and offices. Ensuring that everyday life functions for those who live and work in the area also poses a challenge during the construction phase.

By building mixed-use districts with different activities, the area gains the right conditions for a 24-7 city pulse with meeting places and access to services for those who live and work in the area.

One example is Tuletorget in Sundbyberg, where we have added new cooperative apartments, improved our existing rental apartment buildings and revitalized the square.

CO-OP APARTMENTS CONVERTED INTO RENTAL APARTMENTS

SOLBERGA, STOCKHOLM
Status: Under construction
Number of apartments, all phases: approximately 320

We are building about 320 apartments in total in Solberga, a popular area located close to Telefonplan in south Stockholm. The buildings we are constructing, in the two projects Orangeriet and Grönskan, are adapted to be harmonized with the existing 1950's development.

The Orangeriet project started out as a co-op apartment project with 170 beautiful, modern apartments in four buildings. During the start of sales, we noticed a weaker interest than expected and opted to convert the project into rental apartments. Since we calculate our projects as both rental apartments and co-op apartments, and only sell when the co-op apartments are approaching completion, we can be flexible and change the form of tenure quite easily when required.

Letting of the apartments is now in progress and occupation will occur during the first half of 2018. Tenants can enjoy a high standard of accommodation, with three-strip parquet and carefully selected color schemes throughout the apartments. There is also a common orangery in the courtyard where people can socialize with friends over dinner.

In the Grönskan project, located just beside Orangeriet, occupation of the 148 rental apartments has commenced and the project will be fully completed during spring 2018.

Wingårdhs

Wingårdhs


GAJD arkitekter

THE DEVELOPMENT OF AVENYN IS CONTINUING

STUREFORS, AVENYN AREA, GOTHENBURG
Status: Under construction
Commercial premises: approximately 3,500 sq m

On Lorensbergsgatan, a parallel street to Kungsportsavenyen, we have started the next project to densify and develop the Avenyn area. In the lower buildings facing Lorensbergsgatan, we are demolishing the upper floors, about 600 sq m of floor space, and are building six new office floors, which will be connected to the existing offices facing Engelbrektsgatan. The buildings will have the same height as the adjoining properties. In this way, we can provide more new, modern and efficient office premises to both our existing commercial tenants in the area that are expanding, and to new tenants that want to establish in a central and attractive location. The businesses in the ground floor – two restaurants – will essentially operate as normal during the construction phase.

In recent years, we have worked on improving and developing Avenyn by renovating façades, new building and adding apartments, stores and offices. A number of new businesses, such as a cinema, stores, cafes and restaurants have opened at premises on Avenyn and the parallel street Teatergatan. These investments have resulted in more life and movement and have contributed to the perception of a safer streetscape.

Now there are restaurants, a nursery school and other businesses providing services to residents and those visiting the area. Teatergatan in the Avenyn area in Gothenburg is another example of how we have helped to transform a back street into a place where people want to stay and socialize by providing more apartments and premises for various businesses.

Sustainable construction

For us, sustainable construction and development is something natural. Our new construction is continually improved to become more energy efficient with solutions to reduce negative environmental impacts. We are also keen to create areas and outdoor environments where the residents and visitors enjoy being in and feel safe. Read more about our sustainability work on page 24.

Strong project portfolio

Despite long planning processes and a lack of zoned land, we have a large number of ongoing projects, due to the fact that we work with many potential projects in parallel. Investments are primarily made in selected growth markets and in areas where we already do business, via new constructions or acquisition of properties with good development potential. During 2017, we acquired land with building rights for about SEK 135 million. We also obtained a number of land allocations, including in Gothenburg, Järfälla and Österåker, where the latter is a totally new municipality for Wallenstam. Taken together, we have a strong project portfolio with potential future production, which includes more than 12,000 apartments, with a mix of own land and land allocations.

Mainly rental apartments

We mainly build rental apartments, a form of housing we safeguard and that is needed in our society. However, we adapt the form of tenure to what is demanded and possible in each individual project and therefore also build cooperative apartments. Our process, where sales of co-op apartments only occur when we have completed the project, makes it possible for us to convert into rental apartments when we notice weaker demand for co-op apartments. Prior to the start of each co-op apartment project, an alternative calculation is made, in order to ensure that the project is also economically viable as rental apartments. During fall 2017, we converted 380 apartments, which were planned as co-op apartments, into rental apartments.

We started construction of 786 apartments during the year and completed eight properties with 789 rental apartments. In addition, we completed and sold 17 terraced houses with right of ownership in Helsingborg. During 2017, SEK 1,832 million (2,022) was invested in new construction and reconstruction of investment properties. Investments in construction of co-op apartments and development properties, amounted to SEK 478 million (329), of which SEK 194 million (0) was reclassified as investment property. At year-end 2017, we had about 1,950 apartments under construction.

Own land or leaseholder rights

We work intensively to find different opportunities for more housing in selected markets and preferably in areas where we already operate and our ambition is to continue build-

Nyréns Arkitekter

ETABLISHED MEETING PLACE WITH ACTIVITIES IN THE MIDDLE OF KALLEBÄCK

KALLEBÄCKS TERRASSER, GOTHENBURG
Status: Zoning plan in progress
Number of apartments, all phases: approximately 2,000
Commercial premises: approximately 20,000 sq m

Relaxed urban life close to the city and beautiful nature – this is the vision of our urban development project Kallebäcks Terrasser, which is located in an attractive area in Gothenburg. Even during the planning phase, we want to make the site accessible, create an arena for dialogue and provide a foretaste of the area's potential. During the year, we achieved this in collaboration with the municipality and other players. We established the meeting place "Mitt i Kallebäck", with seats, greenery and a "mini parkour track" for children. In collaboration with SISU idrottsutbildning, we arranged a sports school where children were able to try various sports under the guidance of leaders from local sports associations. Göteborgsvarvet and M.I.T Fitness organized outdoor training and running evenings during the year. The obstacle course with 15 stations on the hill was also highly appreciated by visitors.

Dialogue meetings were also strongly in focus. Wallenstam employees were on site to provide information and answer questions, but first and foremost to receive opinions and ideas about everything from the design of the buildings and apartments to the range of services and the traffic situation in the area. We also arranged dialogue meetings for children, where they sketched out the content of the future city district. The zoning plan work is being pursued in collaboration with the municipality, and the start of construction is approaching.

When the area is ready it will consist of a total of some 2,000 apartments in several new blocks that will link up with the hill and existing development. We are planning apartments, businesses and local services that will provide the foundation for meeting places for both new and existing residents of the district.

The first subprojects are part of the BoStad2021 initiative, a collaboration project between several developers and the City of Gothenburg to build 7,000 apartments, in addition to the ordinary housing construction, that should be ready in 2021 at the latest, when Gothenburg will celebrate its 400th anniversary.

LONG-TERM SUSTAINABILITY IN UMAMI PARK

UMAMI PARK, HALLONBERGEN, SUNDBYBERG
Start of construction, first phase: 2016
Number of apartments, all phases: approximately 900
Commercial premises: approximately 25,000 sq m

Wallenstam has placed Umami Park on the map through a series of events, for example a pop-up restaurant, a street art exhibition and a concert by Oskar Linnros. At year-end 2017, we had about 222 rental apartments under construction in the area. Concurrently, planning and design work is in progress for future phases.

The work on creating the right conditions for long-term sustainability through our involvement in the area continued during the year. We are involved in a number of collaborative initiatives in the immediate surroundings, including letting a premises to Project Playground, a not-for-profit organization, which works to improve opportunities in life for children and young people through organized activities, sports and social activities with the individual in focus.

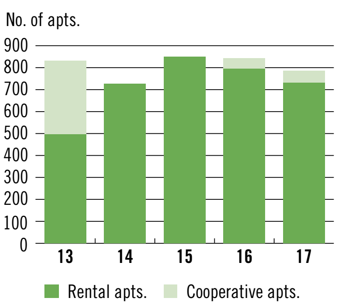
The site's location, with nature areas around the corner, close to shopping and events in the Arenastaden district and good communications to the city – 12 minutes to T-Centralen subway station – offers great potential. Our ambition is to create a mixed-used district here with strong international overtones and with varied development and apartments, sophisticated retail space and lively urban life with a neighbourhood feel and natural meeting places. We want to create a neighbourhood with an excellent quality of life, not only for those who will live and work here in the future, but also for all the people who live close by today. The work is being conducted in close collaboration with the Municipality of Sundbyberg and in line with the completed vision work and public dialogue.

ing regardless of market conditions. Building apartments in lofts or adding additional floors above an existing property are ways of densifying previously developed land. Demolishing a property, which is in poor condition and building more apartments on the same land is another. We are always looking for and evaluating ways to find undeveloped land that can be built on. One example is the area around Kungsportsavenyen in Gothenburg, where we have increased the densification and added new apartments. We buy our own land and we also seek land allocations from municipalities in the regions we work in. The latter case implies that the municipality either sells the land to us or lets it as a site leasehold right. This means the municipality owns the land and we pay an annual fee for use, known as ground rent. Under Swedish law, such leasehold rights have no fixed contractual term, but run indefinitely. The ground rent is unchanged during a certain period, normally for 10 years. Prior to a new period, either party may request changes to the terms and conditions. During the year, ground rent and lease fees represented 3 percent of our total operating expenses.

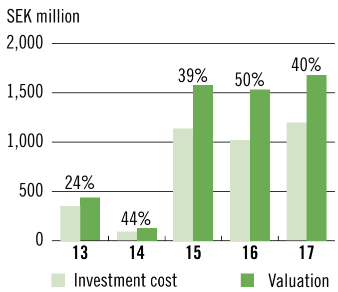
Valuation of new construction projects

Thanks to our cost-efficient new construction, we show an increase in value in newly produced rental apartments for our own management of 30–40 percent per invested krona. New construction of rental properties is measured at fair value, which is determined as cost plus the estimated surplus on the completion date in relation to the degree of completion of the construction. This is in turn based on expenses incurred. New construction of cooperative apartments and development properties constructed for sale are continually recognized at cost. Profit/loss is reported when each co-op unit/property is completed, sold and handed over to the customer.

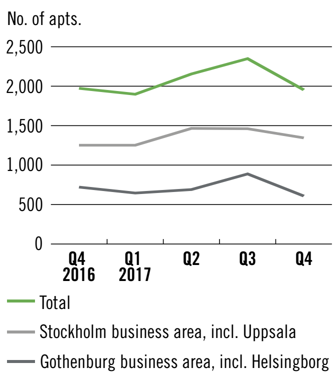
NUMBER OF APARTMENT STARTS



CHANGES IN VALUE, NEW CONSTRUCTION, INVESTMENT PROPERTIES



APARTMENTS, CONSTRUCTION IN PROGRESS



Semrén & Månsson

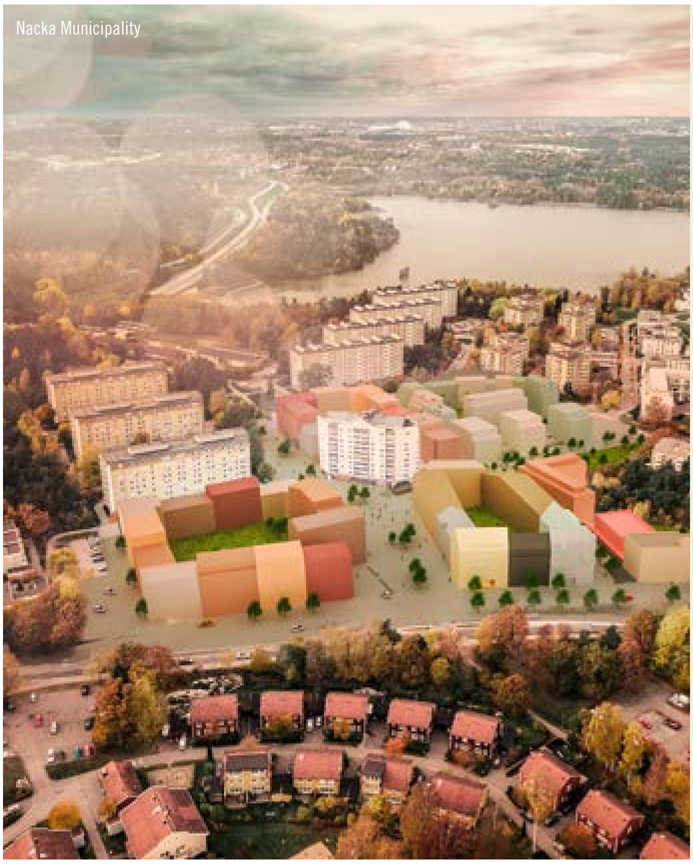
MÖLNLYCKE RESIDENTS NAME THE BLOCKS

MÖLNLYCKE FABRIKER, HÄRRYDA
Status: Adopted zoning plan
Number of apartments, all phases: approximately 600

During 2017, the work in the project focused on dialogue and zoning plan work and is now approaching construction start. The regular Bruksgatan Market event, which is arranged with the aim of generating interest in the site and providing a vision of how the street and district can look in the future, has become increasingly popular to visit. Dialogue meetings and events provide valuable opportunities for our project organization and our letting agents to answer questions as well as listen to viewpoints and ideas.

As part of the civic dialogue work, we invited Mölnlycke residents and visitors to several historical tours of the area under the guidance of Viola Gråsten, the famous textile designer, who was previously active in the area, interpreted by actress Anette Sundqvist. In connection with this, the starting shot was fired in the competition to name the new blocks that will be built. The competition was in progress for more than one month and was open to the public. The winning entry was chosen by a jury and 10-year old Emma will receive a memorial in the area as a prize.

In the new Mölnlycke Fabriker area, in conjunction with Härryda Municipality, we want to create a natural link between the cultural heritage and future by combining the area's unique factory buildings and existing activities with new apartments, creative businesses and a modern look. The area will be an extension of the center, close to beautiful nature areas and popular walkways along the water.


Nacka Municipality

EVEN MORE ÄLTA

ÄLTA, NACKA
Status: Zoning plan in progress
Number of apartments, all phases: approximately 1,000

In Älta, we own both older and newly constructed properties and we want to create more modern apartments in and around the central parts of Älta. During 2017, the zoning plan work for the first phase continued, and consultation took place around year-end 2017.

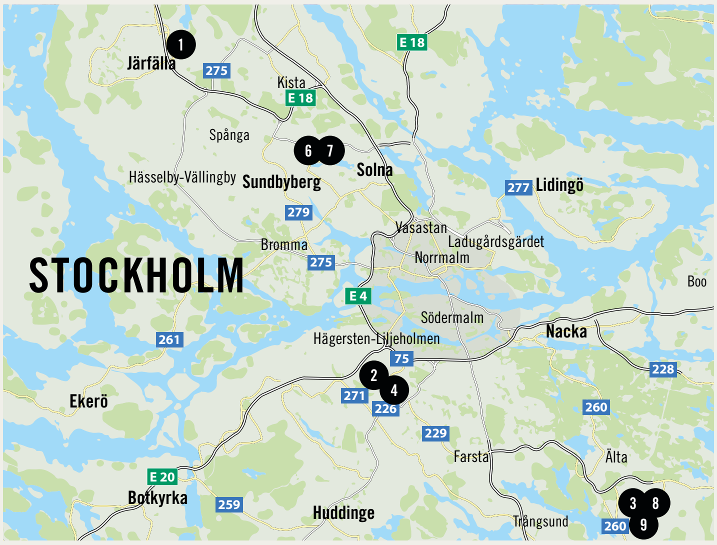
In the first phase, a mixed-use and lively center area is planned with new apartments, stores, restaurants and meeting places. Of the total of 950 apartments, Wallenstam will build about 700. The existing indoor center will be demolished and center businesses are planned on the street level of the future blocks around a new central thoroughfare. In future phases in Älta, we plan to build about another 300 apartments.

In Älta, we are a major landlord and are involved in various ways in the area's development and activities, for example we support the sports club Älta IF and various events that contribute to a sense of community, wellbeing and safety for residents. In our existing holdings, the courtyards will be improved during 2018 and renovated based on different themes with space for playing, meetings and communal activities. In addition, Wallenstam Drive will be implemented where our tenants will gain access to carpooling at discounted prices.

WE ARE BUILDING HERE

We have large number of housing projects in progress and at the planning stage due to our major efforts to acquire land and seek land allocations for new construction. During 2017, we started construction of about 800 apartments in our regions.

Our project portfolio consists of thousands of apartments in some 40 different projects. The start of construction for these projects depends on the planning process, which can take varying lengths of time. We are continually working on replenishing our project portfolio with new interesting projects.



NEW CONSTRUCTIONS IN PROGRESS, DEC 31, 2017

STOCKHOLM BUSINESS AREA

	Project	No. of apts.	Expected occupation
1.	Tavernan, Barkarbystaden, Järfälla*	205	Q2 2017
2.	Grönskan Solberga*	148	Q3 2017
3.	Trädgårdsporten, Tyresö*	184	Q4 2017
4.	Orangeriet Solberga	170	Q2 2018
5.	Tre Vänner, Rosendal, Uppsala**	141	2019
6.	Umami Park, phase 1 A, Sundbyberg	147	2019
7.	Umami Park, phase 1 B, Sundbyberg**	75	2019
8.	Allén, Tyresö**	221	2019/2020
9.	Terrassen Elva, Tyresö (co-op)**	54	2019/2020
	Total	**1,345**	

NEW CONSTRUCTIONS IN PROGRESS, DEC 31, 2017

GOTHENBURG BUSINESS AREA

	Project	No. of apts.	Expected occupation
10.	Rödklövern 1, Mölndal**	89	Q1 2018
11.	Stallbacka Allé, Mölndal	133	Q2 2018
12.	Vasagatan 33 (co-op)	30	Q2 2018
13.	Utforskaren	36	Q3 2018
14.	Ulfsparregatan	115	Q4 2018
15.	Pålsjö, Helsingborg**,***	96	2019
16.	Stallbacken Nivå5, Mölndal**	109	2019
	Total	**608**	

* Gradual occupation has commenced.
** Started during 2017.
*** Not shown on map.

PLANNED CONSTRUCTION STARTS AS OF DEC 31, 2017

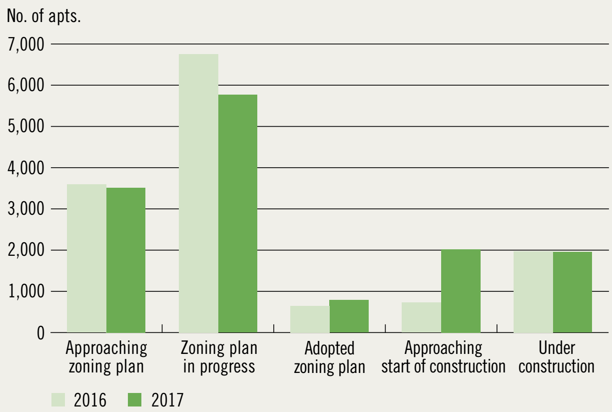
STOCKHOLM BUSINESS AREA

Project	Approx. no. of apts.	Status
Kvarngärdet, Uppsala	80	Approaching start of construction
Norrgårdshöjden, Österåker	130	Approaching start of construction
Söraskolan, Österåker	280	Approaching start of construction
Trollesunds Gårdar, Bandhagen	160	Approaching start of construction
Umami Park, phase 2, Sundbyberg	150	Approaching start of construction
Umami Park, phase 3, Sundbyberg	140	Approaching start of construction
Umami Park, phase 4, Sundbyberg	130	Approaching start of construction
Umami Park, phase 6, Sundbyberg	120	Approaching start of construction
Örnens väg, Haninge	290	Approaching start of construction
New York II, Gärdet	50	Adopted zoning plan
Apelvägen, Tyresö strand	220	Zoning plan in progress
Bägersta byväg, Enskede	200	Zoning plan in progress
Ekerö Centrum	400	Zoning plan in progress
Eriksberg, Uppsala	250	Zoning plan in progress
Norra Djurgårdsstaden	200	Zoning plan in progress
Södra Värtan	110	Zoning plan in progress
Vista Bergsäng, Huddinge	210	Zoning plan in progress
Ädellövet, Farsta	170	Zoning plan in progress
Älta Vision, Nacka	580	Zoning plan in progress
Bandhagen Centrum	80	Approaching zoning plan
Barkarby, phase 4, Järfälla	100	Approaching zoning plan
Blommenbergsvägen, Aspudden	100	Approaching zoning plan
Gubbängen C	100	Approaching zoning plan
Kvarnbergsplan, Huddinge	160	Approaching zoning plan
Norrviken Strand, Sollentuna	2,000	Approaching zoning plan
Ropsten	450	Approaching zoning plan
Rosenlundsgatan, Södermalm	60	Approaching zoning plan

GOTHENBURG BUSINESS AREA

Project	Approx. no. of apts.	Status
Carlandersplatsen I	80	Approaching start of construction
Carlandersplatsen II	40	Approaching start of construction
Mölndalsvägen 79	340	Approaching start of construction
Sten Stures Kröningar, Sten Sturegatan	100	Approaching start of construction
Godhems Backe	130	Adopted zoning plan
Mölnlycke Fabriker	600	Adopted zoning plan
Almedal	230	Zoning plan in progress
Aspen Strand, Lerum	250	Zoning plan in progress
Forsåker, Mölndal	500	Zoning plan in progress
Götaleden	100	Zoning plan in progress
Kallebäcks Terrasser	2,000	Zoning plan in progress
Södra Änggården	300	Zoning plan in progress
Bergsjön	50	Approaching zoning plan
Hovås Lyckhem	125	Approaching zoning plan
Lagerströmsplatsen	70	Approaching zoning plan
Åbybergsgatan, Mölndal	230	Approaching zoning plan

MORE PROJECTS NEARING START OF CONSTRUCTION



PROJECT STATUS

The time required for each phase can vary.

APPROACHING ZONING PLAN	ZONING PLAN IN PROGRESS	ADOPTED ZONING PLAN	APPROACHING START OF CONSTRUCTION	CON-STRUCTION
Program work is ongoing, in other words goals and starting points for the area are being developed.	The zoning plan is in progress, in other words a concrete and detailed proposed plan is being drawn up.	The zoning plan is adopted but has not gained legal force, for example due to appeal.	The zoning plan is adopted and has gained legal force.	

PROJECT PROCESS

CONCEPT

A project begins life as a concept that is evaluated in a preliminary study. Depending on the conditions, for example if there is a zoning plan, if we have obtained a land allocation etc., this phase takes a varying length of time. When the conditions of the site are clear we produce a calculation. After that an investment decision is taken and the financing is secured.

PLANNING

In the planning phase, the work on design, layout, projecting and costing becomes more advanced. When all of the drawings and supporting documents are ready, contracts are negotiated and awarded.

CONSTRUCTION

Wallenstam has approximately SEK 4.8 billion of investment volume in progress. During the construction period, we follow our processes and quality requirements, which are based on market standards and our own experience from earlier projects.

LETTING/SALE

Rental properties after completion become part of our property management operations, while development properties and cooperative apartments are sold. A financial follow up is made, as well as an evaluation from a customer perspective, so that valuable experience can be used in future projects.

ENERGY PRODUCTION

Our renewable energy investments were initiated to increase the Group's control of its own electricity expenses and our climate impact. Since 2013, we are self-sufficient in renewable electricity, and our subsidiary Svensk NaturEnergi supplies all of our properties with electricity.

The company's 64 wind turbines, positioned from Jämtland in the north to Skåne in the south, have an installed total output of 139 MW (139). Svensk NaturEnergi shall, in the first place, supply Wallenstam's properties with renewable energy. Not only is our managed property less sensitive to changes in electricity prices, we are also able to provide ourselves and our customers with 100 percent renewable energy at attractive prices. This initiative has also had a positive effect on collaboration with the municipalities we operate in. No investments were made in 2017, and we are not currently planning construction of any more wind turbines.

Operation and production

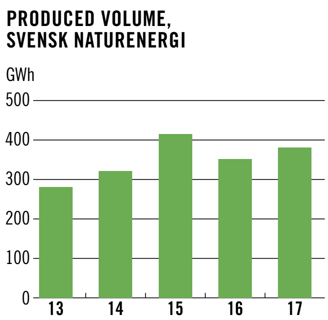
It was about 4 percent windier than normal during 2017. In total, Svensk NaturEnergi produced 381 GWh (352) during 2017.

The quantity of energy generated by the turbines depends on how windy it is. In a normal year, turbines produce electricity during around 90 percent of the year's hours. When there is no wind, the wind turbines remain on standby. If the wind is sufficient – approximately 3 or 4 m/s – the turbines start automatically and deliver electricity to the grid. At wind speeds of 12–14 m/s, the turbines generate a maximum output.

We work actively on boosting our turbine uptime, in other words, minimizing the time that turbines do not generate electricity due to disruptions or planned stoppages – for example by carrying out maintenance work at times when there is no wind. Production is also optimized by various types of capacity-increasing modifications and upgrades, including new software to improve production efficiency.

Electricity trading

In brief, load balancing responsibility means to plan financially and in respect of time so that generated and used electrical energy correspond as far as possible. Load balancing re-



sponsibility and spot market trading are handled by a specialized external operator in the field. This solution is advantageous for Svensk NaturEnergi from both a financial and risk standpoint. In 2017, we changed to a more modern and efficient electricity trading system, which will be better equipped to meet the demands imposed on electricity traders in the coming years. The system also constitutes a module in the business system used by the Group.

Sales and production in balance

The electricity that is not used in our properties generates revenues as we sell to tenants as well as to "external customers", at a variable and fixed price. The work carried out in recent years with sales and customer care in focus means that we have now achieved a balance between electricity production and sales. In order to safeguard revenues from variations in the spot price, the electricity price is hedged on the financial market. This occurs using financial instruments – electricity derivatives – with various maturities.

Customer focus

During 2016, we carried out a customer survey in the form of a Customer Satisfaction Index, (CSI), which showed that both our corporate and private customers are very satisfied, particularly with the treatment and handling of cases by customer service. In light of some of the proposed improvements that were received, we opted to adapt the new electricity trading system, which was introduced during the year. This will mainly be noticeable in customized areas, such as "My Pages", etc. The system is working well in the communication with customers and will simplify our processes considerably, which implies improved efficiency in our working methods.

Green bonds

We use green bonds to finance our wind farms, which is possible due to Svensk NaturEnergi's renewable energy production. The framework for green bonds is based on the "Green Bond Principles" – a series of optional guidelines that aim for transparency, openness and integrity in the green bond market.

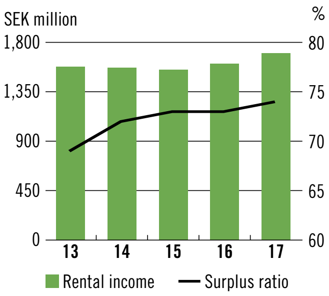
Read more at www.svensknaturenergi.se.

Svensk NaturEnergi

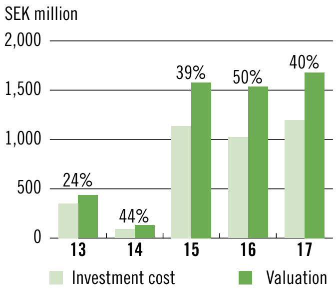
FIVE-YEAR SUMMARY

SEK million	2017	2016	2015	2014	2013
CONDENSED INCOME STATEMENT					
Rental income	**1,701**	1,607	1,549	1,566	1,578
Operating expenses	**-437**	-432	-419	-439	-483
Net operating income, properties	**1,264**	1,175	1,130	1,127	1,095
Management costs and administrative expenses	**-210**	-193	-188	-187	-199
Financial income	**10**	8	20	17	45
Financial expenses	**-258**	-257	-290	-365	-468
Income from property management	**806**	733	672	592	473
Income from natural energy management operations	**-40**	-61	-5	-25	-8
Capital gain/loss wind power assets	**-**	-	0	0	3
Capital gain/loss hydroelectric power	**-**	-	-29	-	-
Realized changes in value synthetic options scheme	**-54**	-	-	-	-
Profit/loss from sales of co-op apartments and development properties	**48**	23	211	226	4
Realized change in value, investment properties	**6**	170	178	232	67
Profit before unrealized changes in value and impairment losses	**765**	865	1,027	1,025	539
Unrealized changes in value, investment properties	**2,556**	3,470	2,507	829	605
Unrealized changes in value, financial instruments	**182**	-130	165	-854	328
Unrealized changes in value, synthetic options	**-2**	-7	-31	-20	-23
Impairment losses on non-current assets	**-500**	-	-250	-350	-150
Profit before tax	**3,001**	4,198	3,418	630	1,299
Taxes	**-580**	-850	-664	-45	-23
Profit for the period, after tax	**2,421**	3,348	2,754	585	1,276
CONDENSED BALANCE SHEET					
Investment properties	**41,410**	36,555	32,090	28,481	28,079
Wind turbines and hydroelectric power incl. constructions in progress	**682**	1,277	1,366	1,770	1,982
Financial derivative instruments	**28**	12	15	27	75
Other non-current assets	**433**	439	401	600	551
Work in progress co-op apartments and development properties constructed for sale	**606**	734	32	601	970
Other current assets	**514**	385	662	278	780
Total assets	**43,673**	39,402	34,566	31,757	32,437
Equity	**19,410**	17,788	15,102	12,883	12,840
Provisions for deferred tax	**4,146**	3,568	2,716	2,063	2,014
Interest-bearing liabilities	**18,701**	16,473	15,153	15,078	16,704
Financial derivative instruments	**797**	970	861	1,047	248
Non-interest-bearing liabilities	**619**	603	734	686	631
Total equity and liabilities	**43,673**	39,402	34,566	31,757	32,437
CONDENSED STATEMENT OF CASH FLOWS					
Cash flow from operating activities	**834**	666	459	626	510
Cash flow from investing activities	**-2,050**	-1,611	120	1,053	-939
Cash flow from financing activities	**1,346**	1,002	-594	-2,007	619
Changes to liquid assets	**130**	57	-15	-328	190
Available liquid assets	**1,028**	891	665	639	784

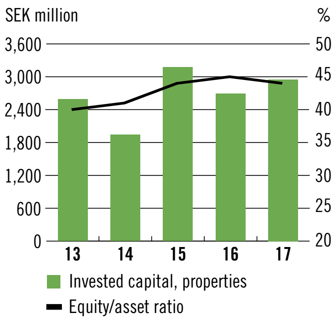
RENTAL INCOME AND SURPLUS RATIO



CHANGES IN VALUE, NEW CONSTRUCTION, INVESTMENT PROPERTIES



EQUITY/ASSET RATIO AND INVESTED CAPITAL, PROPERTIES



	2017	2016	2015	2014	2013
PROPERTY-RELATED KEY RATIOS					
Net operating income, properties, SEK million	**1,264**	1,175	1,130	1,127	1,095
Surplus ratio, property management, %	**74**	73	73	72	69
Income from property management, SEK million	**806**	733	672	592	473
Unrealized changes in value, new construction*	**733**	1,195	634	149	225
Value of investment properties, SEK million	**41,410**	36,555	32,090	28,481	28,079
Area, sq m (thousand)	**1,145**	1,074	1,056	1,007	1,104
Occupancy rate, lettable area, %	**98**	98	98	98	98
Development properties and work in progress co-op apartments, net, SEK million	**606**	734	32	601	970
FINANCIAL KEY RATIOS					
Profit after tax, SEK million	**2,421**	3,348	2,754	585	1,276
Return on equity, %	**13.0**	20.9	19.6	4.6	10.3
Return on total capital, %	**8.0**	12.2	11.2	3.2	5.7
Interest coverage ratio, realized, times	**4.8**	5.6	6.5	5.3	4.0
Interest coverage ratio, times	**3.8**	4.1	4.4	3.7	2.2
Loan-to-value ratio, %	**43**	43	45	49	54
Average interest rate on the closing day, %	**1.88**	1.97	2.22	2.56	3.10
Average fixed-interest term, months	**36**	37	39	43	38
Equity/assets ratio, %	**44**	45	44	41	40
Equity, SEK million	**19,410**	17,788	15,102	12,883	12,840
Net asset value, SEK million	**24,314**	22,159	18,630	15,964	16,027
Non-current net asset value (EPRA NAV), SEK million	**24,915**	22,906	19,290	16,760	16,162
Market capitalization, SEK million	**26,037**	24,106	23,120	22,049	16,533
Dividend, SEK million	**556**	497	376	337	212
Repurchase of shares, SEK million	**235**	192	150	204	108
PER-SHARE DATA					
Profit after tax , SEK	**7.4**	10.1	8.3	1.7	3.8
P/E ratio, times	**10.7**	7.0	8.2	37.1	13.0
Cash flow from operating activities, SEK	**2.6**	2.0	1.4	1.9	1.5
Equity, SEK	**60**	54	45	39	38
Share price, SEK	**78.90**	70.90	68.00	64.85	48.63
Dividend, SEK (2017 refers to proposed dividend)	**1.80**	1.70	1.50	1.13	1.00
Shares outstanding, average, thousands	**327,333**	330,409	333,536	336,400	339,066
Shares outstanding at end of period, thousands	**326,000**	329,000	331,800	334,000	337,600

Alternative performance measures (APM)

Wallenstam presents a number of financial measures that are outside IFRS definitions (Alternative performance measures, according to ESMA's guidelines) with the aim of enabling effective evaluation of the company's financial position and performance for investors and for the company's management. This means that these 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. Wallenstam applies these alternative key ratios consistently over time. The definitions describe how Wallenstam's key ratios are calculated. The key ratios are alternative performance measures according to ESMA guidelines unless otherwise stated.

Average carrying amounts of investment properties excluding projects in progress:

SEK million	**2017**	2016	2015	2014	2013
Carrying amount, investment properties	**41,410**	36,555	32,090	28,481	28,079
Projects in progress, investment properties	**-4,157**	-3,428	-2,648	-2,200	-2,752

* Effect of altered definition relating to new construction and other investment properties:

SEK million	2016	2015	2014
UNREALIZED CHANGES IN VALUE, INVESTMENT PROPERTIES			
New construction previous definition	978	639	146
New construction updated definition	1,195	634	149
Other previous definition	2,493	1,868	683
Other updated definition	2,275	1,873	680

Earnings-based key ratios are calculated on the average number of outstanding shares; yield figures are calculated on rolling twelve-month profit or loss. The relevant key ratios have been restated for the 2:1 share split.

HOW TO READ OUR INCOME STATEMENT

Our income statement is presented to reflect our various main areas: income from our property management operations, income from production and sales of electricity, profit from sales of apartment buildings and change in value in our existing property holdings.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
Rental income		
Operating expenses		
Net operating income, propertie		
Management costs and administrative expenses		
Financial income		
Financial expenses	**-258**	-257
Income from property management	**806**	733
Income from natural energy management operation	**-40**	-61
Realized change in value, synthetic options	**-54**	-
Revenue, co-op apartment and development property sales	**332**	127
Expenses, co-op apartment and development prope	**-284**	-104
Realized change in value, investment properties inc	**6**	170
Profit before unrealized changes in value and impai	**765**	865
Unrealized change in value, investment properties	**2,556**	3,470
New construction	**733**	1,195
Other	**1,823**	2,275
Unrealized change in value, financial instruments	**182**	-130
Unrealized change in value, synthetic options	**-2**	-7
Impairment losses on non-current assets	**-500**	-
Profit before tax	**3,001**	4,198
Current tax	**0**	0
Deferred tax	**-580**	-850
Profit for the year after tax		
OTHER COMPREHENSIVE INCOME		
Items that may be transferred to profit/loss for the y		
Translation difference		
Change in value, currency derivatives		
Financial instruments for sale		
Unrealized change in value, owner-occupied properties		
Tax attributable to other comprehensive income		
Comprehensive income		
DISTRIBUTION PROFIT/LOSS FOR THE YEAR		
Attributable to non-controlling interests	**-**	-
Attributable to parent company shareholders	**2,421**	3,348
PER-SHARE DATA		
Profit after tax, SEK (dilution does not occur)	**7.4**	10.1
Dividend, SEK (proposed for 2017)	**1.80**	1.70
Average number of outstanding shares at year-end, thousands	**327,333**	330,409

Income from property management operations shows how large a share of rental income remains after deducting expenses for the properties' operation, management, administration and financing.

Profit from sales of co-op apartment units and development properties is recognized when the customer has taken possession of the apartment or property and consists of compensation from the sale less the cost and other expenses.

Income from natural energy management operations consists of revenue less expenses including depreciation, administrative expenses and interest expenses attributable to our electricity trading and electricity generation.

Profit from sales of investment properties in relation to the property's consolidated value on sale, less expenses. On page 73, the sales result is also presented in relation to the consolidated cost, in other words "traditional capital/gain loss".

As unrealized changes in value Other, changes in value are recognized for all investment properties, which have been in operation for one calendar year or more.

Wallenstam's derivative instruments are continually measured in relation to current market interest rates and electricity prices, resulting in changes in value recognized through profit or loss. As long as the derivative remains unrealized, the item does not affect cash flow or average interest.

The increase in value is gradually recognized during the construction of the property until the property has been in operation for one calendar year. Change in value New construction recognizes the difference between cost of construction of a new rental apartment and the value it has on completion. Changes in value after one calendar year such as New construction are recognized as Other.

ADMINISTRATION REPORT

The Board of Directors and the Chief Executive Officer of Wallenstam AB (publ), corporate identity number 556072-1523, hereby submit the annual accounts and consolidated financial statements for 2017. Information in parenthesis refers to the preceding financial year.

THIS IS WALLENSTAM

Wallenstam was founded in 1944 and is today a property company that builds, develops and manages properties for sustainable living and enterprise, primarily in Stockholm and Gothenburg. Ownership is focused on residential properties in these two locations, and also on commercial properties in Gothenburg. Svensk NaturEnergi's primary task is to ensure that Wallenstam generates sufficient energy from renewable sources to meet its own and its tenants' needs. The Wallenstam B share is listed on Nasdaq Stockholm, Large Cap.

BUSINESS CONCEPT

Wallenstam's business concept is to develop, build, buy and sell properties in selected metropolitan regions that are sustainable for people and companies in the long term.

OPERATIONAL GOALS

Wallenstam conducts operations based on business plans, objectives and strategies. The current business plan extends from 2014 to 2018. The business plan's goal is to achieve average net asset value growth, excluding dividends and repurchases, of at least 10 percent per year during the period.

OPERATIONS AND ORGANIZATION

The Board of Directors has its registered office in Gothenburg, where the head office is also located on Kungsportsavenyen 2. In 2017, the average number of employees in the Group was 244 (227). Operations are conducted in three overall business areas: properties in the Gothenburg region and in the Stockholm region and renewable energy through Svensk NaturEnergi. The administrative support functions provide the business areas with skills and expertise in accounting, finance, IT, law, communications, customer service and HR. The two property business areas also include responsibility for letting and management of residential and commercial premises as well as planning and construction work.

Construction

Wallenstam mainly builds rental apartments but also cooperative apartments and development properties. At year end, ongoing investments amounted to SEK 4.8 billion, of which SEK 3.0 billion was invested during the year. At present, most of our new construction takes place in the Stockholm region, including Uppsala. We are currently building almost 1,350 apartments here. In Gothenburg and Helsingborg, construction of more than 600 apartments is in progress.

Property management

The property holdings comprise a total of 1,144,727 sq m, distributed among just over 200 properties, primarily in Stockholm and Gothenburg. In all, Wallenstam has more than 8,000 apartments and 1,000 commercial tenants. Residentials represent around 44 percent of the lettable area, while the remainder consists of commercial premises and parking. More than half of the apartments, about 4,000, are found in Stockholm, about 400 are in Uppsala and around 3,600 are in Gothenburg. Corporate customers are mainly found in Gothenburg where we have about 900 commercial tenants that rent office and retail premises, mostly in inner city locations. The residential apartment holdings are fully let and the occupancy rate for commercial premises is 96 percent. The value of investment properties amounts to around SEK 41 billion.

Energy

Operations within Svensk NaturEnergi consist of both the generation of and trade in renewable energy. Electricity is sold to Wallenstam tenants and also to external customers. Wallenstam has an installed output of 139 MW (139) and since the beginning of 2013 Wallenstam has been self-sufficient in renewable energy, meeting both its own and its tenants' requirements on a monthly basis.

RESPONSIBLE ENTERPRISE

Wallenstam's sustainability efforts are based on a common Group policy and are reported according to the Global Reporting Initiative's Guidelines (GRI G4). Issues that emerged in the materiality analysis and that we actively work with are for example climate impact and reduced emissions, reduced water and electricity usage, that Wallenstam should take an active social responsibility in questions such as non-discrimination, fight corruption and bribery and create value through profitable development.

As part of our active responsibility for communities we work on security-enhancing initiatives for our tenants; we help with accommodation for young people and the homeless, we support organizations that work to prevent social exclusion, such as BRIS (Children's Rights in Society), Barn i Nöd (Swedish International Help for Children), Räddningsmissionen (the Rescue Mission in Gothenburg) and other charities. By owning and operating wind farms, the Group conducts operations that both require permits and that have a reporting duty under the Swedish Environmental Code. The Group holds all the permits required to conduct its existing operations. One advantage of wind power as a renewable energy source is that Wallenstam is helping to reduce carbon dioxide emissions, which means that we are not dependent on fossil fuels in our production. A guiding principle in our current business plan is to reduce the carbon footprint from our property holdings by 15 percent per sq m by the end of 2018.

Sustainability Report

In accordance with the Chapter 6, Paragraph 11 of the Annual Accounts Act, Wallenstam has chosen to prepare its sustainability report as a separate report from the Annual Report. The sustainability report is found on the following pages: business model inside cover, pages 2, 20 and 24-25, environmental questions pages 24-28, 30-32, 35 and 145, social conditions and personnel-related questions pages 24-30, 32-34, 36-38 and 145, respect for human rights pages 24-27, 29-30, 33 and 145, anti-corruption pages 24-26, 33-34, 38, 133-134 and 145 as well as diversity in the Board page 131. The sustainability report was submitted to the auditor simultaneously with the annual report.

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

The offensive investment tempo in new construction has continued. Investments are focused on our own new construction – mainly rental apartments, but also on co-op apartments and development properties. At year-end, 1,953 apartments were under construction, of which 1,345 were in Stockholm and Uppsala and 608 in Gothenburg and Helsingborg. In all, we started construction of 786 apartments during the year and completed 789 apartments.

Due to uncertainty and less demand in the co-op apartment market, we chose to convert three co-op apartment projects into rental apartment projects during fall 2017. These projects, which are found in Stockholm, Sundbyberg and Mölndal involve a total of 378 apartments. The conversions can occur thanks to our flexible business model, where sales only take place when we have completed the project. Prior to the start of each co-op apartment project, an alternative calculation is made, in order to ensure that the project is also economically viable as rental apartments.

During the year, we completed several good transactions and continued to develop our property holdings through new construction and reconstructions. We sold four properties for a total of SEK 607 million (1,179). Acquisitions during the year amounted to SEK 641 million (340). During the year, overall investments in new construction and reconstructions of rental apartments and co-op apartments and development properties amounted to SEK 2,310 million (2,351).

GROUP RESULTS

Rental income

Group rental income increased by almost 6 percent and amounted to SEK 1,701 million (1,607). This growth was mainly the result of additional recently constructed apartment buildings as well as successful new lets and rent negotiations with our commercial tenants. Wallenstam's residential property holdings are fully let.

This year's rent negotiations resulted in an average rise of 0.9 percent for apartments in Stockholm. In Gothenburg, rental negotiations resulted in an average rent increase of 1.3 percent for both 2016 and 2017, effective from April 1, 2017.

Rental rates for Wallenstam's commercial premises rose by 6.1 percent overall in comparable holdings, as a result of completed new lets and renegotiations as well as index agreements. We are experiencing stable demand for commercial properties, especially in central locations where the majority of our commercial premises are situated. Rental rates are stable and the occupancy rate for commercial properties in terms of lettable area amounted to 96 percent on closing day.

Operating expenses and net operating income, investment properties

Operating expenses for the year amounted to SEK 437 million (432). Seasonal effects at Wallenstam consist mainly of variable operating expenses. Milder weather had a comparatively positive impact on operating expenses of SEK 4 million.

Net operating income increased by about 8 percent and amounted to SEK 1,264 million (1,175). The surplus ratio was 74 percent (73).

Management costs and administrative expenses

Management costs and administrative expenses mainly refer to personnel expenses and are distributed into SEK 210 million (193) for property management, SEK 24 million (27) for energy management and SEK 17 million (18) for property and co-op apartment transactions. The higher management and administrative expenses, among other things, were due to increased consultancy expenses within IT security and adjustments ahead of future GDPR rules but also due to additional employees.

Synthetic options scheme

Expenses for Wallenstam's synthetic options scheme are recognized on two lines in the income statement, Unrealized and Realized changes in value synthetic options scheme, as the scheme matured in May 2017. During the term of the scheme, 5,302,000 options were issued at a total cost of SEK 138 million, of which SEK 54 million represented a realized expense and SEK 2 million represented an unrealized expense for 2017. The previous year's recognized unrealized expense amounted to SEK 82 million. Social security contributions of SEK 6 million arise. For more details, refer to Note 5.

Financial income and expenses

Financial income amounted to SEK 10 million (8) and financial expenses to SEK 285 million (287), a result of efficient capital management and a lower average interest rate. Financial income consists of interest income and other financial income. Financial expenses are distributed into property management expenses of SEK 258 million (257) and natural energy management expenses of SEK 27 million (30).

Income from natural energy management operations

Income from natural energy management operations, which consists of revenue less expenses including depreciation, administrative expenses and interest expenses attributable to electricity trading and electricity generation, amounted to SEK -40 million (-61) in 2017 and included wind turbine depreciation of SEK 95 million (96), which did not affect cash flow. During 2017, 381 GWh (352) of electricity was produced. The increase was due to the fact that wind conditions in 2017 were more favourable and optimization of software in wind turbines. Revenues and expenses from the generation and sale of electricity and renewable energy certificates including depreciation amounted to SEK 11 million (-4). During the year, the price of a renewable energy certificate fell from SEK 116 per certificate to SEK 62, which generated negative remeasurement effects on revenue of SEK 7 million in 2017. As the majority of the Group's renewable energy inventory is contracted for sale at a fixed price, there is an unrecognized surplus value in this inventory. In relation to the price of renewable energy certificates at year-end, this corresponds to a surplus value of SEK 26 million, of which SEK 21 million will be realized during March 2018.

Profit from sales co-op apartments and development properties

Revenue and expenses from the sale of co-op apartments and development properties are recognized when the apartment or property is handed over to the buyer and consist of compensation from the sale and the respective cost including marketing and selling expenses for the co-op apartment units and development properties sold. Net profit for the year from sales of cooperative apartments and development properties amounted to SEK 48 million (23) and included the sale of two development property projects and a small number of individual co-op apartments.

Change in value including profit from sales, investment properties

The change in value of investment properties consists partly of realized changes in value through property sales, and partly of unrealized profits. These are reported on separate lines in the income statement.

Realized changes in value, investment properties

During the period, Wallenstam sold investment properties for a total of SEK 607 million (1,179). The sales were completed at prices that exceeded the latest valuation, taking account of investments, by around 2 percent (19), which generated a realized profit for the Group of SEK 6 million (170) including selling expenses and internally distributed administration. In relation to the amount invested in the sold properties, which totaled SEK 312 million (570), Wallenstam will realize a surplus value in connection with the sales of SEK 295 million (609). Since the divested properties were held for an average of approximately 16 years, this corresponds to average annual value growth of 4.2 percent. The major part of this growth, SEK 282 million (422), was recognized in the consolidated income statement throughout the holding period as a component of the item Unrealized change in value, investment properties and SEK 13 million (187) as a realized change in value.

Unrealized changes in value, investment properties

The development in the value of properties during the year was positively affected by an increase in value generated by our own work in ongoing and completed new constructions and reconstructions of rental apartments, more efficient operation, completed negotiations, concluded sales and the market situation in the sector. Our new construction of properties created total value growth of SEK 733 million. Our deliberate strategy of concentrating on attractive properties in popular locations with long-term value growth and continued strong demand and price increases in the market is reflected in valuations through improved net operating income and lower yield requirements.

Total changes in value in Wallenstam's property holdings as of December 31, 2017 amounted to SEK 2,569 million (3,657), of which realized changes in value amounted to SEK 13 million (187) and unrealized changes in value amounted to SEK 2,556 million (3,470).

Unrealized change in value, financial derivative instruments

Wallenstam uses interest rate derivatives, which is a cost-effective and flexible way to extend credits with short fixed interest terms and obtain the desired interest maturity profile. If the contracted price deviates from the market price for derivatives, this difference in value is recognized in the balance sheet or in profit or loss.

In 2017, the deficit on the company's interest derivatives portfolio decreased, which positively impacted net profit for the year by SEK 182 million (-156). The development in value of electricity derivatives also had a positive effect of SEK 10 million (25). Including the result from other financial instruments of SEK -10 million (1), net income from derivative instruments was income of SEK 182 million (130).

Taxes

The recognized tax expense for the year amounted to SEK 580 million (850) net, of which SEK 580 million (850) was deferred tax and SEK 0 million (0) was current tax. Tax on other comprehensive income was positive and totaled SEK 2 million (-4). Where properties were sold through the sale of shares in subsidiaries, the provisions for deferred tax liabilities for the properties sold were reversed. In addition to income tax expenses, the Group is also affected by other tax expenses, the largest of which are VAT expenses – for which our rights of deduction as a property company are limited – as well as taxes such as energy tax, property tax and stamp duty and personnel-related taxes and charges. Wallenstam's expenditures for these taxes in 2017 amounted to around SEK 631 million (550); they are recognized under operating expenses within income from property management and investments in construction operations respectively.

Specification of taxes paid

SEK million	2017	2016
VAT	**474**	401
Property tax, energy tax and stamp duty	**108**	104
Social security contributions for employees	**49**	45
Total paid taxes	**631**	550

CONSOLIDATED BALANCE SHEET

Investment properties

During the year, we invested SEK 2,447 million (2,245) in investment properties, of which acquisitions amounted to SEK 615 million (223), while new construction and reconstructions totaled SEK 1,832 million (2,022). The estimated market value of properties amounts to SEK 41,410 million (36,555). All Wallenstam's properties are valued quarterly by an internal valuation team. For more information, refer to Note 14.

Development properties and work in progress co-op apartments

Development properties are constructed with the intention of being sold on completion. Co-op apartment projects are properties constructed with the intention of being sold to housing cooperatives. Development properties and co-op apartment projects are recognized at cost in the balance sheet. The profit is recognized when the properties are completed, sold and handed over to the buyer. Investments in production of co-op apartments and development properties, amounted to SEK 503 million (446) during the year, of which 194 (0) was reclassified as investment property. On closing day, Wallenstam's development properties and work in progress co-op apartments totaled SEK 606 million (734) and consisted of one development property and three co-op apartment projects, of which two are at an early stage.

Wind power

Svensk NaturEnergi has 64 wind turbines in operation distributed among 19 wind farms. Depreciation for the period amounted to SEK 95 million (96). At year-end, consolidated net investments in finished turbines amounted to SEK 682 million (1,277). The renewable energy certificate inventory amounted to SEK 30 million (89), of which the majority are covered by entered into contracts for the sale of futures at higher prices than the value on closing day. Net profit for the year was charged with an impairment loss of SEK 500 million (-) due to the market development of renewable energy certificates.

Equity and net asset value

Shareholders' equity amounted to SEK 19,410 million (17,788), equivalent to SEK 60 per share (54). The equity/assets ratio was 44 percent (45). Shareholders' equity was affected by comprehensive income for the year, dividends and repurchases. Net asset value, which includes equity and deferred tax liability, totaled SEK 24,314 million (22,159). Additions for deferred tax liability are made to better reflect the net asset value as the effective tax rate is lower than the nominal rate.

Net tax liability

The Group recognized a net tax liability of SEK 4,146 million (3,568), which consists of a deferred tax asset of SEK 761 million (815) and a deferred tax liability of SEK 4,907 million (4,383). The deferred tax asset mainly refers to the value of loss carryforwards in Group companies. Deferred tax liability mainly consists of differences between the carrying amounts and fiscal residual values of Group properties.

Interest-bearing liabilities

Wallenstam's loan portfolio amounts to SEK 18,701 million (16,473). The loans are primarily secured against traditional mortgage deeds in properties. The loan-to-value ratio is 43 percent (43). Of the loan portfolio, 51 percent (47) has fixed interest terms longer than one year. The average remaining fixed interest term is 36 months (37). The average effective interest rate on December 31, 2017, was 1.88 percent (1.97). Of the interest-bearing liabilities, loans with capital tied up for long terms amounted to 13 percent (8) of the total portfolio.

Available liquid assets

Available liquid assets amounted to SEK 1,028 million (891) on closing day. In addition to this, there is an approved credit commitment, credit facilities and a still unutilized building credit of SEK 4,238 million (2,337). Total available credits including liquid assets amounted to SEK 5,116 million (3,019) on closing day.

OPPORTUNITIES AND RISKS

Minimizing risks and optimizing opportunities is an integrated part of our business plan. Wallenstam's employees participate in both the risk inventory process and the preventative work. Wallenstam has defined risks and uncertainties in areas operations and external environment. All events cannot be foreseen. For this reason, part of Wallenstam's risk work involves being prepared for crisis management.

Operations

Operational risks are those related to core activities. There are risks in production and management of properties, for example for occupational accidents and unforeseen events, which are handled by adopting a working environment plan at an early stage and appointing coordinators. We develop long-term relationships with contractors and suppliers and have established routines for random inspections and checks to ensure that our partners follow agreements entered into and our Code of Conduct.

Clear processes and templates for procurements and sourcing help offset the risk of corruption. For example, there are routines to ensure that two persons jointly review and authorize lettings and sourcing and also check tenders and agreements prior to signing.

Good relationships with several lenders provides good financing possibilities. Financing is always ensured before new construction starts, which eliminates the risk of low liquidity.

We work continually to maintain well-functioning and fit-for-purpose IT security for our operations and ensure that information is handled securely.

Focus on employees is considered important for quality and satisfied customers. By offering a good working environment, attractive and market-related employment conditions, health and wellness training, skills development etc., we can recruit and retain employees with the right profile and competencies. Recruitment is prioritized as a strategic area.

External

External risks are mainly those that lie outside our scope of operations, for example in the form of changing market conditions.

Property values are affected by our own property management activities and general market conditions. Having properties in attractive locations lowers the risk of falling values during an economic downturn. Small changes in the yield requirement can result in large changes in value. A change of 0.25 percentage points in yield requirements is equivalent to approximately +/– SEK 8 per share. As of December 31, 2017, the estimated market value amounted to about SEK 41 billion. A change in value of +/- 10 percent is equivalent to a change in value of around SEK 4.1 billion and a change in net asset value of around SEK 12 per share.

Factors such as interest rate increases result in higher costs and have a large impact on profits. Wallenstam's management includes a loan portfolio with different maturities, where the loans are spread among various forms of credit and lenders. Interest rate derivatives are used to spread risk.

Supply and demand for Wallenstam's products can vary over time. Wallenstam owns and manages properties in attractive areas, which are characterized by growth and strong demand. We have a flexible business model, which provides the possibility to adapt supply, form of tenure etc. in the event of changing demand. A keen awareness for market trends as well as advance planning are two key factors.

Wallenstam follows developments in legislation and regulations linked to issues concerning our operations. Legal cases and regulatory changes, which may result in changed conditions are interpreted and we are proactive in meeting new requirements, practice and laws.

BOARD WORK DURING THE YEAR

Wallenstam's Board of Directors is composed of five members. In 2017, the Board held eight recorded meetings in addition to day-to-day contacts.

The Board's most important duty is to make decisions on strategic matters. In general, the Board handles issues of material importance for the Group. The main questions during the year, apart from those that are incumbent on the Board to deal with under the formal work plan of the Board, were strategic decisions for the company regarding investments in new construction, property transactions, financing and so forth. The Board's work is described in the Corporate Governance Report, which is separate from the Administration Report and can be read on page 130.

GUIDELINES FOR DETERMINING SALARY AND OTHER COMPENSATION FOR SENIOR EXECUTIVES

The Board of Directors of Wallenstam AB (publ) proposes that the following guidelines for determining salaries and other compensation for senior executives in the company shall apply to agreements entered into during the period between the 2017 AGM until the end of the 2018 AGM. The guidelines shall cover the CEO and other individuals in the company's management.

Fixed salary – Senior executives should be offered fixed salaries on prevailing market terms which are based on the employee's area of responsibility and performance.

Pension benefits – Senior executives should be offered pensions on prevailing market terms, mainly in the form of premium-based pension agreements.

Non-monetary benefits – Senior executives should be offered customary non-monetary benefits that facilitate performance of the work. Additionally, benefits in the form of accommodation, including related expenses, may also be offered in individual cases.

Variable remuneration – In addition to fixed salaries, variable remuneration that rewards predetermined, measurable performance may also be offered. Such variable remuneration should seek to promote the creation of long-term value within the Group. Furthermore, in connection with the conclusion of a published company business plan and to the extent the Board considers appropriate, the Board will have the right to decide on monetary compensation to the Chief Executive Officer and the Vice Chief Executive Officers as remuneration for extraordinary work performed during implementation of the business plan.

Variable remuneration should be paid in the form of salary and may not exceed the fixed remuneration for the executive concerned for the year in question.

Share-based payment – Senior executives may be offered incentives in the form of synthetic options if such an offer is directed to all permanent employees in the company. Payments under such incentive programs shall not be pensionable.

Period of notice and termination benefits – A reciprocal period of notice of six months shall apply to senior executives. Termination benefits, including salary during the period of notice, may not exceed 24 monthly salary payments.

The Board retains the right to deviate from the guidelines if there are particular reasons for this in an individual case.

PARENT COMPANY

The parent company's primary operations are the performance of Group-wide services. In addition, the parent company owns a small number of properties. Total sales for the year amounted to SEK 349 million (299), of which rental income constituted SEK 97 million (80). Changes in the value of financial interest rate derivative instruments amounted to SEK 182 million (-156). Profit after tax amounted to SEK 4,072 million (-111) and other comprehensive income totaled SEK 4,073 million (-111). Profit/loss for the period included dividends from subsidiaries of SEK 4,050 million (500). Investments in non-current assets during the period amounted to SEK 101 million (188). Parent company external loans amounted to SEK 8,460 million (9,680) on closing day. In 2017, the average number of employees in the parent company was 238 (222).

THE WALLENSTAM SHARE

The number of shares in Wallenstam AB consists of 34,500,000 A shares, which carry ten votes each, and 295,500,000 B shares, which carry one vote each. The Wallenstam B share is listed on Nasdaq Stockholm, Large Cap. The number of registered shares totaled 330,000,000 and the registered share capital is SEK 165,000,000, corresponding to a quota value of SEK 0.50 per share, like the previous year. During 2017, the Wallenstam share price increased in value by 11.3 percent. The property indices OMX Stockholm Real Estate and OMX Stockholm PI increased by 6.7 percent and 6.4 percent respectively during the same period.

At the end of the period, the Wallenstam share price was SEK 78.90 (70.90) and the market capitalization was SEK 26,037 million (24,106) based on the total number of registered A and B shares. Equity per share amounted to SEK 60 (54). The highest price paid during the year was SEK 85.75 (75.50) and the lowest was SEK 67.00 (55.60).

A total of 65.3 million (80.6) Wallenstam shares were traded at a value of SEK 5,048 million (5,436) on Nasdaq Stockholm. The average daily turnover totaled around SEK 20.1 million (21.5).

Wallenstam's Board has a mandate from the AGM to repurchase shares. During 2017, 3,000,000 shares (2,800,000) were repurchased, which corresponds to 0.9 percent (0.8) of the share capital at an average price of SEK 78.41 (68,56) per share, SEK 235 million (192) in total. The company holds 4,000,000 treasury shares, corresponding to 1.2 percent of the share capital and a quota value of SEK 2 million. Total expenditure on treasury shares amounted to SEK 304 million (654), equivalent to SEK 76.11 (59.42) per share.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 15, 2018, a bond issue was carried out for SEK 400 million within the framework of the MTN program, which was established on November 1, 2017. The bond loan runs for two years subject to a fixed interest rate of 0.68 percent.

PROPOSAL REGARDING NEW TAX REGULATIONS

On June 20, 2017 the Swedish Government presented and submitted the memorandum “New tax rules for the corporate sector” for comment. The memorandum contained two alternative proposals for general rules on a limitation of the right to make interest deductions in combination with a reduction in corporation tax from 22 percent to 20 percent.

The submission to interested parties for comment was concluded in September 2017. Most of the parties to which the submission was circulated were critical of the proposed rules. Among other things, concerns were expressed that they would weaken the competitiveness of Swedish enterprise and that they would lead to an increased housing shortage because of fewer investments in rental apartments. Something that was also criticized was that Sweden did not opt to fully utilize the exemptions that the EU actually permits in the Anti-Tax Avoidance Directive.

According to the Government’s list of government bills, a proposed law will be presented to the Swedish Parliament on April 16. It is unclear how the proposed law will be formulated in the upcoming bill, as the Government has still not presented any proposal to the Council on Legislation for consideration or in any another way described how the final proposed bill will look. It is thus unclear to what extent the views from the submission to interested parties for comment will be taken into account and which of the two alternative proposals the Government intends to go further with. In the present situation, it is therefore extremely difficult to assess how the future rules will impact Wallenstam. However, if the part of the proposal regarding a reduction in corporation tax is implemented, this would mean that a deferred tax liability of SEK 4,146 million will be remeasured at 20 percent, resulting in deferred tax revenue of SEK 446 million, a deferred tax expense of SEK 69 million and net non-recurring income of SEK 377 million.

In addition, the Government received a report in March 2017 about amended tax legislation with the aim of stopping the tax benefits connected to “packaging” property transactions. In brief, if the proposal is adopted, it will imply that taxation will arise during indirect sales compared to the rules today, corresponding to the taxes arising during direct transactions – income tax on capital gains and stamp duty/registration of title on acquisitions. The official period for submitting comments on the proposal expired in September 2017 and it is currently unclear when a Government bill will be presented to the Swedish Parliament and what it will contain in such an eventuality.

FUTURE

The current business plan covers the years 2014–2018 and involves an aggressive new construction tempo with efficient property management in focus. This is summarized in an overall target to achieve average growth in net asset value, excluding dividends and repurchases, of at least 10 percent per year during the period.

For the period 2014–2017, average growth was 16.9 percent per year. During 2018, we plan to invest the equivalent of SEK 2–3 billion, of which the majority relates to new construction. The chosen strategy of attractive property holdings concentrated mainly in Stockholm and Gothenburg provides a stable foundation for future growth.

DIVIDEND POLICY

Recognized earnings should in the first instance be reinvested in the operations to enable continued development of the Group’s core business and thus create increased growth in net asset value. The ambition is also for the operations to provide a stable level of dividends over the long term. However, the distributable amount must never exceed profit before unrealized changes in value and impairment charges after the standard tax rate. When determining the size of the dividend, consideration must also be given to the Group’s investment requirements, its equity/assets ratio and its position in general, and the ability of the Group to develop further in the future while maintaining its financial strength and freedom of action.

The Board of Directors will propose that the Annual General Meeting approve the following:

Proposed appropriation of profit, SEK

The following earnings are at the disposal of the Annual General Meeting:	
Profit brought forward	3,765,836,421
Net profit for the year	4,072,508,985
Total	7,838,345,406
Shareholder dividend SEK 1.80 per share	586,620,000
To be carried forward	7,251,725,406
Total	7,838,345,406

The Board of Directors proposed appropriation of profit is that a dividend of SEK 1.80 per share be distributed, spread over two payment dates of SEK 0.90 each per share. In the company, there is a total of 330,000,000 shares, of which 4,100,000 are non-dividend-paying repurchased own shares up to February 8, 2018. The total of the above proposed dividend of SEK 586,620,000 may change if the number of repurchased own shares changes before each record day for dividend.

STATEMENT BY THE BOARD OF DIRECTORS ON THE PROPOSED DISTRIBUTION OF PROFITS

Consolidated equity has been determined in accordance with the IFRS standards adopted by the EU and their interpretations (IFRIC), and in accordance with Swedish legislation, including by application of the Swedish Financial Reporting Board’s recommendation RFR 1. Parent company adjusted equity has been determined in accordance with Swedish legislation and by application of the Swedish Financial Reporting Board’s recommendation RFR 2.

The proposed dividend is in line with the dividend policy established by the Board that the distributable amount must never exceed profit before unrealized changes in value and impairment losses after the standard tax rate. When determining the size of the dividend, the Board also considered the Group’s investment requirements, need to strengthen its balance sheet and position in general, and the ability of the Group to develop further in the future while maintaining its financial strength and freedom of action.

The proposed dividend to shareholders reduces the company’s equity/assets ratio from 30 percent to 29 percent. The Group’s equity/assets ratio will fall by less than one percentage point, as a result of the proposed dividend, and therefore the equity/assets ratio will be unchanged at 44 percent. The equity/assets ratio is satisfactory considering that the company’s and the Group’s operations continue to be run profitably. It is expected that liquidity in the company and Group can be maintained at a similarly satisfactory level.

Derivative instruments and other financial instruments have been measured at fair value according to Chapter 4, Paragragh 14 a of the Swedish Annual Accounts Act (1995:1554), which has resulted in a deficit after tax of SEK 600 million, which affected equity by the same amount.

In the view of the Board, the proposed dividend will not prevent the company or any other Group companies from fulfilling their obligations in either the short or the long term, nor from carrying out necessary investments. The proposed dividend can thus be justified in respect of the provisions of the Companies Act (2005:551), Chapter 17, Section 3, paragraphs 2–3 (the prudence rule).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	**2017**	2016
Rental income	3	**1,701**	1,607
Operating expenses	4	**-437**	-432
Net operating income, properties		**1,264**	1,175
Management costs and administrative expenses	4, 5	**-210**	-193
Financial income	8	**10**	8
Financial expenses	8	**-258**	-257
Income from property management		**806**	733
Income from natural energy management operations	9	**-40**	-61
Realized change in value, synthetic options	5	**-54**	-
Revenue, co-op apartment and development property sales	10	**332**	127
Expenses, co-op apartment and development property sales	10	**-284**	-104
Realized change in value, investment properties incl. expenses	11	**6**	170
Profit before unrealized changes in value and impairment losses		**765**	865
Unrealized change in value, investment properties	11	**2,556**	3,470
New construction		**733**	1,195
Other		**1,823**	2,275
Unrealized change in value, financial instruments	8, 18	**182**	-130
Unrealized change in value, synthetic options	5	**-2**	-7
Impairment losses on non-current assets	15	**-500**	-
Profit before tax		**3,001**	4,198
Current tax	12	**0**	0
Deferred tax	12	**-580**	-850
Profit for the year after tax		**2,421**	3,348
OTHER COMPREHENSIVE INCOME			
Items that may be transferred to profit/loss for the year			
Translation difference		**-1**	5
Change in value, currency derivatives		**1**	-
Financial instruments for sale		**8**	23
Unrealized change in value, owner-occupied properties		**-8**	1
Tax attributable to other comprehensive income	12	**2**	-4
Comprehensive income		**2,423**	3,373
DISTRIBUTION PROFIT/LOSS FOR THE YEAR			
Attributable to non-controlling interests		**-**	-
Attributable to parent company shareholders		**2,421**	3,348
PER-SHARE DATA			
Profit after tax, SEK (dilution does not occur)		**7.4**	10.1
Dividend, SEK (proposed for 2017)		**1.80**	1.70
Average number of outstanding shares at year-end, thousands		**327,333**	330,409

COMMENTS ON GROUP RESULT

Rental income, operating expenses and net operating income, properties
Rental income amounted to SEK 1,701 million (1,607), which corresponds to an increase of SEK 94 million or almost 6 percent. Excluding income from acquired and divested properties, rental income increased by SEK 133 million, corresponding to growth of about 9 percent. This growth is mainly the result of additional recently constructed apartment buildings as well as successful new lets and rent negotiations with our commercial tenants.

Operating expenses for the year amounted to SEK 437 million (432). Net operating income increased by about 8 percent and amounted to SEK 1,264 million (1,175). Excluding the effects of acquired and divested properties, net operating income for the period was about 10 percent better than the previous year, of which additional new production accounted for more than two thirds of this growth.

Income from property management operations
Income from property management operations amounted to SEK 806 million (733), which was an improvement of 10 percent compared to the previous year. Property management costs and administrative expenses were SEK 17 million higher than the previous year. The higher management and administrative expenses were a result of more employees but were also due to increased consultancy expenses, within IT security, among other areas, as well as adjustments ahead of future GDPR rules. Net financial items for properties strengthened and was SEK 1 million lower overall than the previous year. The improved net financial items despite higher average debt was the result of efficient asset management and lower average interest for the year of 1.93 percent (2.04).

Income from natural energy management operations
Income from natural energy management operations consists of revenue less expenses including depreciation, interest expenses and administrative expenses attributable to electricity trading and electricity generation. Income from management operations is also impacted by remeasurement effects relating to renewable energy certificates.

Income from natural energy management operations amounted to SEK -40 million (-61) for the year and included wind turbine depreciation of SEK 95 million (96), which does not affect cash flow. Depreciation is based on the cost value.

During 2017, 381 GWh (352) of electricity was produced. Net profit for the year was primarily impacted by higher production than the previous year, and also by a lower price for electricity and renewable energy certificates. During the year, the price of a renewable energy certificate fell from SEK 116 per certificate to SEK 62, which generated negative remeasurement effects on revenue of SEK 7 million. As most renewable energy certificates are contracted for sale at a higher price than the closing day price, there is an unrecognized surplus value for renewable energy certificates in inventory of SEK 26 million.

Profit from sales of co-op apartments and development properties
Revenue from sales of cooperative apartments and development properties refers to remuneration from sales of co-op apartment units and development properties. The cost of the sold units and development properties is recognized as an expense. The expenses also include selling and marketing expenses, which are recognized on an ongoing basis as they arise. Revenue and cost are recognized when the property is handed over to the purchaser. Net profit for the year from sales of cooperative apartments and development properties amounted to SEK 48 million (23) net and mainly included sales of a small number of individual co-op apartments and two development properties.

Change in value, investment properties
Realized change in value, investment properties – As shown below, properties were sold for a total of SEK 607 million (1,179). In relation to the amount invested of SEK 312 million (570), Wallenstam will realize a profit of SEK 295 million (609) through these sales. Since the divested properties were held for an average of 16 years, this corresponds to average annual value growth of 4.2 percent. The major part, SEK 282 million (422) of this value growth was recognized on an ongoing basis in the consolidated income statement throughout the period of ownership as a component of the item Unrealized change in value, investment properties. The sales were completed at the equivalent of 2 percent (19) above the current valuation, taking investments into account.

Unrealized change in value, investment properties was positive during the year and totaled SEK 2,556 million (3,470), of which the value growth from our own cost-efficient new construction generated by our own work accounted for SEK 733 million (1,195). Properties that have been in operation for one calendar year or more are classified as Other investment property.

The value growth from the existing holdings was generated through improved net operating income from the year's rental negotiations primarily within the commercial holdings and more efficient property operations, and due to strong demand for properties with falling yield requirements in the market as a consequence. Our deliberate concentration strategy with attractive properties in popular locations is expected to contribute positively to both growth in rental income and demand for properties.

Unrealized changes in value, financial instruments
Wallenstam uses interest rate derivatives to achieve desired interest maturity profiles and electricity derivatives to secure future cash flows. If the contracted price deviates from the market price for derivatives, this difference in value is recognized in profit or loss.

On closing day, the 10-year swap rate amounted to 1.19 percent, compared to 1.09 percent at the start of the year. The value of interest rate derivatives developed positively, SEK 182 million (-156) in total. There was also a positive change in the value of electricity derivatives of SEK 10 million (25). Changes in the value of other financial instruments amounted to SEK -10 million (1) on closing day. Changes in value of derivatives only affect cash flow when they are realized. The change in value of interest rate derivatives does not affect the average interest rate.

Impairment loss on non-current assets
Due to the development of the renewable energy certificate market, a write-down requirement of SEK 500 million (-) was identified for the Group's wind power investments.

Realized profit from sales of investment properties

SEK million	2017	2016
Sales revenue	**607**	1,179
Cost and investments	**-312**	-570
Previously recognized change in value	**-282**	-422
Realized change in value, investment properties	**13**	187
Selling and administrative expenses	**-7**	-17
Realized change in value, investment properties including expenses	**6**	170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK million	Note	**Dec 31, 2017**	Dec 31, 2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Capitalized expenses, computer software	13	**18**	15
Total intangible assets		**18**	15
Property, plant and equipment			
Investment properties	11, 14	**41,410**	36,555
Wind turbines incl. constructions in progress	15	**682**	1,277
Equipment	16	**48**	48
Total property, plant and equipment		**42,140**	37,880
Financial assets			
Other securities held as non-current assets and shares of property interests	17, 29	**97**	110
Other non-current receivables	17, 29	**270**	266
Financial derivative instruments	18, 29	**21**	9
Total financial assets		**388**	385
TOTAL NON-CURRENT ASSETS		**42,546**	38,280
CURRENT ASSETS			
Intangible assets	19	**30**	89
Development properties and work in progress, co-op apartments	20	**606**	734
Trade receivables	3, 21, 29	**26**	26
Other receivables	22, 29	**148**	102
Prepaid expenses and accrued income	23, 29	**63**	55
Financial derivative instruments	18, 29	**7**	3
Participations	24, 29	**19**	15
Cash and cash equivalents	25, 29	**228**	98
Total current assets		**1,127**	1,122
TOTAL ASSETS		**43,673**	39,402
EQUITY AND LIABILITIES			
EQUITY	26		
Share capital		**165**	170
Other contributed capital		**359**	359
Other reserves		**4**	2
Profit brought forward		**18,880**	17,245
Non-controlling interests		**2**	12
Total equity		**19,410**	17,788
NON-CURRENT LIABILITIES			
Provisions for deferred tax	27	**4,146**	3,568
Other provisions	28	**56**	13
Interest-bearing liabilities	29	**2,432**	1,399
Financial derivative instruments	18, 29	**796**	966
Other liabilities	29	**49**	86
Total non-current liabilities		**7,479**	6,032
CURRENT LIABILITIES			
Interest-bearing liabilities	29	**16,269**	15,074
Financial derivative instruments	18, 29	**1**	4
Trade payables	29	**128**	134
Other liabilities	29	**43**	37
Accrued expenses and deferred income	29, 30	**343**	333
Total current liabilities		**16,784**	15,582
TOTAL EQUITY AND LIABILITIES		**43,673**	39,402
Pledged assets	31	**15,344**	15,165
Contingent liabilities	32	**239**	128

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Investment properties

Investment properties are our rental apartment buildings for our own management operations. If an investment is started in a new or existing investment property, the property is also recognized as an investment property during its construction or reconstruction phase.

During the year, the property holdings changed as follows:

Change in investment properties	Book value, SEK million
Property holdings OB	36,555
+ Acquisitions	615
+ Constructions	1,832
+ Reclassification co-op apartments and development properties	453
- Sales	-594
+ Unrealized change in value, net	2,549
Investment properties CB	41,410

During the year, a total of SEK 2,447 million (2,245) was invested in investment properties, of which acquisitions amounted to SEK 615 million (223), and investment in new construction, extensions and reconstructions totaled SEK 1,832 million (2,022).

Wallenstam determines the property value through internal valuations based on a cash flow model with individual assessment of each property. The assessment considers both future earning potential and market yield requirements. Changes in rent levels, occupancy rates and property operating expenses are included when assessing a property's future earning potential. Yield requirements differ between properties depending on the market and type of property. Analyses and comparisons are made with current price statistics for similar items of property. Wallenstam participates in a number of property transactions every year which generates a good feel for the market. The estimated yield value is reduced by anticipated future investment requirements and two years' rent for vacant floor space.

This item also includes land and building rights measured at market value. The total value of new construction in progress, land and building rights amounted to SEK 4,157 million (3,428).

Wind turbines

Wind turbines are recognized at cost less accumulated depreciation and any impairment losses. Depreciation is applied according to plan over the equipment's useful life, estimated at 25 years from the date of completion. The closing value after depreciation and impairment losses in relation to cost amounted to SEK 682 million (1,277). At year-end, the installed output amounted to 139 MW 139).

Development properties and work in progress, co-op apartments

Development properties and work in progress, co-op apartments covers the Group's investments in construction of development properties and co-op apartment buildings. These are measured in the balance sheet at cost and recognized as an expense in the income statement when the customer takes possession of the property or apartment. The total value of new construction in progress including land and building rights amounted to SEK 606 million (734).

EQUITY AND LIABILITIES

Equity

Shareholders' equity amounted to SEK 19,410 million (17,788), equivalent to SEK 60 per share (54). The equity/assets ratio was 44 percent (45). Shareholders' equity was impacted by comprehensive income, dividends and repurchases.

Interest-bearing liabilities

Wallenstam's financing consists of conventional bank loans including overdraft facilities as well as commercial paper and bond loans. The loan-to-value ratio was 43 percent in relation to the Group's investments in properties, development properties and co-op apartment productions in progress and wind power.

Of the loans, 51 percent (47) have fixed interest terms of more than one year. The average remaining fixed interest term is 36 months (37). The average effective interest rate on closing day, taking into account the effects of derivative contracts entered into, was 1.88 percent (1.97). Of the interest-bearing liabilities, loans with capital tied up for long terms amounted to 13 percent (8) of the total portfolio.

Financial derivative instruments

Wallenstam's financial derivative instruments consist mainly of interest rate derivatives and electricity derivatives. During the year, the change in value of entered into derivative instruments was positive, which reduced the deficit for interest rate derivatives. The development of electricity derivatives was also positive. The net closing recognized deficit from derivative instruments totaled SEK 769 million (958).

Provisions for deferred tax

A net deferred tax liability of SEK 4,146 million (3,568) was recognized in the balance sheet, which consists of a deferred tax liability of SEK 4,907 million (4,383) and a deferred tax asset of SEK 761 million (815). Deferred tax liabilities in the Group relate mainly to differences between the carrying amounts of properties and their fiscal values. The deferred tax asset is mainly attributable to tax loss carryforwards that are expected to be utilized against future tax surpluses.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Note 26	Share capital	Other contributed capital	Other reserves	Profit brought forward	Minority share	Total equity
		Attributable to the parent company's' shareholders					
OPENING BALANCE, JAN 1, 2016		170	359	-24	14,586	12	15,102
Net profit for the year		-	-	-	3,348	-	3,348
OTHER COMPREHENSIVE INCOME							
Items that may be reclassified to net profit for the year							
Translation difference		-	-	5	-	-	5
Financial instruments for sale		-	-	23	-	-	23
Unrealized change in value, owner-occupied properties		-	-	1	-	-	1
Tax attributable to other comprehensive income		-	-	-4	-	-	-4
TRANSACTIONS WITH THE COMPANY'S OWNERS							
Dividend		-	-	-	-497	-	-497
Repurchase own shares		-	-	-	-192	-	-192
CLOSING BALANCE, DEC 31, 2016		170	359	2	17,245	12	17,788
OPENING BALANCE, JAN 1, 2017		**170**	**359**	**2**	**17,245**	**12**	**17,788**
Net profit for the year		**-**	**-**	**-**	**2,421**	**-**	**2,421**
OTHER COMPREHENSIVE INCOME							
Items that may be reclassified to net profit for the year							
Translation difference		**-**	**-**	**-1**	**-**	**-**	**-1**
Change in value, currency derivatives		**-**	**-**	**1**	**-**	**-**	**1**
Financial instruments for sale		**-**	**-**	**8**	**-**	**-**	**8**
Unrealized change in value, owner-occupied properties		**-**	**-**	**-8**	**-**	**-**	**-8**
Tax attributable to other comprehensive income		**-**	**-**	**2**	**-**	**-**	**2**
TRANSACTIONS WITH THE COMPANY'S OWNERS							
Reduction share capital		**-5**	**-**	**-**	**5**	**-**	**-**
Dividend minority		**-**	**-**	**-**	**-**	**-10**	**-10**
Dividend		**-**	**-**	**-**	**-556**	**-**	**-556**
Repurchase own shares		**-**	**-**	**-**	**-235**	**-**	**-235**
CLOSING BALANCE, DEC 31, 2017		**165**	**359**	**4**	**18,880**	**2**	**19,410**

CLASSIFICATION OF EQUITY

Share capital

The item share capital includes the registered share capital of the parent company. Share capital consists of 34,500,000 A shares (quota value SEK 0.50) and 295,000,000 B shares (quota value SEK 0.50).

Other contributed capital

Other contributed capital includes the total amount from transactions that Wallenstam AB had with its shareholders. The transactions that took place were share issues at a premium. The amount included in other contributed capital therefore corresponds wholly to capital received above the nominal amount of the issue.

Other reserves

Other reserves consist of translation differences, change in value of financial instruments for sale and unrealized change in value owner-occupied properties.

Profit brought forward

Profit brought forward is equivalent to the total accumulated profits and losses generated in the Group, less dividends paid and repurchases of shares.

CAPITAL MANAGEMENT

Consolidated equity amounted to SEK 19,410 million (17,788) at year-end. The return on equity was 13.0 percent (20.9). The Group's financial strategy is based on the creation of satisfactory financial conditions for operation and development of new construction, which we achieve through a value-creating business. Wallenstam's goal is to achieve an average rate of net asset value growth, excluding dividends and repurchases, of 10 percent per year in the period until the end of 2018. Net asset value includes equity and deferred tax liability. Deferred tax liability refers mainly to differences between carrying amounts and fiscal values of the Group's properties. In 2017, average growth in net asset value, excluding dividends and repurchases, was 13.3 percent.

Net asset value and the equity/assets ratio are therefore important metrics for our capital management where the goal is that the equity/assets ratio should not be less than 30 percent and the realized interest coverage ratio on a rolling full-year basis should not be less than 2 times. At the end of 2017, the equity/assets ratio was 44 percent (45).

Wallenstam's dividend policy prescribes that recognized profit in the first instance be reinvested in the company for continued development of the property holdings and net asset value growth. However, the distributable amount must never exceed realized profit after the standard tax rate. The Board of Directors proposes a dividend for 2017 of SEK 1.80 per share (1.70). Calculated on outstanding dividend-paying shares, the proposed dividend amounts to about SEK 587 million. Wallenstam conducts share repurchasing as a way to modify the company's capital structure. No changes in the Group's principles for capital management occurred during the year.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Note	**2017**	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before unrealized changes in value*		**765**	865
Adjustment for items not included in the cash flow	33	**43**	-134
Tax paid		**0**	0
Cash flow before change in working capital		**808**	731
CHANGE IN WORKING CAPITAL			
Current receivables		**16**	76
Current liabilities		**10**	-141
Change in working capital		**26**	-65
CASH FLOW FROM OPERATING ACTIVITIES		**834**	666
CASH FLOW FROM INVESTING ACTIVITIES*			
Investments in properties and individual co-op apartments		**-2,952**	-2,748
Purchase of equipment, wind turbines and intangible assets		**-15**	-9
Investment in financial assets		**-17**	-28
Divestment of properties, co-op shares and property, plant & equipment		**934**	1,174
CASH FLOW FROM INVESTING ACTIVITIES		**-2,050**	-1,611
CASH FLOW FROM FINANCING ACTIVITIES	34		
Raised interest-bearing liabilities		**4,495**	5,080
Amortization of interest-bearing liabilities		**-2,358**	-3,759
Dividend paid		**-556**	-497
Dividend paid minority		**-10**	-
Repurchase of own shares		**-235**	-192
Sales and amortization of financial assets		**10**	370
CASH FLOW FROM FINANCING ACTIVITIES		**1,346**	1,002
CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		**98**	41
Cash flow for the year		**130**	57
Cash and cash equivalents at the end of the year		**228**	98
Unutilized overdraft facility at year-end		**800**	800
Blocked bank funds		**-**	-7
Available liquid assets	25	**1,028**	891

*Interest paid and received are included of SEK -349 million (-346) and SEK 6 million (9) respectively, of which SEK 64 million (56) was capitalized as a non-current asset.

GROUP ACCOUNTING PRINCIPLES AND NOTES

NOTE 1. GROUP ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Wallenstam AB (publ) is a Swedish public limited company with its registered office in Gothenburg. The Wallenstam B share is listed on Nasdaq Stockholm, Large Cap segment. The parent company is Wallenstam AB (publ), with corporate identity number 556072-1523 and the company's address is SE-401 84 Gothenburg, with visiting address Kungsportsavenyen 2.

The Group's operations are conducted through subsidiaries and its operations are described in the Administration Report. The annual accounts and consolidated financial statements for Wallenstam AB (publ) for the financial year ending December 31, 2017 were approved by the Board of Directors and the Chief Executive Officer on March 22, 2018 and will be presented to the Annual General Meeting (AGM) on April 24, 2018 for approval.

General principles and information about the consolidated financial statements follow below. Accounting principles, Assessments and estimates and Risks are presented after that more specifically in direct connection to each note in order to give the reader a better understanding of the respective income statement and balance sheet items.

- Accounting principles are indicated by ✻.
- Assessments and estimates are indicated by ≈.
- Risks are indicated by !.

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2017. In addition, the Group's applies the Swedish Financial Reporting Board's recommendation RFR 1, "Supplementary Accounting Rules for Groups".

The parent company applies the same accounting principles as the Group with the exceptions and additions described in the Swedish Financial Reporting Board's recommendation RFR 2, "Accounting for Legal Entities". This means that IFRS is applied with the exceptions described in direct connection to each parent company note.

The accounting principles for the Group have been applied consistently in the reporting and consolidation of the parent company and all subsidiaries in all the periods presented in the consolidated financial statements, unless otherwise indicated below.

The functional currency of the parent company and the Group's presentation currency is the Swedish krona (SEK). All amounts are stated in millions of Swedish kronor (SEK million) unless otherwise indicated. The financial statements for the Group have been prepared based on historical cost, which means that assets and liabilities are recognized at these values with the exception of properties and certain financial instruments and renewable energy certificates, which are measured at fair value.

Classification

Non-current assets and non-current liabilities consist of amounts that are expected to be recovered or paid more than twelve months after closing day. Current assets and current liabilities consist of amounts that are expected to be recovered or paid within twelve months of closing day.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements cover the parent company and all companies in which the parent company directly or indirectly has more than 50 percent of the voting rights or exercises control in another way. Control means that the Group can influence the investment in a way that affects its return or provides other benefits. The assessment takes into consideration de facto control, which means that control may exist even if a majority of the votes are not held.

Consolidated financial statements are prepared according to the purchase method, which means that equity in subsidiaries at the time of acquisition is eliminated in its entirety, and are based on accounting information prepared for all Group companies as of December 31, 2017. Consolidated equity thus includes only the portion of a subsidiary's equity earned since the acquisition. Profits/losses from companies acquired or divested during the year are included in the consolidated financial statements at amounts corresponding to the holding period. An acquisition analysis is prepared in connection with the acquisition to determine the cost of the participations and the fair value of acquired assets and assumed liabilities and contingent liabilities. Internal transactions between Group companies and intercompany dealings including internal profits are eliminated when preparing the consolidated financial statements. The Group's foreign operations are translated into the Group's functional currency (SEK) by translating balance sheets at the closing day exchange rate (current method), except for equity, which is translated at the exchange rate at the time of acquisition. Income and expense items are translated at the average exchange rate for the period. The translation differences that arise are recognized in other comprehensive income. Accumulated translation differences form part of the Group's equity among other reserves and are transferred and recognized as a component of capital gains or losses when a foreign subsidiary is divested. Monetary items in foreign currency are translated at the closing day exchange rate, at which time realized and unrealized exchange differences are recognized through profit or loss. Exchange gains/losses related to operations are recognized under operating income and operating expenses respectively. Financial exchange gains/losses are recognized as financial income and expenses.

The proportion of equity attributable to owners with non-controlling interests (previously designated minority holdings) is recognized as a special item within equity separate from the parent company's shareholders' share of equity. In addition, this share of profit/loss for the period is disclosed separately.

Fair value hierarchy according to IFRS 13

For all financial instruments measured at fair value according to IFRS 13, a description must be given of how fair value is assessed for all financial instruments measured at fair value and how this value is classified in relation to the three levels in a fair value hierarchy.

The different levels of the hierarchy are defined as follows:

- quoted prices (unadjusted) on active markets for identical assets or liabilities (level 1).
- observable inputs for the assets or liabilities other than quoted prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- unobservable inputs for the asset or liability (level 3).

The level in the hierarchy of each financial instrument is shown in the instrument's note disclosure and in a summary in Note 29.

Impairment losses

Certain assets such as intangible and tangible equipment, wind turbines and development properties and work in progress co-op apartments, are subject to testing for impairment under IAS 36. When there are indications that an asset has fallen in value, an assessment of the asset's carrying amount is carried out. In cases where the carrying amount exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. An impairment loss is recognized in the income statement. Previous impairment losses are reversed if the conditions for the impairment loss no longer exist. The maximum amount of the reversal is the asset's cost less estimated depreciation according to plan until closing day. Reversals are recognized though profit or loss. See Notes 13, 15, 16 and 20.

ASSESSMENTS AND ESTIMATES

In order to prepare the financial reporting in accordance with IFRS and generally accepted accounting principles, the company management must make various assumptions, assessments and estimates that through the choice of accounting principles or other assumptions, affect for example assets and liabilities, revenue and expenses, contingent assets and contingent liabilities and other information recognized in the accounts. These assessments and estimates are based on historical experience and expectations about future events that are considered reasonable in the current circumstances. By their very nature, actual outcomes may differ significantly from these assessments and estimates if other assumptions are made or other conditions exist or arise. Changes to estimates are recognized during the period in which they are made if they affect that period only, or in the period in which they are made and future periods if the change affects both current and future periods.

CHANGES IN SWEDISH REGULATIONS

The Swedish Financial Reporting Board

Changes made in 2017 have not had any impact on Wallenstam's reporting.

Amendments of accounting principles and disclosures

No new or amended standards and new interpretations which entered into force in 2017 had any impact on Wallenstam's financial reporting.

New standards and interpretations which enter into force in 2018 or subsequently

IFRS 15 Revenue from Contracts with Customers

From January 1, 2018, IFRS 15 will replace IAS 18 Revenue and IAS 11 Construction Contracts with pertaining interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services). The standard can be recognized according to retrospective transition arrangements or according to a modified retrospective approach with further disclosures. The basic principle of the standard is that the company recognizes revenue when the customer receives control of the product or service and not like before when the risks and rewards have been transferred to the customer. The standard also contains expanded disclosure requirements.

Wallenstam's revenue mainly consist of rental income, which is not impacted by the standard as it falls under IFRS 16 Leases. Surcharges taken in relation to rental income, such as snow clearance, refuse and, if applicable, water, heating and cooling, constitute revenue from services, which falls within IFRS 15. The transition to IFRS 15 is not expected to have any material impact on total revenue or recognized profits.

The Group's revenue relating to property transactions, including development properties and co-op apartments, is recognized on the date of taking possession, which complies with the standard's basic principle of control. This means that revenue from property transactions is recognized in the same periods as before in the Group.

Revenue from the Group's electricity sales is recognized, like before only when control has been transferred to the customer, and therefore this type of revenue does not have any impact on revenue recognition.

To sum up, the introduction of IFRS 15 will mean that some revenue will be recognized separately in its own line Service revenue. In addition, further disclosures will be required primarily regarding information in property transactions such as the existence of contingent consideration payments or financing arrangements. Apart from these disclosures, the introduction of IFRS 15 will not have any material impact on Wallenstam's total revenue or recognized profits.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 on January 1, 2018. The standard introduces new principles for classification of financial assets, for hedge accounting and for credit reserves. The new principles for classification of financial assets are based on an analysis of the business model that the asset is held within and the asset's cash flow characteristics. Our analysis shows that the new principles will not have any material impact on Wallenstam's reporting.

The single largest item within the scope of IFRS 9 is derivatives, which are still recognized at fair value through profit or loss. The same applies to quoted holdings.

IFRS 9 also means that the principles for making provisions for credit losses will be based on an expected credit loss model. Our analysis shows that the effect of the transition will not have any material impact on the recognized values on account of the risk characteristics of the receivables.

Wallenstam applies hedge accounting on net investments in Norway, which we will continue doing under IFRS 9 and we also estimate that the hedging relationship is effective under the new standard. The transition will thus have no effect.

To sum up, our analysis shows that the new principles will not have any material impact on Wallenstam's reporting. We will not restate comparative figures.

IFRS 16 Leases

IFRS 16 will replace the previous IAS 17 Leases on January 1, 2019. The new standard includes rules for both lessors and lessees. Wallenstam's revenue is mainly generated by rental income and is therefore covered by the rules for lessors in IFRS 16. For lessors, the rules are largely unchanged and the classification between operating and finance leases is retained. For lessees, IFRS 16 means that classification of finance and operating leases no longer needs to be made as all leases are classified as finance leases. This means for the lessee that the underlying asset is recognized in the balance sheet as an asset and lease liability. After the initial recognition of the lease asset, the right of use is recognized at cost less depreciation and any impairment losses. The lease liability is recognized at amortized cost less leasing payments made after the initial reporting date. The lease liability is remeasured in the event of changes in the lease term and changes in lease payments. The income statement is affected by the fact that current operating expenses attributable to operating leases will be replaced by depreciation and interest expenses.

With the exception of building leases and site leasehold rights, Wallenstam is only a lessee to a limited extent. With regard to building leases where Wallenstam's wind turbines are constructed, these will be recognized under IFRS 16, which will result in slightly higher total assets but with no material impact on results. With regard to site leasehold agreements, Wallenstam is currently analyzing in what way these should be recognized, and therefore the impact on the balance sheet and income statement for these agreements cannot be assessed at this point in time. Other leasing conditions under IFRS 16 are not considered to be material.

NOTE 2. SEGMENT INFORMATION

ACCOUNTING PRINCIPLE

Operating segments are reported in a manner that corresponds to the internal reporting to the chief operating decision-maker, Wallenstam's CEO. Operations are conducted and followed-up in the Group's three reporting business areas: properties in the Gothenburg region and in the Stockholm region and renewable energy through Svensk NaturEnergi. In the other segment, certain central items are reported which are not allocated to the business areas such as listing costs and office properties. Intra-Group transactions are eliminated in the eliminations column.

The accounting principles applied in the segment information essentially correspond with the Group's accounting principles. For the Svensk NaturEnergi business area, derivative instruments are presented differently in the income statement and in the segment information, since in the internal reporting (which is reflected in the segment information below) these instruments qualify for hedge accounting. An expense that is recognized under change in value, electricity derivatives in the consolidated income statement is not recovered and is therefore never recognized as an operating expense. In the segment information, however, changes in value of derivatives are presented net and as an operating expense item, equivalent to the cash flow effect. There is a corresponding difference in presentation for changes in value of renewable energy certificates after initial recognition. For this reason, income from natural energy management operations is presented differently in the consolidated income statement and in the segment information.

Segment information

	2017						2016					
SEK million	**Gothenburg region**	**Stockholm region**	**Svensk NaturEnergi**	**Other**	**Eliminations**	**Total**	Gothenburg region	Stockholm region	Svensk NaturEnergi	Other	Eliminations	Total
INCOME STATEMENT												
Rental income	**1,194**	**500**	**-**	**25**	**-18**	**1,701**	1,140	458	-	9	-	1,607
Operating expenses	**-279**	**-149**	**-**	**-9**	**-**	**-437**	-280	-144	-	-3	-5	-432
Electricity revenue	**-**	**-**	**374**	**-**	**-374**	**-**	-	-	216	-	-216	-
Electricity expenses	**-**	**-**	**-357**	**-**	**357**	**-**	-	-	-213	-	213	-
Net operating income	**915**	**351**	**17**	**16**	**-35**	**1,264**	860	314	3	6	-8	1,175
Management costs and administrative expenses	**-120**	**-81**	**-24**	**-21**	**36**	**-210**	-110	-77	-27	-11	32	-193
Net financial items	**-176**	**0**	**-26**	**-78**	**32**	**-248**	-183	2	-30	-68	30	-249
Income from management operations	**619**	**270**	**-33**	**-83**	**33**	**806**	567	239	-54	-73	54	733
Income from natural energy management operations	**-**	**-**	**-**	**-**	**-40**	**-40**	-	-	-	-	-61	-61
Undistributed items												
Realized result, option scheme						**-54**						-
Profit from sales						**54**						193
Profit/loss before unrealized changes in value and impairment losses						**765**						865
Unrealized changes in value and impairment losses						**2,236**						3,333
Profit/loss before tax						**3,001**						4,198
BALANCE SHEET												
Investment properties	**26,126**	**14,642**	**-**	**642**	**-**	**41,410**	23,486	12,448	-	621	-	36,555
Wind turbines	**-**	**-**	**682**	**-**	**-**	**682**	-	-	1,277	-	-	1,277
Development properties and work in progress, co-op apartments	**536**	**70**	**-**	**-**	**-**	**606**	521	213	-	-	-	734
Undistributed assets						**975**						836
Total assets						**43,673**						39,402
Equity						**19,410**						17,788
Loans	**10,100**	**2,507**	**1,300**	**4,794**	**-**	**18,701**	9,807	1,734	1,439	3,493	-	16,473
Undistributed liabilities						**5,562**						5,141
Total equity and liabilities						**43,673**						39,402
Investments in progress, property, plant and equipment	**1,646**	**3,117**	**1**	**7**	**-**	**4,771**	1,415	2,747	-	3	-	4,165

NOTE 3. RENTAL INCOME

ACCOUNTING PRINCIPLE

The Group recognizes income when the amount can be measured reliably and it is probable that future economic benefits will accrue to the Group. Rental agreements attributable to Wallenstam's investment properties are considered operating leases according to IAS 17. Income comprises the fair value of what will be received in the Group's operating activities. Recognized income refers mainly to rental income. Where applicable, rental income includes services provided by Wallenstam such as cable TV, electricity and heating. The income is recognized net less any rebates. Rental income is notified in advance, allocated to periods in accordance with rental agreements and recognized as income during the rental period concerned. Rent paid in advance is recognized as prepaid rental income.

Rebates provided in the case of infringements on rights of use, e.g. during reconstructions and/or in connection with occupation, are recognized in the period they concern. In cases where leases during a certain period allow for reduced rent corresponding to a higher rent during another period, this is allocated in accordance with the contracted agreement. Compensation in connection with the early termination of rental agreements is immediately recognized as income if no obligations towards the tenant remain.

CREDIT RISK

Wallenstam's credit risks can mainly be attributed to outstanding rent and trade receivables, promissory notes, cash and cash equivalents and financial derivatives. Losses from lease receivables and trade receivables occur when customers are unable for some reason to fulfil their payment obligations. The risks are limited as Wallenstam mainly works with established customers that have competitive operations and a documented ability to pay. In cases where a counterparty's ability to pay is considered uncertain, in accordance with its credit policy, Wallenstam will demand a bank guarantee, a surety or in the case of a new let, rent in advance (deposit). Wallenstam has a large diversification of risks in its contract portfolio with about 1,800 commercial contracts and 13,600 residential and parking contracts.

The Group's exposure to credit risk from individual customers is limited considering the terms of rental agreements and the relative importance of customers. Wallenstam's ten largest commercial tenants represent approximately 9 percent (8) of Wallenstam's assessed full-year value. Rental income is mainly based on agreements and fixed rental income, as turnover-based rent only occurs to a very limited extent. The table below shows the terms and size of rental agreements for both commercial and residential tenants.

The maximum credit risk corresponds to the book value of derivatives, promissory note-, trade- and other current receivables including accrued income and cash holdings, which amount to SEK 627 million (496), with assets having been pledged for promissory note receivables of SEK 273 million (298). See also Note 29, Classification of financial instruments.

Rental income

SEK million	2017	2016
Residential, parking	**800**	748
Commercial premises	**901**	859
Total rental income	**1,701**	1,607
Change in rental income between 2016 and 2017		
Rental income according to income statement	**1,607**	1,549
Change in rental income, existing properties	**57**	40
New construction	**76**	61
Acquired properties	**10**	6
Sold properties	**-49**	-48
Rental income according to income statement	**1,701**	1,607
Adjustment to current full-year value		
Vacancies and vacated properties	**78**	88
Rental value, December 31	**1,779**	1,695

The Group's rental income consists of income at agreed rental rates as turnover-based rent only occurs to a very limited extent.

NOTE 3. RENTAL INCOME, CONT.

Rental contract sizes

	Number of contracts	SEK million assessed full-year value	Total, %
Above SEK 5.0 million	23	195	11
SEK 4.0–5.0 million	12	54	3
SEK 3.0–4.0 million	20	69	4
SEK 2.0–3.0 million	49	117	6
SEK 1.0–2.0 million	139	195	10
SEK 0.5–1.0 million	225	157	8
Under SEK 0.5 million	1,314	142	8
Total commercial premises	1,782	929	50
Vacant property	349	52	3
Residential and parking	13,555	859	47
Total	15,686	1,841	100

Rental contract terms

	Number of contracts	SEK million assessed full-year value	Total, %
2018	715	174	9
2019	409	187	10
2020	373	259	14
2021	186	140	8
2022–	99	169	9
Total commercial premises	1,782	929	50
Vacant property	349	52	3
Residential and parking	13,555	859	47
Total	15,686	1,841	100

NOTE 4. OPERATING, MANAGEMENT AND ADMINISTRATIVE EXPENSES

ACCOUNTING PRINCIPLE

Operating expenses

Wallenstam's operating expenses consist of expenses incurred in connection with property management such as property upkeep, electricity, water, cleaning, repairs, fuel expenses, maintenance, leaseholds/tenancies, property tax and other operating expenses. Operating expenses are recognized in the period they concern. Part of the operating expenses are passed on to tenants in the form of rent supplements.

Site leasehold agreements are considered operating leases from a reporting perspective. Site leasehold rents are recognized as an expense in the period they relate to.

Management costs and administrative expenses

Wallenstam's management costs and administrative expenses consist of the Group's administration expenses such as expenses for personnel, offices, premises, consultants, marketing and depreciation of fixtures and fittings. Expenses are recognized in the period they concern. There are also a small number of minor leases in which Wallenstam is the lessee. These leases are also operating leases and mainly relate to photocopiers and company cars. Payments made during the lease term are expensed in the income statement on a straight-line basis over the term of the lease. Management costs and administrative expenses are broken down and presented in the income statement on four lines: property management operations, property transactions, co-op apartment transactions and income from natural energy management operations.

Management costs and administrative expenses attributable to the Group's property management operations amounted to SEK 210 million (193). Management costs and administrative expenses attributable to natural energy operations amounted to SEK 24 million (27). Administration expenses attributable to property transactions are included in the item selling and administrative expenses, sales of investment properties and amounted to SEK 5 million (16) and in costs for sales of co-op apartments and development properties of SEK 12 million (2).

NOTE 4. OPERATING, MANAGEMENT AND ADMINISTRATIVE EXPENSES, CONT.

SEK million	2017	2016
Operating expenses		
Heating costs	**70**	76
Maintenance costs	**113**	106
Site leasehold/rent	**13**	13
Property tax	**72**	73
Other operating expenses	**169**	164
Total operating expenses	**437**	432
Operating expense SEK/sq m		
Heating costs	**65**	72
Maintenance costs	**104**	100
Site leasehold/rent	**12**	12
Property tax	**66**	69
Other operating expenses	**156**	156
Total	**403**	409
Management costs and administrative expenses		
Depreciation of non-current assets	**9**	10
Marketing expenses	**23**	24
Other external services and expenses	**35**	29
Personnel expenses	**137**	127
Cost of premises, rent for non-current assets, office supplies	**38**	35
Other expenses	**9**	13
Total management costs and administrative expenses	**251**	238

Due to the high occupancy rate, direct costs attributable to properties that did not generate income are only marginal. In properties partly vacated in order to carry out reconstruction projects, operating expenses were incurred of about SEK 5 million, for which there was no income.

Audit expenses

SEK million	2017	2016
Audit assignment, Deloitte	**1.4**	1.5
Other auditing work, Deloitte	**0.1**	0.1
Audit assignment, BDO	**0.2**	0.1
Total	**1.6**	1.7

Wallenstam uses the services of Deloitte for audit in the Group's Swedish companies. BDO is used for the Group's Norwegian companies.

NOTE 5. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

ACCOUNTING PRINCIPLE

Employee benefits

Employee benefits are recognized in line with employees performing services in exchange for remuneration.

Provisions for pensions

Pensions are normally financed through payments to insurance companies where payments have been determined based on periodic actuarial calculations.

The Group has both defined benefit pension plans and defined contribution pension plans. A defined contribution pension plan is one where the company pays fixed premiums to an insurance company. A defined benefit pension plan is one that does not have defined contributions but which is instead based on the size of the pension benefits that an employee receives after retirement, usually based on one or more factors such as age, length of service and salary. Plans where the company's obligation is limited to the fees that company has undertaken to pay are classified as defined contribution plans. In such cases the size of an employee's pension depends on the premiums the company pays to an insurance company and the return on capital the premiums generate. Consequently, the employee bears the actuarial risk (that the payment will be lower than expected) and the investment risk (that the invested assets will be insufficient to provide the expected payments). The company's obligations in respect of premiums for defined contribution plans are recognized as a consolidated expense as they are earned by employees.

Wallenstam's pension commitments consist of defined contribution pension plans, where the company has no obligations other than to pay an annual premium during the period of employment. This means that after employment has been terminated, the employee is entitled to decide the period during which the earlier defined contribution payments and the return on these is taken out as pension. However, an exception exists in respect of the individuals covered by defined benefit ITP plans with ongoing payments to Alecta under ITP 2. According to UFR 10 of the Swedish Accounting Standards Council, the requirements do not exist to recognize an ITP 2 plan financed through insurance with Alecta as a defined benefit plan, and for this reason this plan is recognized as defined contribution according to IAS 19.

Employee synthetic options scheme

Share-based payment is recognized according to IFRS 2. In September 2013, all permanently employed staff were offered 20,000–100,000 synthetic options free of charge. The CEO and Vice CEOs received 100,000 synthetic options and other senior executives a total of 180,000. 194 employees accepted the offer at the start. The options were measured according to the Black & Scholes model. Important input data for the model included the share price as of the closing day of SEK 70.90, an exercise price of SEK 52.50 with a ceiling of SEK 80, an anticipated share price volatility of 22 percent, the options' term up to and including May 31, 2019, expected dividend of SEK 1.50 and an annual risk-free interest rate of -0.56 percent. Volatility was calculated as the estimated future volatility during the remaining term of the options.

On May 30, 2017, Wallenstam's share for the fifth day within a 30-day period recorded a closing price of more than SEK 80 per share, which meant that the share price increased about 85 percent in just over 3.5 years and that redemption of options could be called for. In total, 5,302,000 options were issued. The overall cost of the scheme amounted to SEK 138 million, of which SEK 54 million represented a realized expense in May 2017 and SEK 84 million represented an unrealized expense, of which SEK 2 million during 2017 and the remainder from previous periods. Social security contributions have been recognized in previous years as part of the management costs and amounted to SEK 6 million.

Termination benefits

A provision is recognized in connection with the termination of employment only if the company has been obliged to terminate employment before the normal date or when compensation is offered as an incentive for voluntary redundancy. The provision and expense is recognized for the period when the employee is on garden leave, in other words the period in which the company does not receive any service in return.

Group salaries, other remuneration and social security expenses

	2017					2016				
SEK million	**Basic salary**	**Benefits**	**Variable remuneration**	**Social security expenses**	**Pension expenses**	Basic salary	Benefits	Variable remuneration	Social security expenses	Pension expenses
Chairman of the Board	**0.7**	**-**	**-**	**0.1**	**-**	0.7	-	-	0.2	-
Board members	**0.7**	**-**	**-**	**0.2**	**-**	0.6	-	-	0.1	-
Total directors' fees	**1.4**	**-**	**-**	**0.3**	**-**	1.3	-	-	0.3	-
CEO, parent company	**4.4**	**0.6**	**-**	**2.4**	**1.6**	4.4	0.8	-	2.0	1.8
Vice CEOs, 1,5 persons (2)	**4.7**	**0.4**	**-**	**2.2**	**1.5**	6.2	0.3	-	2.7	2.1
Former Vice CEOs, 1,5 persons (1)	**1.5**	**-**	**1.5**	**1.3**	**1.1**	-	-	-	0.1	-
Other senior executives 4 persons (3)	**5.2**	**0.0**	**-**	**2.0**	**1.6**	3.9	0.1	-	1.4	1.2
Other employees	**120.1**	**2.8**	**-**	**43.4**	**19.1**	111.1	3.4	-	40.4	16.7
Total	**135.9**	**3.8**	**1.5**	**51.3**	**24.9**	125.6	4.6	-	46.6	21.8

Remuneration

The CEO received a salary and housing benefit along with other housing-related benefits, totaling SEK 5.0 million (5.2). Senior executives are offered fixed salaries at market-related levels. In addition to fixed salary, variable remuneration may be offered. The principles for these are approved by the AGM. The salaries of the CEO and Vice CEO are determined by a remuneration committee, which consists of the Board's presiding committee. Remuneration to other senior executives is determined according to the Board's guidelines.

In accordance with the resolution passed by the AGM, the Board of Directors will receive fees of SEK 1,400,000 (1,330,000) for the period from April 2017 until the AGM in 2018, of which

NOTE 5. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES, CONT.

SEK 700,000 (670,000) is paid to the Chairman of the Board Christer Villard, SEK 250,000 (240,000) to Vice Chairman Ulrica Jansson Messing and SEK 150,000 (140,000) to each of the other Board members (Anders Berntsson, Agneta Wallenstam and Karin Mattsson Weijber). No additional remuneration other than the fees approved by the AGM was paid to the Board.

Pensions and termination benefits

The company takes out pension insurance for the CEO with an annual premium of 30 percent of the gross salary including housing benefit in addition to survivors' pension insurance equivalent to a premium expense of SEK 118,000 for 2017. The company has also taken out a life insurance policy to provide a survivor's pension in the event of death while in service. This obligation is provided by payment into a defined premium insurance policy for which the costs in 2017 amounted to SEK 86,000 in total. If the CEO resigns his position, six months' notice must be given. Termination of the CEO's employment by the company is also subject to a period of notice of six months. On leaving the company, the CEO, or his survivor in the event of his death, has the right to purchase his current company-owned accommodation for 1.33 times the taxable value at the time of sale.

At year-end, the company had one Vice CEO. Other senior executives consist of the CFO and Head of Investor Relations, the Communications Director and the Finance Director and the Regional Director, Gothenburg business area. Pensions for the Vice CEO and other senior executives are in accordance with the remuneration policy for defined contribution pensions. To fulfil pension benefits for other senior executives, the company has taken out pension insurance equivalent to 35 percent or 30 percent of gross salary. The period of notice is six months. With regard to the Vice CEO and other senior executives, 18 months' termination benefits will apply in the case of termination of employment by the company. The Vice CEO with company-owned accommodation has the right to purchase said accommodation at the market value prevailing at the time of sale.

In the event of absence due to illness, senior executives – like other employees – are entitled to 90 percent of fixed monthly salary for days 2–90 and 75 percent of fixed salary for days 91–365, less what can be obtained from Försäkringskassan, the Swedish Social Insurance Agency.

The retirement age for the CEO is 67 and for the other senior executives it is 65– 67 unless separate agreements are concluded on an extension, up to a maximum of 70.

Share-based payments to Group Management and other employees

Options scheme 2013–2019, Synthetic options scheme costs

SEK million	2017	2016
CEO	**1.1**	0.1
Vice CEOs, 2 persons (2)	**2.3**	0.3
Former Vice CEO, 1 person (1)	**1.1**	0.1
Other senior executives, 4 persons (3)	**2.0**	0.3
Other employees	**50.0**	6.4
Total realized and unrealized changes in value, synthetic options	**56.5**	7.2

As the option scheme matured in May 2017, there was no liability at year-end (81).

Pension insurance with Alecta

Pension insurance contributions for the year in Alecta in respect of ITP 2 totaled SEK 9.2 million (7.5). Alecta's surplus can be distributed to the policyholders and/or the insured. At year-end 2017, Alecta's surplus in the form of the collective consolidation level was 154 percent (149). The collective consolidation level is defined as the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions. Wallenstam's share of the total number of savings premiums for ITP 2 with Alecta was 0.05257 percent (0.04474).

NOTE 6. AVERAGE NUMBER OF EMPLOYEES

2017 Average number of employees	of whom: women	men	**2016** Average number of employees	of whom: women	men
244	**141**	**103**	227	130	97

The Group's personnel are mainly employed by the parent company.

Board members and senior executives

	Dec 31, 2017 Number	of whom: women	men	**Dec 31, 2016** Number	of whom: women	men
Board members	**5**	**3**	**2**	5	3	2
CEO, Vice CEOs and senior executives	**6**	**3**	**3**	6	2	4

NOTE 7. RELATED PARTY DISCLOSURES

ACCOUNTING PRINCIPLE

Related party refers to both legal entities and natural persons as defined by IAS 24.

Related parties are defined as:

- all companies within the Wallenstam Group
- Board members and company management
- close family of Board members and company management
- companies controlled by Board members or company management
- shareholders who control more than 10 percent of the shares or voting rights in the company.

As with all transactions, those with related parties must be carried out on commercial terms. Special attention must be paid to the guidelines pertaining to conflicts of interest during such transactions.

In order to ensure that no extraneous factors are taken into consideration when entering into related-party agreements, two people must always approve the agreement on behalf of Wallenstam. Moreover, authorized individuals may not authorize expenditures for their own benefit. Wallenstam has adopted procedures for defining related parties, for managing transactions and monitoring related party agreements. Prior to the preparation of the annual accounts, individual members of Wallenstam's Board of Directors and company management provide an assurance as to whether they or their close family have entered into any transactions during the financial year that can be considered related-party transactions with Wallenstam Group companies.

Transactions with related parties

The parent company performed administrative services for other Group companies. Revenue from these services is recognized as management revenue; see parent company Note 2. The parent company has expenses from other Group companies in respect of electricity, rental of premises, purchasing of restaurant services/food and PR totaling around SEK 23 million (22). The parent company manages loan procurements and interest rate derivatives on behalf of the subsidiaries.

Individuals and companies related to Board members rent apartments and are also electricity customers. Insurance services were purchased from companies with board members who are also members of Wallenstam's Board of Directors or Group Management, for a total equivalent to about SEK 4 million in annual net expenditure. In addition, a company to which one of Wallenstam's Board members is related, performed building contract services with a total contract value of SEK 10 million. This company is an electricity customer of Svensk NaturEnergi.

The CEO is a joint owner (50 percent) of Aranea Holding AB. Aranea Holding AB through subsidiaries, owns two wind turbines and 48 percent of the floorball equipment manufacturer, Renew Group Sweden AB. Electricity trading for wind turbines is handled by Svensk NaturEnergi AB. Aranea and Renew were tenants during the year of Wallenstam with an annual rental value equivalent to SEK 0.6 million and SEK 0.9 million, respectively. Both are also electricity customers.

A former member of the Group Management holds the Chairmanship of a sports association, which Wallenstam sponsors through a contribution of SEK 0.1 million per year. The sports association is a customer of Svensk NaturEnergi. During the year, Wallenstam acquired an Airdome from the sports association for use as a replacement premises in reconstruction projects. The purchase price amounted to SEK 0.5 million.

Wallenstam's involvement in environmental and social responsibility issues is described in more detail on pages 24–31 of the annual report. As part of its social responsibility work, the Wallenstam Group not only contributes financially but also gives its time in the form of e.g. board work. As a result of such board positions, related party status arises in the case of the Rescue Mission in Gothenburg and Barn i Nöd (Swedish International Help for Children). During the year, Barn i Nöd received SEK 1.7 million in contributions and the Rescue Mission in Gothenburg received SEK 2.5 million. Wallenstam also issued a general guarantee commitment for the Rescue Mission in Gothenburg of SEK 12.5 million. Barn i Nöd and the Rescue Mission in Gothenburg rent premises from Wallenstam equivalent to annual rental income of about SEK 0.1 million and SEK 3.8 million, respectively. Both organizations are also Svensk NaturEnergi electricity customers.

All transactions take place on market-related terms.

NOTE 8. FINANCIAL INCOME AND EXPENSES

ACCOUNTING PRINCIPLE

Financial income refers to interest income from bank deposits, receivables, financial investments, dividend income and positive exchange differences on financial items. Financial income is recognized in the income statement in the period it concerns. Dividends are recognized when the right to receive payment has been established.

Financial expenses refer to interest expenses, exchange differences on financial items, and other expenses arising in connection with borrowing and are recognized in the income statement in the period they relate to. The cost of taking out mortgages is capitalized as a property investment. Financial expenses for a reporting period consist of the actual interest to pay both as a result of agreed interest rates and as an effect of derivative contracts entered into. Average interest rate corresponds to the interest paid in relation to the period's average interest-bearing debt. Net financial items are not affected by market valuations of concluded interest rate derivative contracts, which are instead recognized as changes in value under their own heading. The financial expenses component that refers to major new construction, extensions or reconstructions is capitalized. The capitalized interest is calculated on the basis of the average weighted borrowing cost for the Group.

Financial income and expenses

SEK million	2017	2016
FINANCIAL INCOME		
Interest income, current assets	**8**	1
Dividend	**1**	0
Foreign exchange gain	**1**	6
Other financial income	**0**	1
Total financial income	**10**	8
FINANCIAL EXPENSES		
Interest expenses properties	**-256**	-250
Interest expenses energy	**-27**	-30
Foreign exchange loss	**0**	-5
Other financial expenses	**-2**	-2
Total financial expenses	**-285**	-287

During the year, SEK 64 million (56) in interest relating to investments in projects was capitalized. The average interest rate was used for capitalization, which amounted to 1.9 percent (2.0). Net financial items including changes in value of financial derivatives totaled SEK -93 million (-409), see Note 18.

NOTE 9. INCOME FROM NATURAL ENERGY MANAGEMENT OPERATIONS

ACCOUNTING PRINCIPLE

Income from natural energy management operations consists of electricity revenue and electricity expenses, depreciation, administrative expenses and interest expenses attributable to electricity trading and electricity generation and profit from renewable energy certificates. Sales revenue and expenses for electricity are recognized excluding value added tax and excise duties in the period delivery takes place to customers.

Renewable energy certificates are initially recognized at cost, which is remeasured to fair value on the vesting date. Renewable energy certificates are initially measured at cost and are subsequently recognized on an ongoing basis at a remeasured amount consisting of the fair value at the time of remeasurement, identified as the closing day spot price. All changes in value resulting from these remeasurements are recognized in the income statement as electricity revenues, natural energy. Income from natural energy management operations also includes revenue from realized sale of surplus renewable energy certificates generated by Wallenstam's energy production. For further information and conditions regarding renewable energy certificates, see Note 19 Intangible assets.

ELECTRICITY PRICE RISK

Electricity prices have an impact on the company's results. Since Svensk NaturEnergi is a net electricity producer on an annual basis, a drop in electricity prices has a negative impact on earnings. Electricity prices are influenced by a number of different factors such as the economic cycle and the weather. Changes in electricity prices influence the value of both current and new agreements. To protect the business and reduce the impact of market fluctuations, the Group uses futures contracts to hedge revenue from future electricity sales and electricity production in accordance with the energy policy adopted by the Board of Directors. This policy means that purchasing may be carried out for a maximum period of five years ahead. Renewable energy certificate sales are also hedged by means of futures contracts in accordance with this policy.

SEK million	2017	2016
Electricity revenue	**368**	278
Electricity expenses	**-262**	-186
Depreciation and amortization	**-95**	-96
Management costs and administrative expenses	**-24**	-27
Financial expenses	**-27**	-30
Total income from natural energy management operations	**-40**	-61

Electricity revenue includes revenue from production and sales of electricity, which also includes remeasurement of renewable energy certificates, see Note 19. During the year, the price of a renewable energy certificate fell from SEK 116 per certificate to SEK 62, which generated negative remeasurement effects on revenue of SEK 7 million. In relation to the closing day rate for 2017, contracted sales of renewable energy certificates in inventory correspond to an unrecognized surplus value of SEK 26 million, of which SEK 21 million are contracted for delivery in March 2018.

NOTE 10. REVENUE AND EXPENSES, CO-OP APARTMENT AND DEVELOPMENT PROPERTY SALES

ACCOUNTING PRINCIPLE

Revenue from sales of cooperative apartments and development properties refers to compensation from sales of co-op apartment projects, co-op apartment units and development properties. New construction of cooperative apartments and development properties is recognized according to IFRIC 15, Agreements for the Construction of Real Estate. For Wallenstam, this means that IAS 18, Revenue, is applied. In the balance sheet, investments are recognized at cost on an ongoing basis on the line Development properties and work in progress, co-op apartments. In conjunction with sales of co-op apartments, the compensation received is recognized as revenue and the apartment's estimated share of production costs is recognized as an expense, or in the case of co-op apartment units acquired from an external party, the book value of the apartment. Revenue from sales of development property is recognized as compensation received and the production cost incurred is recognized as an expense. Revenue and expenses are recognized in the income statement when the purchaser takes possession of the apartment/property, while marketing and selling expenses are recognized on an ongoing basis.

Administrative and selling expenses of SEK 23 million (11) are included.

NOTE 11. CHANGES IN VALUE OF INVESTMENT PROPERTIES

ACCOUNTING PRINCIPLE

Changes in value of investment properties are recognized in the income statement broken down into Realized change in value, investment properties and Unrealized change in value, investment properties. Realized changes in value of investment properties refer to profits or losses from sales of investment properties. A sale is recognized as realized on the date of taking possession unless this contravenes particular terms in the purchase agreement. This also applies in the case of sales of property via companies. In connection with the sale of properties via companies, the transaction is recognized gross as regards property price and deferred tax. Profits or losses on the sale of property comprise the difference between the agreed purchase price and the estimated market value on the immediately preceding quarterly report, taking account of investments made. Direct selling expenses and a share of internally distributed administration expenses are deducted.

Unrealized changes in value, investment properties refer to the difference between the valuation on closing day and the valuation at the time of the immediately preceding reporting date. Investment properties are measured on an ongoing basis in accordance with IAS 40 at estimated fair value according to the principles described in Note 14. The valuation is internal and is made in conjunction with each quarterly financial statements. Properties that are contracted for sale with taking of possession after closing day are valued at the selling price on the reporting date with consideration of any remaining uncertainty according to the principles described in Note 14.

Distribution of change in value, investment properties

SEK million	2017	2016
CHANGE IN VALUE, INVESTMENT PROPERTIES		
Realized change in value, investment properties	**13**	187
Unrealized change in value, investment properties	**2,556**	3,470
Total change in value, investment properties	**2,569**	3,657
REALIZED CHANGES IN VALUE, INVESTMENT PROPERTIES		
Sales revenue, sold properties	**607**	1,179
Value of sold properties	**-594**	-992
Realized change in value, investment properties	**13**	187
UNREALIZED CHANGE IN VALUE, INVESTMENT PROPERTIES		
Change in value, yield requirement	**1,472**	2,127
Capitalization of change in net operating income	**655**	498
Change in value due to contracted sales and acquisitions	**93**	4
Future investment requirements	**-464**	-354
New construction	**733**	1,195
Change in value, major completed reconstructions	**67**	0
Unrealized change in value, investment properties	**2,556**	3,470

During 2017, Wallenstam sold properties at a value that on average exceeded the valuation by 2 percent (19) after taking account of investments during the year. For more information about net operating income and yield requirements, see Note 14.

NOTE 12. TAXES

ACCOUNTING PRINCIPLE

Income taxes in the income statement are recognized according to IAS 12. Tax is recognized in the income statement except where it refers to items that are recognized in other comprehensive income or directly in equity. In such cases the tax is also recognized in other comprehensive income or equity.

The current tax rate for limited liability companies in Sweden is 22 percent (22). The tax in the income statement is split between two items, current tax and deferred tax.

Current tax

Current tax refers to tax that must be paid in the current year and is calculated according to the prevailing tax rate. This also includes any adjustments to current tax from previous periods.

Current tax is calculated based on the company's taxable earnings, which differ from the recognized profit/loss. This is mainly due to the possibility to:

- utilize tax depreciation
- utilize tax deductions for certain reconstructions of properties, which is capitalized in the accounts
- utilize the Group's existing tax loss carryforwards
- sell properties through so-called corporate packaging.

Current tax – in other words taxes paid – that arises despite the Group's tax losses is due to the lack of tax-deductible Group contribution opportunities for certain subsidiaries.

Deferred tax

Deferred tax is recognized, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities according to the principles described in more detail in Note 27.

The total tax recognized in the income statement deviates from the nominal tax in cases where there are recognized income and expenses that are not taxable or deductible.

Tax recognized in the income statement

SEK million	2017	2016
Current tax	**0**	0
Deferred tax	**-580**	-850
Total tax	**-580**	-850

Difference between the Group's recognized tax and tax based on the applicable tax rate of 22 percent (22)

SEK million	2017	2016
Recognized profit before tax	**3,001**	4,198
Tax according to current tax rate	**-660**	-924
Tax effect of:		
Non-deductible expenses	**-16**	-3
Adjustment of tax, previous year	**0**	-5
Reversed impairment losses	**-**	1
Non-taxable profit on sold properties	**87**	99
Changes in value, which do not generate deferred tax	**10**	-16
Non-assessed deficit	**-1**	-2
Tax on profit for the year in the income statement	**-580**	-850

Tax items recognized in other comprehensive income

SEK million	2017	2016
Deferred tax attributable to:		
Changes in value, translation differences	**0**	-4
Unrealized change in value, owner-occupied properties	**2**	0
Total tax items recognized in other comprehensive income	**2**	-4

NOTE 12. TAXES, CONT.

Distribution of deferred and current tax

SEK million	2017 Basis current tax	2017 Basis deferred tax	2016 Basis current tax	2016 Basis deferred tax
Profit before tax	**3,001**		4,198	
Tax deductible:				
Reconstructions	**-372**	**372**	-301	301
Depreciation	**-272**	**272**	-253	253
Additional depreciation	**381**	**-381**	-230	230
Retirements, impairment losses and reversals	**65**	**-65**	-	-
Unrealized change in value, investment properties	**-2,556**	**2,556**	-3,470	3,470
Unrealized change in value, financial derivative instruments	**-182**	**193**	130	-130
Realized change in value, financial derivative instruments	**3**	**-3**	-18	18
Realized change in value, renewable energy certificates	**-18**	**18**	23	-23
Sales of properties	**-61**	**-346**	67	-520
Other non-deductible expenses	**73**	**-3**	19	-4
Other consolidation adjustments	**52**	**-52**	15	-16
Changes in value, which do not generate deferred tax	**-**	**-44**	-	74
Adjustment of tax, previous years	**-20**	**20**	-21	43
Current profit for tax purposes	**94**	**2,537**	159	3,696
Change in tax loss carryforwards during the year	**-94**	**94**	-159	159
Taxable profit	**0**	**2,631**	0	3,855
Tax for the year	**0**	**-579**	0	-848
Tax non-assessed deficit	**-**	**-1**	-	-2
Tax for the year in the income statement	**0**	**-580**	0	-850

NOTE 13. INTANGIBLE ASSETS

ACCOUNTING PRINCIPLE

Expenditure for software developed and adapted for the Group is recognized under intangible assets if it will provide probable economic benefits in future years. Capitalized expenditures for acquired software are amortized according to plan over the useful life in 5 years, equivalent to 20 percent of cost. The useful life of the assets, the depreciation method and residual value are assessed on a continuous basis. Amortization is included in the income statement item Management costs and administrative expenses. Annual licenses are carried as expenses. Intangible assets are subject to testing for impairment according to IAS 36, see Note 1.

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**50**	45
Investments during the year	**7**	5
Closing accumulated acquisition cost	**57**	50
Opening amortization	**-35**	-31
Amortization for the year	**-4**	-4
Closing accumulated amortization	**-39**	-35
Book value, capitalized expenses, computer software	**18**	15

NOTE 14. INVESTMENT PROPERTIES

ACCOUNTING PRINCIPLE

Investment properties are our rental apartment buildings for our own management operations.

Investment properties, which are initially measured at cost including expenditures directly attributable to the acquisition, are recognized at fair value according to IAS 40. Fair value corresponds to the estimated market value and is determined by an internal valuation model. A complete valuation of each individual building is made by an internal valuation team in connection with interim and annual accounts. The model is based on an evaluation of future payment streams with differentiated market-related yield requirements per property. This means that the market's yield requirement is compared to the net operating income of each property. The estimated market value of undeveloped land and building rights is added to this. Deductions are made from the estimated yield value for estimated future investment requirements. Changes in value are recognized in the income statement.

Property valuations are based on the following, among other things:

- evaluation of the yield requirements in each market
- evaluation of each property's specific circumstances e.g. in term of condition and location
- analysis of rental rates, contract lengths, vacancy and rental trends
- an analysis of existing tenants
- credit market conditions
- analysis of concluded and non-concluded property transactions.

At each valuation, the calculation is adjusted in cases where significant changes in the underlying factors have taken place, such as the yield requirement, rental rate, occupancy rate and effects of contracted sales. The fair value of new construction of rental apartments is determined as cost plus the calculated surplus value on the completion date in relation to the building's degree of completion, which is in turn based on incurred expenses. In the case of reconstruction of investment properties that undergo a more large-scale reconstruction, the fair value during the reconstruction period is generally considered to equal the market value that the investment property had at the start of the project with the addition of subsequently made investments.

Wallenstam's view is that property valuations are at level 3 of the fair value hierarchy. Land rights and building rights for zoned land are measured at market value. Fair values attributable to level 3 for land rights and building rights have been calculated using comparisons of selling prices. Selling prices for comparable buildings in the immediate vicinity have been adjusted for differences in essential characteristics, such as the size of the property. The most significant input data for this valuation is the price per square meter.

The valuation principle has remained unchanged since implementation of IAS/IFRS.

Wallenstam's valuation model

+ Rental value*
- General vacancies of three percent in the commercial holdings
- Operating expenses including property tax, excluding administration

= Net operating income
÷ Yield requirement for the property
÷ The property's gross yield value
- Two years' rent for vacant floor space
- Planned investments and significant repairs

+/- Present value of temporary additions/deductions
+ Location premium
= Estimated market value of property

* The rental value is calculated on the basis of expected rent levels in 2018.

Property acquisitions and property sales are recognized on the day of taking possession, when risks and rewards are transferred to the purchaser. Properties that are contracted for sale with taking of possession after closing day are valued at the selling price on the reporting date with consideration for any uncertainty.

Wallenstam's properties are classified as investment properties apart from properties that constitute a development property or a co-op apartment project. These are instead recognized in the balance sheet as Development properties and work in progress co-op apartments and development properties, see also Note 20.

If an investment starts in a new or existing investment property that is intended for continued use as an investment property within the Group, the property is also recognized as an investment property during its construction or reconstruction phase.

Additional expenditures are capitalized if it is probable that the future economic rewards associated with the asset will accrue to the Group. In the case of large new constructions and reconstructions, interest expenses are capitalized during the project period until the property is taken into use. Expenditures in respect of day-to-day maintenance and repairs are expensed in the period in which they arise.

Asset acquisition versus business combination

Acquisitions may be classified as either asset acquisitions or business combinations. This is an assessment that must be made in each individual case. All transactions carried out during the year are considered asset acquisitions.

In the case of asset acquisitions, no deferred tax is recognized in relation to the property acquisition. Any tax discount negotiated reduces the property's acquisition cost. This means that changes in value in subsequent valuations are affected by the tax discount.

ASSESSMENTS AND ESTIMATES

Assessments and estimates made in connection with investment property valuation may have a significant impact on the Group's recognized earnings and position. Valuations of investment properties, which are internal, require assessments of and assumptions about, for example future cash flows and the determination of yield requirements for each individual property. Assessments made affect the carrying amount of the item Investment properties in the balance sheet, and the item Unrealized change in value, investment properties in the income statement. When a transaction is completed, a cross-check is performed of the assumptions made. Wallenstam also monitors relevant completed property transactions and carries out quarterly internal valuations of its entire property holdings. To reflect the uncertainty of assumptions, assessments and estimates made, a so-called valuation range of +/– 5 to 10 percent is specified.

NOTE 14. INVESTMENT PROPERTIES, CONT.

Change during the year, investment properties

SEK million	**Dec 31, 2017**	Dec 31, 2016
Carrying amount, Jan 1	**36,555**	32,090
Acquisitions during the year	**615**	223
Constructions during the year	**1,832**	2,022
Reclassification co-op apartments and development properties	**453**	-258
Sales during the year	**-594**	-992
Unrealized changes in value	**2,549**	3,470
Book value, investment properties	**41,410**	36,555

Capitalized interest during the year amounted to SEK 64 million (56). The average interest rate was about 1.9 percent (2.0). Distribution of unrealized change in value, investment properties, see Note 11.

Net operating income
The improvement in net operating income was attributable to higher rents and more efficient properties. Wallenstam's residential property holdings are fully let and the year's rent negotiations resulted in an average rise for 2017 of 0.9 percent in Stockholm. In Gothenburg, rental negotiations resulted in an average rent increase of 1.3 percent for both 2016 and 2017, effective from April 1, 2017. Rental rates for Wallenstam's commercial premises in comparable holdings increased by around 6.1 percent compared to the previous year, mainly due to completed new lets, renegotiations and cost index escalations.

Bases for determining anticipated yield requirements
Yield requirements differ between properties depending on the market and the type of property. Yield valuations are based on residential and commercial floor space, with different yield requirements for the respective lettable space. Analyses and comparisons are made with current price statistics for similar items of property. Wallenstam completes a significant number of property transactions every year which generates a good feel for the market. Wallenstam also monitors property transactions completed in relevant areas.

Yield requirement, investment properties

Property type	Location	**Dec 31, 2017, %**	Dec 31, 2016, %
Residential	Stockholm	**2.50-4.00**	2.50-4.00
Residential	Gothenburg	**2.50-4.00**	2.75-4.25
Commercial	Gothenburg	**4.25-7.00**	4.25-7.00

The following yield requirements have been used in valuations for different markets and types of property:

Property type	Location	**Average yield requirement Dec 31, 2017, %**	Average yield requirement Dec 31, 2016, %
Residential properties	Stockholm	**3.2**	3.3
Residential properties	Gothenburg	**3.2**	3.3
Commercial properties	Gothenburg	**4.8**	5.0
Average yield requirement residential		**3.2**	3.3
Average yield requirement commercial holdings		**4.7**	4.9

NOTE 14. INVESTMENT PROPERTIES, CONT.

Investment commitments

Future expenditure for contracted investments as of closing day, which has not been recognized in the financial statements in respect of properties:

SEK million	Dec 31, 2017	Dec 31, 2016
Investments	**1,251**	1,199

Sensitivity analysis

Fair value is an estimation of a probable selling price on the market at a given valuation date. However, the actual price can only be determined when a transaction is completed and paid for. To illustrate the uncertainty surrounding estimates of market value, a value range is often specified, usually +/– 5 to 10 percent. However, this may vary depending on such things as the market situation, the standard of the property and investment requirements. As of December 31, 2017, Wallenstam had investment properties valued at SEK 41,410 million (36,555). With an uncertainty range of +/– 5 to 10 percent, this means their estimated fair value varies by +/– SEK 2.1 billion and +/– SEK 4.1 billion. Changes to yield requirements have a substantial effect on valuation. In the event of a 0.25 percentage point adjustment in the yield requirement, property values will change by around SEK +2.8 billion and SEK -2.4 billion respectively, which is equivalent to a change in net asset value of around +/- SEK 8 per share (6).

Property values with other yield requirements

SEK million	Dec 31, 2017	Dec 31, 2016
0.50 percentage points lower	**47,460**	41,463
0.25 percentage points lower	**44,185**	38,822
Property value according to our estimate	**41,410**	36,555
0.25 percentage points higher	**38,998**	34,586
0.50 percentage points higher	**36,904**	32,857

Property values with changed rental income

SEK million	Dec 31, 2017	Dec 31, 2016
5 percentage points higher	**43,748**	38,565
Property value according to our estimate	**41,410**	36,555
5 percentage points lower	**39,072**	34,545

A change in rental income of +/– 5 percentage points changes the value of the properties by about +/– SEK 2.3 billion (2.0).

NOTE 15. WIND TURBINES INCL. CONSTRUCTIONS IN PROGRESS

ACCOUNTING PRINCIPLE

Wind turbines are recognized at cost less accumulated depreciation and any impairment losses. Depreciation is carried out according to plan over the useful life of 25 years in relation to cost. The useful life for wind turbines corresponds to the lease period. Depreciation according to plan is not impacted by any impairment losses or reversals of previously made impairments.

Wind turbines are subject to testing for impairment under IAS 36, according to the principles described in Note 1.

ASSESSMENTS AND ESTIMATES

Items of property, plant and equipment are depreciated over the period during which in the assessment of the company management they are expected to generate revenue, i.e. their useful life. The useful life of a wind turbine is estimated to be 25 years, which is equivalent to the lease term and forms the basis of the investment calculation. When there are indications that an asset has fallen in value, the asset's recoverable amount is calculated, which is the higher of the asset's fair value less selling expenses and its value in use. To calculate an asset's value in use, the company management must make a number of assessments and estimates.

This value in use is based on cash flow forecasts for the useful life. Cash flows are affected by commercial factors such as market growth, competitiveness, prices, margins, cost trends, investment levels, tied up working capital, expected price and demand levels relating to electricity and renewable energy certificates as well as weather and wind conditions. Additional assessment of such factors as the interest rate situation, borrowing costs, market risk, beta values and tax rates is performed in connection with discounting.

The production volume is based on the budget and was assessed in the impairment test as a normal year in accordance with the latest available statistics. As an input electricity price in the valuation model, an average price from five years of prices is calculated based on the outcome from four historic years and a future year with a forecast based on the Board's best estimate using current market data. On the measurement date, the relevant five-year period runs between January 1, 2014 until December 31, 2018. This price forms the basis for estimating cash flows for the period 2018–2022. In addition, an average annual growth rate of 1.5 percent was assumed for the period, which is also the assumption made for the period after 2022 until the expiry of the useful life. In connection with measurement on December 31, 2017, the renewable energy certificate price in the model was assigned a value of 0. This is due to low demand and great uncertainty in the renewable energy certificate market for the past year or so.

Wind turbines

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**2,586**	2,567
Investments during the year	**1**	-
Sales during the year	**-**	-
Translation differences	**-10**	19
Closing accumulated acquisition cost	**2,577**	2,586
Opening depreciation	**-447**	-351
Depreciation for the year	**-95**	-96
Sales during the year	**-**	-
Closing accumulated depreciation	**-542**	-447
Opening impairment losses	**-862**	-850
Translation differences	**9**	-12
Impairment losses for the year	**-500**	-
Closing accumulated impairment losses	**-1,353**	-862
Book value wind turbines	**682**	1,277
Future investment commitments	**30**	29

The recoverable amount is equal to the value in use and amounted to SEK 682 million (1,207), compared to the book value corresponding to SEK 682 million (1,207), for wind turbines in operation. The valuation was made by identifying the recoverable amount of wind turbines as corresponding to value in use with yield requirements before tax equivalent to 6 percent (6). Valuation took place per wind farm, which corresponds to the lowest cash-generating unit and resulted in an impairment loss for the year of SEK 500 million (-). Sensitivity analyses have been carried out.

Capitalized interest amounted to SEK 0 million (0).

NOTE 16. EQUIPMENT

ACCOUNTING PRINCIPLE

Equipment is recognized at cost less accumulated depreciation and any impairment losses. The useful life of equipment, the depreciation method and residual value are assessed on a continuous basis. Depreciation occurs according to plan over the useful life: 3 years equivalent to 33 percent for computers, 10 years equivalent to 10 percent for furniture and 5 years equivalent to 20 percent for other equipment. Works of art are not depreciated. Depreciation of equipment is included in the income statement item Management costs and administrative expenses.

Equipment is subject to testing for impairment under IAS 36, according to the principles described in Note 1.

Changes during the year, equipment

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**86**	82
Investments during the year	**7**	3
Sales/retirements during the year	**-3**	0
Reclassification, inventories	**-**	1
Closing accumulated acquisition cost	**90**	86
Opening depreciation	**-38**	-33
Depreciation for the year	**-4**	-5
Sales/retirements during the year	**-**	0
Closing accumulated depreciation	**-42**	-38
Book value, equipment	**48**	48

NOTE 17. FINANCIAL ASSETS

ACCOUNTING PRINCIPLE

All shares and participations are measured at fair value in accordance with the principles for financial instruments which are described in Note 29, Available-for-sale financial assets. For holdings listed on the stock market, this corresponds to the market price on closing day and thus corresponds to level 1 in the fair value hierarchy under IFRS 13. For other shareholdings and shared property interests, the fair value assessment is based on currently available information such as the price of the recently carried out issues, profit from sales of similar interests or the like and corresponds to level 3 in the fair value hierarchy.

CREDIT RISK

Losses on other securities held as non-current assets arise if the value of the shares falls.

Other securities held as non-current assets and other shares of property interests

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**110**	50
Sales during the year	**-25**	-8
Investments during the year	**2**	24
Change in value for the year	**10**	23
Reclassification from other non-current receivables	**-**	21
Book value other securities held as non-current assets and shares of property interests	**97**	110

Other securities held as non-current assets consist of Exeger Sweden AB (publ) SEK 56 million (48), Eolus Vind AB (publ) SEK 9 million (7), Tobin Properties AB (publ) SEK - million (25), Taggen Vindkraft AB SEK 23 million (21) and other shares of property interests of SEK 9 million (9). Claims on Vindkraft AB, were converted during the previous year into a shareholders contribution in an associated company and were thus reclassified from other non-current receivables to other securities held as non-current assets.

NOTE 17. FINANCIAL ASSETS, CONT.

Other non-current receivables

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**266**	288
New receivables	**11**	131
Reclassification current receivables	**20**	-80
Reclassification other securities held as non-current assets	**-**	-21
Change in value for the year	**-**	-4
Amortizations	**-27**	-48
Book value other non-current receivables	**270**	266

Other non-current receivables consist mainly of promissory notes. The weighted average effective interest rate for interest-bearing non-current receivables was 2.41 percent (2.74). All non-current receivables follow payment plans. No write-down requirement is considered to exist for non-current receivables. There are no overdue non-current receivables.

NOTE 18. FINANCIAL DERIVATIVE INSTRUMENTS

ACCOUNTING PRINCIPLE

Wallenstam's financial derivative instruments consist mainly of interest rate derivatives and electricity derivatives but also of currency futures contracts.

Financial derivative instruments are recognized at fair value in accordance with IAS 39. In order to determine fair value, market interest rates are used for each maturity, exchange rates and electricity prices, as if they were quoted on the market on closing day.

Interest rate swaps are measured by discounting future cash flows to present value while instruments with an option feature are measured at the current repurchase price. When derivatives are realized, the arising effect is recognized as part of interest expenses whereupon the equivalent reversed effect arises as an unrealized change in value of interest rate derivatives. Fair value is determined according to IFRS 13 level 2.

Wallenstam uses interest rate derivatives to achieve a desired interest maturity profile. If the agreed interest rate deviates from the market interest rate, a surplus or deficit will arise for the interest derivatives. The difference in value that arises, which does not affect cash flow, is recognized through profit or loss. The changes in value may be realized or unrealized. Realized changes in value refer to settled interest rate and electricity derivative contracts and constitute the difference between the latest carrying amount and the determined price at redemption. Unrealized changes in value refer to the change in value that has arisen for Wallenstam's derivative contracts since the previous year, or compared to cost if the contracts were concluded during the year.

In order to secure electricity generation expenses and revenue from electricity sales and reduce the impact of market fluctuations, Wallenstam hedges parts of the electricity price in the financial market. Electricity derivatives are measured at market value based on market data from Nasdaq Commodities on closing day and are classified at level 2. As we do not apply hedge accounting for electricity derivatives, no reversal effect arises in unrealized changes in value in connection with realization. From 2017, surpluses and deficits arising are adjusted in advance on a daily basis, for which reason, the closing balance sheet item for electricity derivatives only consists of older contracts. Currency derivatives, which are used to hedge cash flows in foreign currency, are also classified at level 2. In the cases where hedge accounting is applied for these and the hedge is deemed effective, the change is recognized in other comprehensive income or else in profit or loss.

Financial derivative instruments

	Dec 31, 2017		Dec 31, 2016	
SEK million	**Assets**	**Liabilities**	Assets	Liabilities
NON-CURRENT DERIVATIVE INSTRUMENTS				
Interest rate swap contracts	**10**	**-796**	-	-966
Electricity derivatives and futures contracts	**11**	**-**	9	-
Book value, non-current derivative instruments	**21**	**-796**	9	-966
CURRENT DERIVATIVE INSTRUMENTS				
Interest rate swap contracts	**-**	**-1**	-	-4
Electricity derivatives and futures contracts	**7**	**-**	3	-
Book value, current derivative instruments	**7**	**-1**	3	-4
Total derivative instruments	**28**	**-797**	12	-970

The total change in the value of derivatives during the year amounted to SEK 182 million (-130). All interest and electricity derivatives are measured at fair value and recognized in the income statement. Currency derivatives are measured at fair value and recognized in other comprehensive income.

NOTE 18. FINANCIAL DERIVATIVE INSTRUMENTS, CONT.

Maturity structure, financial derivative instruments

SEK million	Dec 31, 2017	Dec 31, 2016
0–3 months	**6**	3
3 months–1 year	**-1**	-3
1–5 years	**-341**	-260
>5 years	**-433**	-698
Total	**-769**	-958

Under the Group's financial policy, the Group's average fixed interest term should be within the 24–60 month range. This is largely managed by using interest rate derivatives. Permitted instruments for managing interest rate risk include: interest rate swaps, extendable interest rate swaps (interest rate swap + swaption), FRA, caps and floors combined with collars and performance swaps. Permitted counterparties are: Swedish banks and foreign banks with established operations in Sweden.

Under the Group's energy policy, the hedged volume for electricity production should not exceed 70 percent of the Group's average electricity production for each month and the maturity of hedges may cover a period of up to five years. However, after approval by the CEO of Wallenstam AB, the hedged volume may amount to 100 percent of the forecast production. In addition, the hedged volume for Svensk NaturEnergi AB's electricity consumers should not exceed the maturity or volume of the underlying contracts that Svensk NaturEnergi AB has agreed with the Group's customers. The volume may not for any length of contract exceed the highest expected hourly consumption during each period.

A financial asset and a financial liability are offset and recognized as a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended that the items will be settled by a net amount or that the asset will be realized and the liability settled simultaneously. All of Wallenstam's contracts for financial instruments such as interest rate swaps and futures contracts are recognized at gross value, as no legally binding netting agreements exist. Wallenstam has not identified any embedded derivatives that are to be separated from their host contracts and recognized individually.

In connection with measurement of derivatives at fair value, no adjustment is made for counterparty risk in the form of Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA), as the differential is not significant.

INTEREST RATE SWAPS

The nominal amount of the Group's outstanding interest rate swaps as of December 31, 2017 amounted to SEK 10,505 million (8,055), where we obtained a variable interest rate and paid a fixed interest rate of SEK 9,655 million (8,055). For the remaining SEK 850 million (-), a fixed interest rate was obtained and a variable interest rate paid. On December 31, 2017, the fixed swap interest rates payable to banks varied from 0.63-3.69 percent (1.39–3.69). The variable swap interest rates obtained from the banks correspond to STIBOR 3 M. The interest derivatives portfolio includes interest rate derivatives with option features amounting to a nominal value of SEK 200 million (400). Upon maturity, these may, on the initiative of the lender, be converted into interest rate swaps in the interest rate range 1.73–2.25 percent (1.49–2.50).

NOTE 19. INTANGIBLE ASSETS

ACCOUNTING PRINCIPLE

Intangible assets consist of renewable energy certificates, which Wallenstam receives from the Swedish Energy Agency in its capacity as a generator of electricity from renewable energy sources. Renewable energy certificates are obtained free of charge as eligible electricity is generated and are initially recognized according to IAS 38 at cost remeasured to the market value on the vesting date as inventory intangible assets and revenue under Income from natural energy management operations. After initial recognition, the created certificates are recognized at fair value through remeasurement to market value based on the closing day spot price. The spot price is set through bids from market players via Svensk Kraftmäkling (SKM) and corresponds to IFRS 13 level 2.

Wallenstam's energy production generates a surplus of renewable energy certificates. In connection with the remeasurement of the renewable energy certificate inventory to the closing day spot price, changes in value arise, which are recognized against electricity sales revenue.

To protect our operations and reduce the impact of market fluctuations, the Group hedges sales of renewable energy certificates using futures contracts. Thus, most of the closing inventory of renewable energy certificates on December 31, 2017 is contracted for sale. In relation to the closing day rate, there is an unrecognized surplus value of renewable energy certificates of SEK 26 million.

There is an obligation to deliver renewable energy certificates to the competent authority in the country concerned in connection with electricity sales. This obligation is recognized as an expense and a liability. The expense per certificate represents the latest carrying amount as determined by the remeasurement method for intellectual property rights.

SEK million	Dec 31, 2017	Dec 31, 2016
Carrying amount, Jan 1	**89**	100
Production during the year	**25**	49
Cancellations during the year due to own consumption	**-9**	-7
Acquisitions during the year	**2**	0
Sales during the year	**-70**	-25
Unrealized changes in value after initial recognition	**-7**	-28
Book value renewable energy certificates in inventory	**30**	89

NOTE 20. DEVELOPMENT PROPERTIES AND WORK IN PROGRESS, CO-OP APARTMENTS

ACCOUNTING PRINCIPLE

The properties, which are under construction in order to be sold on completion are recognized in the balance sheet in the line item Development properties and work in progress, co-op apartments. Development properties and work in progress, co-op apartments are continually recognized at cost (or net realizable value if this is lower). A profit/loss is recognized when the development property or cooperative unit is completed, sold and handed over to the buyer. See also Note 10.

Development properties and work in progress, co-op apartments

SEK million	Dec 31, 2017	Dec 31, 2016
Carrying amount, Jan 1	**734**	32
Acquisitions	**25**	117
Constructions	**478**	329
Reclassification co-op apartments and development properties	**-453**	258
Sold development properties	**-178**	-
Sold co-op apartments	**-**	-2
Book value development properties and work in progress, co-op apartments	**606**	734

NOTE 21. TRADE RECEIVABLES

ACCOUNTING PRINCIPLE

Trade receivables are recognized according to the principles described in Note 29 for loans and receivables.

Trade receivables

SEK million	Dec 31, 2017	Dec 31, 2016
Trade receivables	**43**	34
Less provision for impairment of receivables	**-17**	-8
Book value trade receivables	**26**	26

Provisions for doubtful receivables

SEK million	Dec 31, 2017	Dec 31, 2016
Provisions at beginning of the year	**-8**	-7
Verified losses	**3**	3
Provisions for probable losses	**-17**	-8
Reversed unutilized amount	**5**	4
Provisions at year-end	**-17**	-8

Trade receivables due more than two months amounted to SEK 30 million (7). For a description of credit risk, see Note 3.

NOTE 22. OTHER RECEIVABLES

ACCOUNTING PRINCIPLE
Other receivables are recognized according to the principles described in Note 29 for loans and receivables.

CREDIT RISK
Losses on promissory notes occur when the counterparty for some reason cannot fulfill its payment obligations. Wallenstam has provided guarantees for 88 percent of the outstanding promissory note receivables.

Other receivables

SEK million	Dec 31, 2017	Dec 31, 2016
Promissory note receivables	**60**	80
Other	**88**	22
Book value other receivables	**148**	102

Other mainly consists of VAT receivables with the Swedish Tax Agency.

NOTE 23. PREPAID EXPENSES AND ACCRUED INCOME

ACCOUNTING PRINCIPLE
Accrued income is recognized according to the principles described in Note 29 for loans and receivables.

Prepaid expenses and accrued income

SEK million	Dec 31, 2017	Dec 31, 2016
Prepaid insurance premiums	**0**	1
Prepaid operating expenses	**11**	11
Prepaid administrative expenses	**10**	11
Prepaid expenses connected to transactions	**2**	7
Prepaid rental expenses	**7**	7
Accrued income	**22**	15
Accrued interest income	**11**	3
Book value prepaid expenses and accrued income	**63**	55

NOTE 24. PARTICIPATIONS IN PROPERTIES

ACCOUNTING PRINCIPLE
Measurement of participations initially occurs at fair value, according to the principles described in Note 29 relating to available-for-sale financial assets.

Participations consist of externally acquired holdings in co-operative associations. These are measured at fair value based on available market information for comparable properties corresponding to IFRS 13 level 3 of the fair value hierarchy.

Participations

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**15**	28
Investments during the year	**32**	67
Sales during the year	**-28**	-80
Book value participations in properties	**19**	15

NOTE 25. CASH AND CASH EQUIVALENTS

ACCOUNTING PRINCIPLE

Wallenstam's cash and cash equivalents consist of cash and bank balances and investments in securities with a maturity of less than three months. These assets are considered to be immediately negotiable with negligible risk of changes in value, which means the carrying amount corresponds to fair value. Where appropriate, utilized overdraft facilities are recognized as borrowing among current liabilities.

Cash and cash equivalents

SEK million	Dec 31, 2017	Dec 31, 2016
Cash and cash equivalents	**228**	98
Approved amount, overdraft facilities	**800**	800
Blocked bank funds	**-**	-7
Conditional unutilized overdraft facility	**800**	793
Available liquid assets	**1,028**	891

There is also an approved credit commitment and credit facilities of SEK 4,238 million (2,337), of which SEK 4,088 million (2,128) was available for use on closing day. Total available credits in addition to liquid assets amounted to SEK 5,116 million (3,019).

NOTE 26. EQUITY

ACCOUNTING PRINCIPLE

Equity in the Group is distributed as follows: Share capital corresponds to the parent company's share capital. Other capital contributed consists of capital contributed by shareholders in addition to share capital. This includes the parent company's recognized statutory reserve to the extent contributed by the shareholders. Other reserves consist of amounts that must be recognized in other comprehensive income under IFRS rules. Profit brought forward consists of accumulated profits from the Group's operations and net profit for the year, less dividends to shareholders. This category includes the parent company's recognized statutory reserve to the extent it consists of amounts carried forward from net profit for the year.

Repurchased own shares including related repurchase expenses are recognized as a reduction of retained earnings. Dividends paid to the parent company's shareholders are recognized as a reduction in equity once approved by the AGM.

A specification of change in equity is provided in the Consolidated Statement of Changes in Equity, immediately after the balance sheet.

Number of shares

Number of shares	A shares	B shares	Total number	Of which treasury shares	Outstanding shares	Quota value, SEK
Number Dec 31, 2016	34,500,000	305,500,000	340,000,000	11,000,000	329,000,000	0.50
Reduction share capital		-10,000,000	-10,000,000	-10,000,000		
Repurchase				3,000,000	-3,000,000	
Number Dec 31, 2017	34,500,000	295,500,000	330,000,000	4,000,000	326,000,000	0.50

The share capital in Wallenstam AB consists of 34,500,000 A shares, which carry ten votes each, and 295,500,000 B shares, which carry one vote each. The number of shares after the resolution passed at the AGM was reduced by 10,000,000 shares with a quota value of SEK 0.50 per share. On closing day, the number of repurchased B shares amounted to 4,000,000, representing 1 percent of the share capital. During 2017, 3,000,000 shares were repurchased at an average price of SEK 78.41 per share. The average cost for all treasury shares amounts to SEK 76.11 per share.

The proposed dividend for the 2017 financial year is SEK 1.80 per share (1.70).

NOTE 26. EQUITY, CONT.

Earnings per share

Recognized earnings per share have been calculated by dividing net profit for the year by the average number of outstanding shares during the year. The Group uses the net profit attributable to the parent company's shareholders when calculating earnings per share.

Specification of parameters used	**2017**	2016
Net profit for the year excluding participations attributable to non-controlling interests, SEK million	**2,421**	3,348
Average number of shares, thousands	**327,333**	330,409
Earnings per share, SEK	**7.4**	10.1

There are no dilution effects.

NOTE 27. DEFERRED TAX

ACCOUNTING PRINCIPLE

Provision for deferred tax is calculated according to the balance sheet method on all temporary differences arising between carrying amounts and fiscal values of assets and liabilities. Deferred tax assets and deferred tax liabilities are measured at nominal amounts in the balance sheet and in accordance with the tax regulations and tax rates that are enacted or announced on closing day. Exceptions are made for temporary differences that arise on initial recognition of assets and liabilities that constitute asset acquisitions. No deferred tax is recognized for these. In Wallenstam there are mainly four items where temporary differences occur that constitute a basis for recognition of deferred tax: properties, wind turbines, changes in value of derivative instruments and loss carryforwards. Deferred tax liability consists primarily of the temporary difference between the carrying amounts of properties and their fiscal value.

A deferred tax asset in respect of deductible temporary differences and tax loss carryforwards is recognized to the extent that it is probable it may be used against future profits and thus lead to lower tax expenditures. A deferred tax asset or deferred tax liability is recognized in the case of changes in the value of financial derivative instruments depending on whether the market values at the time constitute a liability or an asset. Should any change to the above-mentioned balance sheet items occur, the deferred tax liability/asset is also changed, and this is recognized in the income statement as deferred tax. There are no time limitations in respect of the Group's losses and all Swedish loss carryforwards in the Group are measured.

Deferred tax assets are recognized net in the balance sheet, as are deferred tax liabilities where these apply to the same tax authority (country).

ESTIMATES AND ASSESSMENTS

According to the accounting rules, deferred tax should be recognized at nominal value without discounting at the prevailing tax rate, currently 22 percent. When measuring loss carryforwards an assessment is made of the probability that the loss can be utilized in the future. Confirmed losses which with a high degree of certainty can be used against future profits form the basis for calculating deferred tax assets. In the case of asset acquisitions, no deferred tax is recognized attributable to the acquisition.

Deferred tax assets include measured loss carryforwards totaling SEK 565 million (587), which mainly corresponds to the Group's Swedish loss carryforwards. Estimated tax on the non-measured deficit amounted to SEK 21 million (20) and is related to the Group's Norwegian companies. The Group also has accumulated losses of SEK 7 million (4), related to sale of shares and properties.

Deferred tax assets

	Dec 31, 2017		Dec 31, 2016	
SEK million	**Basis**	**Tax**	Basis	Tax
LOSS CARRYFORWARDS				
Opening balance	**2,668**	**587**	2,849	627
Change in tax loss carryforwards during the year	**-94**	**-21**	-159	-35
Acquired losses	**1**	**0**	0	0
Non-measured loss	**-3**	**-1**	-7	-2
Adjustment of tax, previous years	**0**	**0**	-16	-4
At year-end as per balance sheet	**2,572**	**565**	2,668	587
DERIVATIVES				
Opening balance	**970**	**213**	814	179
Change in value for the year, unrealized	**-182**	**-40**	156	34
At year-end as per balance sheet	**788**	**173**	970	213

NOTE 27. DEFERRED TAX, CONT.

Deferred tax assets, cont.

SEK million	Dec 31, 2017 Basis	Tax	Dec 31, 2016 Basis	Tax
PENSION COMMITMENTS INCL. PAYROLL TAX				
Opening balance	**45**	**10**	42	9
Changes during the year	**3**	**1**	3	1
At year-end as per balance sheet	**47**	**11**	45	10
OTHER TEMPORARY DIFFERENCES				
Opening balance	**21**	**5**	42	9
Changes during the year	**29**	**7**	-21	-4
At year-end as per balance sheet	**50**	**12**	21	5
TOTAL DEFERRED TAX ASSETS	**3,457**	**761**	3,704	815

Deferred tax liabilities

SEK million	Dec 31, 2017 Basis	Tax	Dec 31, 2016 Basis	Tax
PROPERTIES				
Opening balance	**18,851**	**4,163**	15,346	3,375
Reconstructions during the year	**372**	**82**	301	66
Depreciation for the year	**272**	**60**	253	56
Change in value investment properties for the year	**2,556**	**552**	3,470	780
Change in value for the year, other comprehensive income	**-7**	**-2**	1	0
Reversals for the year, due to sales	**-346**	**-76**	-520	-114
Other	**3**	**1**	-	-
At year-end as per balance sheet	**21,701**	**4,781**	18,851	4,163
WIND TURBINES				
Opening balance	**997**	**220**	749	165
Additional depreciation for the year	**-381**	**-84**	230	50
Impairment losses for the year	**-65**	**-14**	-	-
Changes in value of derivatives for the year, realized	**-3**	**-1**	18	4
Changes in value of derivatives for the year, unrealized	**10**	**2**	25	6
Change in value of renewable energy certificates, realized	**18**	**3**	-23	-5
Other	**-3**	**0**	-2	0
At year-end as per balance sheet	**573**	**126**	997	220
TOTAL DEFERRED TAX LIABILITIES	**22,274**	**4,907**	19,848	4,383
NET DEFERRED TAX				
Opening balance	**16,145**	**3,568**	12,348	2,716
Changes during the year	**2,672**	**578**	3,797	852
At year-end as per balance sheet	**18,817**	**4,146**	16,145	3,568

NOTE 28. OTHER PROVISIONS

ACCOUNTING PRINCIPLE

A provision is recognized when the Group has an existing legal or informal obligation as a result of prior events where it is probable that an outflow of resources will be required to settle the commitment and a reliable estimate of the amount can be made. The amount that is expected to be required to settle the obligation is recognized as a provision. Recognized provisions consist of those for deferred tax, pensions, termination benefits, warranty commitments in connection with the reconstruction work in sold properties and, where appropriate, termination benefits and estimated amounts for risks in disputes. Under IFRIC 21, property tax is entered as a liability in full when the obligation arises, which occurs on January 1 every year.

Capital value pension provisions and pension commitments are recognized net according to IAS 19.

Other provisions

SEK million	Dec 31, 2017	Dec 31, 2016
Opening capital value, provision for pension commitments	**-43**	-40
Provision for the year future obligations	**-2**	-3
Change in value for the year	**-2**	0
Closing capital value, provision for pension commitments	**-47**	-43
Closing capital value of pension commitments	**47**	43
Other provisions	**-56**	-13
Book value other provisions	**-56**	-13

Other provisions for the year refer to provisions for aftermarket measures and risks in co-op apartment projects.

NOTE 29. FINANCIAL INSTRUMENTS AND FINANCING

ACCOUNTING PRINCIPLE

Financial instruments recognized in the balance sheet include:

- financial assets and financial liabilities measured at fair value through profit or loss
- loans and receivables
- held-to-maturity investments
- available-for-sale financial assets
- financial liabilities measured at amortized cost

The classification depends on the purpose for which the financial asset or liability was acquired.

A financial instrument is valued initially at fair value plus transaction costs, with the exception of the categories financial assets or financial liabilities measured at fair value in profit or loss, which are recognized at fair value excluding transaction expenses.

A financial asset or liability is carried in the balance sheet when the company becomes party to an agreement. Trade receivables are carried in the balance sheet when invoices are sent. A liability is recognized when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not been received. A financial asset (or part thereof) is derecognized when the contractual rights are realized, lapse or the company transfers in all material respects the risks and rewards associated with ownership. A financial liability (or part thereof) is derecognized when the obligation in the agreement is fulfilled or is otherwise extinguished. A financial asset and a financial liability are offset and recognized as a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended that the items will be settled by a net amount or that the asset will be realized and the liability settled simultaneously. Wallenstam recognizes its financial contracts at gross value for financial instruments such as interest rate swaps and currency futures contracts as no legally binding netting agreements exist. Wallenstam has not identified any embedded derivatives that are to be separated from their host contracts and recognized individually. The Group assesses on an ongoing basis whether there are objective grounds for recognizing impairment of a financial asset. When there is no write-down requirement, the size of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by the original effective interest rate.

In accordance with IFRS 13, the fair value of certain assets and liabilities should be disclosed even when they are not measured at fair value in the balance sheet. Wallenstam has loans with the major Swedish banks. According to Wallenstam's finance policy, an individual bank may at most account for 50 percent of the financing to safeguard the spread of risks in relation to financiers. Wallenstam's capital tied up including credit commitments at year-end was 13 months (7). Wallenstam has diversified property holdings with approximately equal proportions of residential and commercial space. Combined with the company's stable development over time, this means no immediate substantial changes in counterparty risk are anticipated for the Wallenstam Group. The fair value of the Group's credit liabilities is considered to essentially correspond to the Group's amortized cost.

Financial assets and financial liabilities measured at fair value through profit or loss

This category consists of three sub-groups: financial assets and financial liabilities held for trading, i.e. whose main purpose is to be sold or repurchased in the short term, derivatives, and other financial assets and liabilities which the Group initially chose to include in the Fair Value Option category. The Group has the two first-mentioned sub-groups. Derivatives are classified as held for trading if they are not identified as hedges. Financial assets and liabilities in this category are measured on an ongoing basis at fair value, with changes in value recognized in profit or loss. This category mainly includes interest rate and electricity derivatives as well as minor holdings in listed companies. The value of investments in listed shares is calculated using quoted market prices.

NOTE 29. FINANCIAL INSTRUMENTS AND FINANCING, CONT.

Derivative instruments are recognized in the balance sheet on the date of contract at fair value, both initially and at subsequent remeasurement.

Participations are recognized under current assets and consist of externally acquired shares in cooperative associations. These are measured at fair value, where fair value consists of the estimated sales value. When co-op apartment units are sold, the income is recognized in the line Revenue, co-op apartment and development property sales and the sold unit's carrying amount as Expenses, co-op apartment and development property sales.

Summary fair value hierarchy financial instruments

	Fair value hierarchy	Note
Interest rate derivatives	2	18
Electricity derivatives	2	18
Currency derivatives	2	18
Renewable energy certificates	2	19
Holdings in listed companies	1	17
Holdings in unlisted companies	3	17
Participations in externally acquired co-op apartments	3	24

Other liabilities are measured at amortized cost, which corresponds to nominal value with additions for additional or outgoing valuation items. No change or transfer of any instruments between the different levels of the fair value hierarchy took place during 2017.

Loans and receivables
This category includes lease and trade receivables, cash and cash equivalents, promissory notes and other receivables. These are measured at amortized cost. Amortized cost is determined on the basis of the effective interest rate that was calculated on the date of acquisition. The anticipated duration of trade receivables is short, for which reason they are recognized at nominal amounts without discounts. Trade receivables and loan receivables are recognized at the amounts expected to be received, i.e. less doubtful receivables. Cash and cash equivalents are recognized at nominal value. Trade receivables consist chiefly of lease receivables and trade receivables in respect of electricity sales. Promissory note receivables are mainly related to property transactions.

Available-for-sale financial assets
Available-for-sale financial assets consist of non-derivative assets that are available for sale. Measurement is initially at fair value, usually cost. Fair value adjustment of these instruments is recognized in other comprehensive income in the income statement and in the balance sheet as securities held as non-current assets and participations. Dividends, interest income and impairment losses are recognized in the income statement.

Financial liabilities recognized at amortized cost
Loans from credit institutions and suppliers and other liabilities are measured at amortized cost. Wallenstam's liabilities consist primarily of liabilities to credit institutions and operating liabilities such as trade payables. Liabilities with a term of more than 12 months are recognized as non-current, others as current. The majority of Wallenstam's liabilities have a shorter maturity than 12 months and are recognized as current. Overdraft facilities refer to loans under current liabilities. Loans are raised in Swedish kronor and recognized in the balance sheet on settlement day at fair value less transaction costs on initial recognition.

! FINANCIAL RISK FACTORS
In addition to operational and external risks, through its operations Wallenstam is exposed to various financial risks such as interest rate risk, liquidity risk, currency risk and financing risk. These risks arise in the Group's reported financial instruments such as cash and cash equivalents, interest-bearing receivables, trade receivables, trade payables, borrowings and derivatives and are described further per category below.

Financial risk management
To minimize its risks, Wallenstam works through its finance department according to the financial policy that is reviewed and approved by the Board annually. The policy describes the purpose, organization and distribution of duties for financing activities, along with rules for financial risk management. It seeks to limit the company's financial risks, which mainly consist of interest rate risk, refinancing risk and liquidity risk.

Wallenstam's financial operations are centralized in the parent company's finance department, which acts as an internal bank with responsibility for borrowing, cash management and financial risk management. Wallenstam strives to achieve a balance between a good return on equity and an acceptable level of risk. The finance department has instructions, systems and a division of duties that aim to achieve good internal control and operational follow-up. Major financing solutions must be approved by the Board of Directors; the Board is informed about financial matters at every Board meeting.

! Liquidity risk
A liquidity risk involves a situation where cash and cash equivalents for payment of commitments cannot be secured.

Wallenstam prioritizes a low loan-to-value ratio, which provides greater freedom of action to fulfil approved investments and payment obligations. Wallenstam makes forecasts on an ongoing basis regarding Group liquidity based on anticipated cash flows. The Group's liquidity risk is limited by aiming to hold liquidity corresponding to at least three months of known net payments at any given time.

Available liquid assets, including bank overdraft facilities, amounted to SEK 1,028 million (891). Approved overdraft facilities amounted to SEK 800 million (800) and EUR - million (4). The Group also has an approved credit commitment and credit facilities of SEK 4,238 million (2,337). As of December 31, 2017, the available unutilized loan facilities amounted to SEK 4,888 million (2,928) consisting of a building credit of SEK 88 million (628), unutilized overdraft facilities amounting to SEK 800 million (800) and back-up for the commercial paper program of SEK 4,000 million (1,500). Total available credits in addition to liquid assets amounted to SEK 5,116 million (3,019).

NOTE 29. FINANCIAL INSTRUMENTS AND FINANCING, CONT.

Financing risk and covenants
Financing risk corresponds to difficulties in obtaining financing for operations at a given time.

Wallenstam works actively to achieve low financing risk in relation to market pricing, i.e. the best possible net financial items within a given risk framework. The Board of Directors sets the level of capital tied up in the loan portfolio on a continuous basis. The Group has long-term collaboration with the major Swedish business banks. The goal is to have financing from at least three of the major Swedish commercial banks and a loan portfolio with a spread of maturities and terms in relation to pricing. The Group should limit refinancing risk by always planning refinancing negotiations in advance.

To optimize the terms of the loan portfolio, the Group's borrowing is generally guaranteed by the parent company. The loans mostly consist of traditional loans with property mortgages as security, but also of bond loans and commercial paper. During the year, Wallenstam established an MTN program (Medium Term Notes) with a framework amount of SEK 5 billion, of which SEK 1,750 million was issued during 2017. The financing of wind farms is mainly secured through the bond market. For the commercial paper program and outstanding bonds no sureties are pledged.

The bonds have associated covenants stating that the Group's loan-to-value ratio must not exceed 75 percent, that the interest coverage ratio for a rolling 12-month period must not be less than 1.5 times and that the principle shareholder is unchanged. The bond loans total SEK 2,650 million (1,500). In March 2015, a green bond for SEK 500 million was issued with a term of four years, maturity in 2019, with variable interest (STIBOR 3M + 110 points). Wallenstam AB also issued a further green bond for SEK 400 million in May 2016, which runs for two years and matures in May 2018, with a variable interest rate (STIBOR 3M + 95 points). During November 2017, three bonds were issued within the framework of the MTN program. A bond for SEK 650 million with a term of three years, maturity in 2020, with a variable interest rate (STIBOR 3M + 100 points). A bond for SEK 850 million, also with a term of three years, maturity in 2020, with a fixed interest rate of 0.875 percent. The third bond for SEK 250 million has a term of five years, maturity in 2022, with a variable interest rate (STIBOR 3M + 140 points).

For commercial paper programs, with a framework of SEK 4 billion (4), Wallenstam has undertaken, at each given time, to have access to liquidity facilities that in terms of maturity and total nominal amount are at least equivalent to outstanding commercial paper. Outstanding commercial paper on closing day amounted to SEK 2,641 million (2,540). Available liquidity facilities amounted to SEK 5,116 million (3,019).

The interest-bearing liabilities amounted to SEK 18,701 million (16,473) on December 31, 2017, of which SEK 2,432 million (1,399) are non-current.

Financing

SEK million	Dec 31, 2017 Agreement	Dec 31, 2017 Utilized	Dec 31, 2016 Agreement	Dec 31, 2016 Utilized
Current interest-bearing bank loan agreements	**13,228**	**13,228**	11,933	11,933
Non-current interest-bearing bank loan agreements	**185**	**185**	500	500
Overdraft facility	**800**	**-**	800	-
Total interest-bearing bank loan agreements	**14,213**	**13,413**	13,233	12,433
Current bonds, not MTN	**400**	**400**	600	600
Non-current bonds, not MTN	**500**	**500**	900	900
Non-current bonds, MTN	**5,000**	**1,747**	-	-
Commercial paper (framework of SEK 4 billion)	**4,000**	**2,641**	4,000	2,540
Back-up-facility	**4,000**	**-**	1,500	-
Total	**28,113**	**18,701**	21,233	16,473

Loan agreement maturity structure Dec 31, 2017

SEK million	Utilized in Banks	Utilized in Commercial paper/ Bonds/MTN	Total
0–3 months	3,053	1,433	**4,487**
3 months–1 year	10,175	1,607	**11,782**
1–2 years	158	500	**658**
2–3 years	9	1,497	**1,506**
3–4 years	9	0	**9**
4–5 years	9	250	**259**
	13,413	5,288	**18,701**

In addition to the above, there are other liabilities that also include trade payables, which usually have maturities of 30 days, and interest rate derivatives with a negative value of SEK 787 million (970).

NOTE 29. FINANCIAL INSTRUMENTS AND FINANCING, CONT.

Interest rate risk
Interest rate risk refers to how changes in interest rates will affect the Group's net financial items and the value of financial instruments.

Wallenstam's loan portfolio consists of loans of different terms from different lenders. A good balance between a long fixed interest term providing stability and a short fixed interest term that normally provides the lowest interest expense is important for achieving a stable trend.

The Group's average fixed interest term should fall within the 24–60 month range. The Group aims for loan conversions to be evenly distributed during the year.

Interest rate derivatives are used to spread risk and with the aim of protecting the underlying portfolio. Financial instruments, interest rate swaps, are used to limit interest risks in the loan portfolio and in order to influence the fixed interest term in the loan portfolio in a flexible way. Borrowing usually takes place with short fixed interest terms, and interest rate swaps are used to achieve the desired fixed interest profile.

Thus derivative instruments are used for the purpose of reducing risk and should be linked to an underlying exposure. The Group currently has derivative instruments, which are recognized in the category financial assets and liabilities measured at fair value through profit or loss. The corresponding interest paid is recognized as an interest expense including the effect of realized interest derivatives and the net change in the value of outstanding derivative liabilities for the year is recognized as change in value, derivative instruments.

The average interest rate on closing day, which takes into account the effects of swaps entered into in line with being realized through payment was 1.88 percent (1.97). The average effective interest rate for the financial year was 2.00 percent (2.09) and the loan-to-value ratio on closing day was 43 percent (43).

The average fixed interest term was 36 months (37). With the distribution of fixed term loans existing at the beginning of 2018 and considering the effects of entered into interest rate swap agreements in addition to fixed interest agreements, a change in the interest rate of one percentage point at the beginning of the year would affect Wallenstam's interest expense by about SEK 90 million (82) before tax, equivalent to about 11 percent (12) of Wallenstam's cash flow from operating activities before change in working capital. The equivalent effect after tax was SEK 70 million (64).

Interest maturity structure

	Dec 31, 2017		Dec 31, 2016	
	Amount, SEK million	**Average interest, %**	Amount, SEK million	Average interest, %
0–3 months*	**7,842**	**1.55**	7,321	1.45
3 months–1 year	**1,307**	**0.35**	1,397	1.04
1–2 years	**130**	**2.57**	100	1.75
2–3 years	**997**	**3.44**	130	2.57
3–4 years	**1,200**	**3.05**	1,000	2.66
4–5 years	**1,700**	**2.38**	1,200	3.05
5–6 years	**1,475**	**2.71**	1,500	2.48
6–7 years	**1,450**	**1.92**	1,475	2.71
7–8 years	**1,300**	**1.32**	650	3.40
8–9 years	**1,100**	**1.95**	400	2.40
>9 years	**200**	**2.55**	1,300	2.04
	18,701	**1.88**	16,473	1.97

* Loans with an interest maturity within three months have an average interest of 0.42 percent (0.38). 1.55 percent (1.45) includes the effects of all swap agreements entered into.

Weighted average interest rates on loans taking into account effects of derivative instruments

%	**2017**	2016
Loans	**1.93**	2.04
Overdraft facilities	**0.55**	0.55

In relation to liabilities to credit institutions on closing day, interest expense for 2018 is estimated to be in the region of SEK 352 million (325), based on the average interest rate on closing day.

Currency risk
Currency risk refers to the risk of an impact on the Group's earnings and financial position as a result of changed exchange rates.

Wallenstam is exposed to currency risks both through exchange rate fluctuations in future payment flows (transaction exposure and in respect of remeasurements of net assets in foreign subsidiaries (translation exposure).

Transaction-related currency exposure.
The Group's transaction-related currency exposure mainly arises during purchasing of building components. To minimize the financial impact of currency market fluctuations on its earnings, the Group uses futures contracts to hedge these flows. Upon purchase or sale of goods or services in foreign currency exceeding a value of SEK 10 million, at least 70 percent of the investment amount should be hedged in connection with the signing of contracts.

Translation exposure
The Wallenstam Group is subject to translation exposure from the consolidation of its Norwegian subsidiary. It reports its financial position in local currency, which is translated into Swedish kronor. This gives rise to a translation difference, since assets and liabilities are translated at the closing day rate while items pertaining to profit or loss are translated at the average rate for the year.

Credit risk
Wallenstam's credit risks are described in Note 3.

The maximum credit risk corresponds to the book value of derivatives, promissory note-, trade- and other current receivables including accrued income and cash holdings. Promissory note receivables amounted to SEK 309 million (335), of which SEK 60 million (-) mature within three months, SEK - million (80) within 3–12 months, SEK 57 million (37) within 1–5 years and SEK 192 million (218) after five years.

Derivatives amounted to SEK 28 million (12), of which SEK 6 million mature within three months, SEK 1 million (1) within 3–12 months and SEK 12 million (8) within 1–5 years and SEK 9 million (0) after five years. Other financial instruments such as trade receivables and current receivables mainly mature within three months of closing day and amounted to SEK 62 million (51). There are pledged assets of SEK 272 million (298) for promissory note receivables.

Classification of financial instruments

SEK million	Financial assets measured at fair value through profit or loss 31.12.17	31.12.16	Loans and receivables 31.12.17	31.12.16	Financial assets available-for-sale 31.12.17	31.12.16	Total 31.12.17	31.12.16	Income statement
FINANCIAL ASSETS									
Promissory notes	**-**	-	**309**	335	**-**	-	**309**	335	Interest income
Participations in properties	**19**	15	**-**	-	**-**	-	**19**	15	Expenses, sales of co-op apartments and development properties
Other securities held as non-current assets and other shares of property interests	**9**	32	**-**	-	**88**	78	**97**	110	Net financial items, Other comprehensive income
Interest rate derivatives	**10**	-	**-**	-	**-**	-	**10**	-	Unrealized change in value derivatives
Electricity derivatives	**17**	12	**-**	-	**-**	-	**17**	12	Unrealized change in value derivatives
Currency derivatives	**-**	-	**-**	-	**-**	-	**1**	-	Other comprehensive income
Trade receivables	**-**	-	**26**	26	**-**	-	**26**	26	Rental income
Other current receivables	**-**	-	**36**	25	**-**	-	**36**	25	-
Cash and cash equivalents	**-**	-	**228**	98	**-**	-	**228**	98	-
Total financial assets	**55**	59	**599**	484	**88**	78	**743**	621	

SEK million	Financial liabilities measured at fair value through profit or loss 31.12.17	31.12.16	Financial liabilities measured at amortized cost 31.12.17	31.12.16	Total 31.12.17	31.12.16	Income statement
FINANCIAL LIABILITIES							
Other non-current liabilities	**-**	81	**49**	5	**49**	86	Unrealized change in value, synthetic options scheme
Interest rate derivatives	**797**	970	**-**	-	**797**	970	Unrealized change in value derivatives
Interest-bearing liabilities	**-**	-	**18,701**	16,473	**18,701**	16,473	Interest expenses
Trade payables	**-**	-	**128**	134	**128**	134	Operation and administration
Accrued expenses	**-**	-	**154**	181	**154**	181	Operation and administration
Other current liabilities	**-**	-	**17**	9	**17**	9	Operation and administration
Total financial liabilities	**797**	1,051	**19,049**	16,802	**19,846**	17,853	

NOTE 30. ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	Dec 31, 2017	Dec 31, 2016
Accrued salary costs	**41**	37
Accrued interest expenses	**39**	38
Accrued operating expenses	**47**	66
Accrued administrative expenses	**10**	14
Prepaid rental income	**189**	152
Accrued expenses co-op apartment construction, aftermarket	**15**	17
Accrued expenses connected to property transactions	**2**	9
Book value, accrued expenses and deferred income	**343**	333

NOTE 31. PLEDGED ASSETS

ACCOUNTING PRINCIPLE
Security is pledged for the Group's obligations, mainly in the form of mortgage deeds for properties. No collateral is provided for bonds or commercial paper programs. For commercial paper, Wallenstam has undertaken, at each given time, to have access to liquidity facilities that in terms of maturity and total nominal amount are at least equivalent to outstanding commercial paper. Also see Note 29.

Of the Group's pledged assets of SEK 15,257 million (15,053), SEK 1,884 million (2,682) is unmortgaged.

Pledged assets

SEK million	Dec 31, 2017	Dec 31, 2016
Property mortgages in respect of property-linked loans	**15,257**	15,053
Pension commitments	**47**	43
Wind turbines	**40**	62
Blocked bank funds	**-**	7
Book value pledged assets	**15,344**	15,165

NOTE 32. CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLE
A contingent liability refers to a possible commitment arising from past events and whose existence is only confirmed when one or more uncertain future events occur or when there is a commitment that is not recognized as a liability or provision because it is unlikely that an outflow of resources will be required.

There is responsibility in relation to the Swedish Tax Agency for the reversal of VAT on investments in commercial premises relating to tenants liable for VAT when the premises are leased to a tenant not liable for VAT. It is not possible to determine the amount.

Contingent liabilities

SEK million	Dec 31, 2017	Dec 31, 2016
Guarantee Fastigo	**2**	2
Investments in wind turbines	**30**	29
Guarantee commitments	**172**	75
Parent company guarantees to municipalities	**32**	19
Parent company guarantees to County Administrative Board	**3**	3
Book value contingent liabilities	**239**	128

NOTE 33. STATEMENT OF CASH FLOWS

ACCOUNTING PRINCIPLE

The statement of cash flows shows changes in cash and cash equivalents and the Group's available liquid assets for the period. The cash flow statement is prepared according to the indirect method, which involves adjustment of the operating profit/loss for transactions that do not entail incoming or outgoing payments during the period, broken down into the different operating segments:

- operating activities: revenue and expenses included in operating profit/loss, interest received and paid, taxes paid and change in working capital
- investing activities: purchases of non-current assets and other types of investments
- financing activities: raised and amortized loans, dividends, the repurchase of shares and any new share issues.

Adjustment items, not affecting cash flow

SEK million	2017	2016
Capital gain/loss properties, development properties, co-op apartment projects and apartments	**-136**	-234
Realized profit from sales of other assets	**3**	-
Depreciation	**104**	106
Provisions	**48**	-
Other adjustments	**24**	-6
Total adjustment items, not affecting cash flow	**43**	-134

NOTE 34. CASH FLOW CHANGES IN FINANCING ACTIVITIES

ACCOUNTING PRINCIPLE

In the Group, there are no non-cash items in financing activities to specify in accordance with IAS 7 Statement of Cash Flows.

NOTE 35. COMPANY ACQUISITIONS AND SALES

During the year, Wallenstam acquired a number of properties converted into companies. All transactions for the year were assessed as being asset acquisitions. As in the previous year, a number of properties were divested in a similar manner. Disclosures regarding asset acquisitions and property sales are provided in Note 14.

NOTE 36. POST-BALANCE SHEET EVENTS

On January 15, 2018, a bond issue was carried out for SEK 400 million within the framework of the MTN program, which was established on November 1, 2017. The bond loan runs for two years with a fixed interest rate of 0.68 percent.

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2017	2016
Management revenue	2	**252**	219
Management costs and administrative expenses	4, 6	**-340**	-307
Unrealized change in value, synthetic options scheme	4	**-2**	-7
Realized changes in value, synthetic options scheme	4	**-54**	-
Rental income		**97**	80
Operating expenses	7	**-37**	-54
Depreciation and impairment losses, properties	12	**-27**	-48
Operating profit/loss		**-111**	-117
Profit from participations in Group companies	8, 13	**3,921**	392
Interest income and similar profit/loss items	9	**344**	301
Interest expenses and similar profit/loss items	9	**-483**	-419
Unrealized change in value, derivative instruments		**182**	-156
Net financial items		**3,964**	118
Profit after financial items		**3,853**	1
Appropriations			
Group contributions paid		**-**	-155
Group contributions received		**279**	-
Tax on net profit/loss for the year	10	**-59**	43
Net profit/loss for the year		**4,072**	-111
OTHER COMPREHENSIVE INCOME			
Change in value, currency derivatives		**1**	-
Tax attributable to other comprehensive income		**0**	-
Comprehensive income		**4,073**	-111

PARENT COMPANY BALANCE SHEET

SEK million	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Capitalized expenses, computer software	11	**16**	15
Total intangible assets		**16**	15
Property, plant and equipment	12		
Investment properties		**1,383**	1,324
Equipment		**13**	10
Total property, plant and equipment		**1,396**	1,334
Financial assets			
Participations in subsidiaries	13	**5,369**	5,436
Receivables from Group companies	13, 21	**19,325**	16,655
Financial derivatives	15, 21	**10**	-
Other shares of property interests	13, 21	**7**	7
Deferred tax assets	14	**316**	378
Other non-current receivables	21	**10**	1
Total financial assets		**25,037**	22,477
TOTAL NON-CURRENT ASSETS		**26,449**	23,826
CURRENT ASSETS			
Trade receivables	21	**0**	1
Other receivables	21	**51**	0
Tax receivables		**4**	6
Prepaid expenses and accrued income	16, 21	**29**	14
Cash and cash equivalents	17, 21	**207**	57
Total current assets		**291**	78
TOTAL ASSETS		**26,740**	23,904
EQUITY AND LIABILITIES			
EQUITY	18		
Restricted equity			
Share capital		**165**	170
Statutory reserve		**122**	122
Total restricted equity		**287**	292
Non-restricted equity	19		
Retained earnings		**3,766**	4,663
Net profit/loss for the year		**4,072**	-111
Total non-restricted equity		**7,838**	4,552
TOTAL EQUITY		**8,125**	4,844
UNTAXED RESERVES			
Additional depreciation		**5**	5
PROVISIONS			
Other provisions		**-**	5
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	20, 21	**2,247**	997
Liabilities to Group companies	21	**9,229**	8,186
Financial derivative instruments	15, 21	**796**	966
Other liabilities	21	**1**	82
Total non-current liabilities		**12,273**	10,231
CURRENT LIABILITIES			
Interest-bearing liabilities	20, 21	**6,213**	8,683
Financial derivative instruments	15, 21	**1**	4
Trade payables	21	**13**	30
Other liabilities	21	**15**	15
Accrued expenses and deferred income	21, 22	**95**	87
Total current liabilities		**6,337**	8,819
TOTAL EQUITY AND LIABILITIES		**26,740**	23,904

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK million	Not 18	Share capital	Statutory reserve	Other reserves	Non-restricted equity	Total equity
OPENING BALANCE, JAN 1, 2016		170	122	-	5,351	5,643
Net profit/loss for the year		-	-	-	-111	-111
TRANSACTIONS WITH THE COMPANY'S OWNERS						
Dividend		-	-	-	-497	-497
Repurchase of own shares		-	-	-	-192	-192
CLOSING BALANCE, DEC 31, 2016		170	122	-	4,552	4,844
OPENING BALANCE, JAN 1, 2017		**170**	**122**	**-**	**4,552**	**4,844**
Net profit for the year		**-**	**-**	**-**	**4,072**	**4,072**
OTHER COMPREHENSIVE INCOME						
Items that may be reclassified to net profit for the year						
Change in value, currency derivatives		**-**	**-**	**1**	**-**	**1**
Tax attributable to other comprehensive income		**-**	**-**	**0**	**-**	**0**
TRANSACTIONS WITH THE COMPANY'S OWNERS						
Reduction share capital		**-5**	**-**	**-**	**5**	**-**
Dividend		**-**	**-**	**-**	**-556**	**-556**
Repurchase of own shares		**-**	**-**	**-**	**-235**	**-235**
CLOSING BALANCE, DEC 31, 2017		**165**	**122**	**1**	**7,838**	**8,125**

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK million	Note	**2017**	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/loss		**-111**	-117
Adjustment for items not included in the cash flow	25	**95**	67
Interest received and interest subsidies received		**340**	301
Interest payments		**-484**	-419
Cash flow before change in working capital		**-160**	-168
CHANGE IN WORKING CAPITAL			
Current receivables		**-59**	37
Current liabilities		**-7**	29
Change in working capital		**-66**	66
CASH FLOW FROM OPERATING ACTIVITIES		**-226**	-102
CASH FLOW FROM INVESTING ACTIVITIES			
Acquired participations		**-288**	-212
Sales of participations		**174**	281
Dividends from subsidiaries		**51**	726
Group contributions paid		**-**	-371
Investments in financial assets		**-15**	-3
Sale of properties, equipment and intangible assets		**0**	10
Investments in properties, equipment and intangible assets		**-101**	-188
CASH FLOW FROM INVESTING ACTIVITIES		**-179**	243
CASH FLOW FROM FINANCING ACTIVITIES	26		
Repurchase of own shares		**-235**	-192
Group contributions		**279**	-155
Dividend paid		**-556**	-497
Raised interest-bearing liabilities		**7,224**	4,635
Amortization of interest-bearing liabilities		**-8,580**	-3,788
Change in non-current receivables		**0**	-1
Change in liabilities to Group companies		**1,043**	4,776
Change in receivables from Group companies		**1,380**	-4,884
CASH FLOW FROM FINANCING ACTIVITIES		**555**	-106
CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		**57**	22
Cash flow for the year		**150**	35
Cash and cash equivalents at the end of the year		**207**	57
Unutilized overdraft facility at year-end		**800**	800
Available liquid assets		**1,007**	857

PARENT COMPANY ACCOUNTING PRINCIPLES AND NOTES

NOTE 1. PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

DIFFERENCES BETWEEN THE ACCOUNTING PRINCIPLES OF THE PARENT COMPANY AND THE GROUP

RFR 2 states that a legal entity must apply the same IFRS/IAS as are applied in the consolidated financial statements as far as possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and taking into account the relationship between accounting and taxation. The recommendation states the exceptions from and additions to IFRS that should be made.

In those cases where the accounting principles differ between the Group and the parent company, the parent company's accounting principle is described in direct connection to each Note. Otherwise, the accounting principles of the Group and the parent company correspond. The accounting principles for the parent company have been applied consistently for all periods presented in the parent company's financial statements.

Changes in Swedish regulations

Swedish Financial Reporting Board

The changes in RFR 2 Accounting for Legal Entities, which became effective for the financial year 2017 mainly refer to changes in IAS 7 Statement of Cash Flows ("Disclosure Initiative") and changes in IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealized Losses). In the parent company, there are no non-cash items in the financing activities to disclose or specify according to this change. Nor has the parent company's reporting been impacted by the changes in IAS 12 Income taxes .

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 to the presentation of the consolidated financial statements is mainly in the recognition of financial income and expenses, fixed assets (chiefly Investment properties), equity and the presentation of provisions on a separate line in the balance sheet.

Amended accounting principles

The Swedish Financial Reporting Board has decided on changes, which have still not become effective. These relate to IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. In view of the connection between accounting and taxation, there are exceptions for legal entities to apply IFRS 9 Financial Instruments and IFRS 16 Leases, which the parent company will opt to apply. As regards IFRS 15 Revenue, the company's assessment is that it will not have any material impact on the company's reporting of total revenue. See also under the Group's accounting principles on page 79.

NOTE 2. MANAGEMENT REVENUE

ACCOUNTING PRINCIPLE

The parent company's net sales consist of administrative and project management services for subsidiaries. This income is recognized in the period it relates to. In the case of subsidiaries that are limited partnerships in which the parent company is a partner, the parent company receives compensation for management services in the form of dividends.

Of the income, SEK 249 million (217) was income from Group companies.

NOTE 3. AVERAGE NUMBER OF EMPLOYEES

2017			2016		
Average number of employees	**of whom: women**	**men**	Average number of employees	of whom: women	men
238	**138**	**100**	222	128	94

Board members and senior executives

	Dec 31, 2017			Dec 31, 2016		
	Number	**of whom: women**	**men**	Number	of whom: women	men
Board members	**5**	**3**	**2**	5	3	2
CEO, Vice CEOs and senior executives	**6**	**3**	**3**	6	2	4

NOTE 4. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	2017					2016				
SEK million	**Basic salary**	**Benefits**	**Variable re-muneration**	**Social secu-rity expenses**	**Pension expenses**	Basic salary	Benefits	Variable re-muneration	Social secu-rity expenses	Pension expenses
Chairman of the Board	**0.7**	**-**	**-**	**0.1**	**-**	0.7	-	-	0.2	-
Board members	**0.7**	**-**	**-**	**0.2**	**-**	0.6	-	-	0.1	-
Total directors' fees	**1.4**	**-**	**-**	**0.3**	**-**	1.3	-	-	0.3	-
CEO, parent company	**4.4**	**0.6**	**-**	**2.4**	**1.6**	4.4	0.8	-	2.0	1.8
Vice CEOs, 1.5 persons (2)	**4.7**	**0.4**	**-**	**2.2**	**1.5**	6.2	0.3	-	2.7	2.1
Former Vice CEOs, 1.5 persons (1)	**1.5**	**-**	**1.5**	**1.3**	**1.1**	-	-	-	0.1	-
Other senior executives 4 persons (3)	**5.2**	**0.0**	**-**	**2.0**	**1.6**	3.9	0.1	-	1.4	1.2
Other employees	**118.1**	**2.8**	**-**	**42.8**	**19.0**	108.9	3.4	-	39.9	16.8
Total	**133.9**	**3.8**	**1.5**	**50.7**	**24.8**	123.4	4.6	-	46.1	21.9

For other information about personnel-related expenses, see the Group's Note 5.

NOTE 5. RELATED PARTY TRANSACTIONS

For information about related-party transactions, see the Group's Note 7.

NOTE 6. MANAGEMENT COSTS AND ADMINISTRATIVE EXPENSES

SEK million	**2017**	2016
Audit assignment	**1.2**	1.2
Other audit activities	**0,1**	-
Total	**1.3**	1.2

Management costs and administration expenses amounted to SEK 340 million (307). Management costs and administration expenses include all administrative expenses, such as those for offices and commercial premises, personnel, marketing and auditing.

Wallenstam has engaged Deloitte for the audit and the Group's expenses for auditing of property-related companies are handled by the parent company and subsequently allocated to the subsidiaries.

NOTE 7. OPERATING EXPENSES

SEK million	**2017**	2016
Heating costs	**2**	2
Other operating expenses	**9**	12
Maintenance costs	**20**	34
Property tax	**6**	6
Total operating expenses	**37**	54

There are operating expenses of about SEK 1 million, in properties that do not generate income as they were vacated for projects.

NOTE 8. PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

ACCOUNTING PRINCIPLE
Participations in the net profit for the year in limited partnerships are recognized in profit or loss under the heading Profit from participations in Group companies.

Profit from participations in Group companies refers to profit participations in subsidiaries of SEK 51 million (226). Profit/loss from sales of participations in subsidiaries amounted to SEK -38 million (99). Impairment losses of SEK -142 million (-433) in respect of subsidiary participations were recognized during the year. Dividends from subsidiaries were also paid of SEK 4,050 million (500) in total.

NOTE 9. INTEREST INCOME/EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

Interest income and similar items amounted to SEK 344 million (301), while interest expenses and similar profit/loss items amounted to SEK 483 million (419). All financial income is interest income from receivables from Group companies. Of financial expenses, SEK 172 million (112) was interest expenses from liabilities to Group companies.

NOTE 10. TAXES

SEK million	**2017**	2016
TAX RECOGNIZED IN THE INCOME STATEMENT		
Current tax	**-**	-
Deferred tax	**-59**	43
Total tax	**-59**	43
Recognized profit before tax	**4,132**	-154
Tax according to current tax rate	**-909**	34
Tax effect of:		
Non-deductible expenses, non-taxable income	**-46**	-99
Adjustment of tax, previous year	**0**	-5
Dividend	**891**	110
Deferred tax due to disposal of limited partnerships	**5**	3
Tax on net profit for the year in the income statement	**-59**	43

Distribution of current and deferred tax

	2017		2016	
SEK million	**Basis current tax**	**Basis deferred tax**	Basis current tax	Basis deferred tax
Profit before tax	**4,132**		-154	
Tax-deductible depreciation	**1**	**-1**	1	-1
Reversal of depreciation for reduced value due to sold properties	**9**	**-9**	8	-8
Non-deductible expenses	**209**	**-**	449	-1
Non-taxable change in value of derivatives	**-182**	**182**	156	-156
Dividend	**-4,050**	**-**	-500	-
Pensions commitments secured via endowment insurance	**3**	**-3**	3	-3
Adjustment of tax, previous years	**0**	**0**	0	23
Deferred tax due to disposal of limited partnerships	**-**	**-21**	-	-13
Current profit/loss for tax purposes	**122**	**148**	-37	-159
Utilization of loss carryforwards during the year	**-122**	**122**	37	-37
Taxable profit	**-**	**270**	-	-196
Tax on profit for the year in the income statement	**-**	**-59**	-	43

NOTE 11. INTANGIBLE ASSETS

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**50**	45
Investments during the year	**5**	5
Closing accumulated acquisition cost	**55**	50
Opening amortization	**-35**	-31
Amortization for the year	**-4**	-4
Closing accumulated amortization	**-39**	-35
Book value, intangible assets	**16**	15

Intangible assets refer to capitalized expenses for computer software.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING PRINCIPLE

The parent company's investment properties are measured at cost less accumulated depreciation according to plan over their useful life and with necessary impairment charges. Depreciation according to plan is applied over 50 years, equivalent to properties at 2 percent.

Cost consists of the acquisition price, land registration costs and improvements that increase value. Interest arising during the production period of large constructions, extensions or reconstructions is not capitalized for tax reasons. Only expenses that generate lasting increases in the value of properties are capitalized. Reconstruction expenses of a maintenance nature are charged to earnings.

The carrying amount of investment properties and equipment is tested for impairment when events or changed circumstances indicate that the carrying amount may not be recoverable. If such indications exist and if the carrying amount exceeds the expected recoverable amount, the assets are written down to the recoverable amount, in accordance with IAS 36.

Investment properties

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**1,189**	1,036
Investments during the year, including VAT	**89**	180
VAT on investments, annual adjustment	**-3**	0
Retirements for the year	**-**	-27
Closing accumulated acquisition cost	**1,275**	1,189
Opening depreciation	**-102**	-81
Depreciation for the year	**-27**	-25
Reversed retirements for the year	**-**	4
Closing accumulated amortization	**-129**	-102
Book value, investment properties	**1,146**	1,087

Land

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**237**	237
Closing accumulated acquisition cost	**237**	237
Book value, land	**237**	237
Book value, investment properties	**1,383**	1,324

The fair value of investment properties is estimated at SEK 2,863 (2,354) million.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT, CONT.

Equipment

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**48**	44
Investments during the year	**7**	3
Reclassification inventories	**-**	1
Closing accumulated acquisition cost	**55**	48
Opening depreciation	**-38**	-33
Depreciation for the year	**-4**	-5
Closing accumulated depreciation	**-42**	-38
Book value, equipment	**13**	10

NOTE 13. FINANCIAL ASSETS

ACCOUNTING PRINCIPLE

Participations in subsidiaries are recognized in the parent company at cost. For participations in limited partnerships, the book value is adjusted annually by the reporting company's participation in the subsidiary's net profit and the year's deposits and withdrawals.

In cases where the carrying amount of the participations exceeds the subsidiaries' fair value, an impairment loss is charged to the income statement. Where the grounds for a previous impairment loss no longer exist, the impairment loss is reversed.

Value transfers between subsidiaries may arise in connection with intra-group restructuring, whereupon an adjustment of the book value of shares in subsidiaries may be necessary. These transactions are recognized in the balance sheet in accordance with RR 1:00 item 38.

Participations in subsidiaries, change during the year

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**7,323**	8,195
Liquidation limited partnerships	**-**	-1,272
Sales	**-213**	-183
Shareholders' contribution	**-**	371
Acquisitions	**288**	212
Closing accumulated acquisition cost	**7,398**	7,323
Opening impairment losses	**-1,887**	-2,726
Liquidation limited partnerships	**-**	1,272
Impairment losses for the year	**-142**	-433
Closing accumulated impairment losses	**-2,029**	-1,887
Book value participations in subsidiaries	**5,369**	5,436

Receivables from Group companies

Receivables from Group companies are non-current and are expected to continue in order to manage liquidity flows in subsidiaries. The parent company has taken out interest swaps on behalf of Group companies. The weighted average interest rates on receivables from subsidiaries amounted to 1.93 percent (2.04).

NOTE 13. FINANCIAL ASSETS, CONT.

Other shares of property interests

SEK million	Dec 31, 2017	Dec 31, 2016
Opening acquisition cost	**7**	15
Sales during the year	**-**	-8
Book value other shares of property interests	**7**	7

Participations in subsidiaries

The number of shares and the book values are specified for directly-owned companies. Other companies that are part of the Group are owned indirectly and shown in each subsidiary's annual report.

	Corporate identity number	Registered office	Participation, %	Number of participations	Book value, SEK million
Wallenstam Stacken AB	556720-9910	Gothenburg	**100**	**100,000**	**1,246**
Wallenstam Investment AB	556089-7000	Gothenburg	**100**	**2,000**	**2**
Wallenstam Förvaltning AB	556692-0251	Gothenburg	**100**	**1,000**	**1**
Svensk NaturEnergi AB	556618-8552	Gothenburg	**100**	**1,000**	**1,105**
KB Myran nr 60	916443-3410	Gothenburg	**100**	**1**	**-**
KB Myran nr 325	916852-6961	Gothenburg	**100**	**1**	**14**
KB Myran nr 345	969614-9476	Gothenburg	**100**	**1**	**607**
KB Myran nr 349	969614-9443	Gothenburg	**100**	**1**	**282**
KB Myran nr 409	969637-6400	Gothenburg	**100**	**1**	**77**
KB Stärteredsvägen 24	916849-7361	Gothenburg	**100**	**1**	**33**
KB Länsmansvägen 2	916849-7387	Gothenburg	**100**	**1**	**30**
KB Höghallsvägen 1-5	916849-7379	Gothenburg	**100**	**1**	**9**
KB Killingen 8 och 9	916447-4851	Gothenburg	**100**	**1**	**37**
KB Myran nr 13	916442-2520	Gothenburg	**100**	**1**	**304**
KB Uttern	916444-4391	Gothenburg	**100**	**1**	**28**
KB Myran nr 232	916774-6339	Gothenburg	**100**	**1**	**-**
KB Myran nr 121	916444-2452	Gothenburg	**100**	**1**	**68**
KB Myran nr 122	916444-2460	Gothenburg	**100**	**1**	**177**
KB Myran nr 136	916563-7035	Gothenburg	**100**	**1**	**45**
KB Myran nr 178	916614-5475	Gothenburg	**100**	**1**	**47**
KB Myran nr 179	916614-5483	Gothenburg	**100**	**1**	**35**
KB Myran nr 261	916644-2591	Gothenburg	**100**	**1**	**70**
KB Myran nr 264	916644-2518	Gothenburg	**100**	**1**	**51**
KB Myran nr 269	916644-2567	Gothenburg	**100**	**1**	**-**
KB Myran nr 280	916775-5942	Gothenburg	**100**	**1**	**40**
KB Myran nr 286	916775-5876	Gothenburg	**100**	**1**	**25**
KB Myran nr 294	916775-5793	Gothenburg	**100**	**1**	**27**
KB Myran nr 297	969605-7430	Gothenburg	**100**	**1**	**45**
KB Myran nr 298	969605-7455	Gothenburg	**100**	**1**	**148**
KB Myran nr 299	969605-7463	Gothenburg	**100**	**1**	**102**
KB Myran nr 300	969605-7471	Gothenburg	**100**	**1**	**5**
KB Myran nr 301	969605-7489	Gothenburg	**100**	**1**	**60**
KB Myran nr 302	969605-7497	Gothenburg	**100**	**1**	**216**
KB Myran nr 314	969605-7570	Gothenburg	**100**	**1**	**88**
KB Myran nr 318	916613-4750	Gothenburg	**100**	**1**	**34**
KB Myran nr 367	969677-9181	Gothenburg	**100**	**1**	**11**
KB Myran nr 200	916447-6377	Gothenburg	**100**	**1**	**-**
KB Myran nr 341	916852-7126	Gothenburg	**100**	**1**	**-**
Xuleh New York 1 KB	969690-0761	Gothenburg	**100**	**1**	**61**
KB Myran nr 193	916446-7905	Gothenburg	**100**	**1**	**-**
KB Myran nr 347	969614-6381	Gothenburg	**100**	**1**	**-**
KB Wallenstam Avenyn 1	969637-6681	Gothenburg	**100**	**1**	**80**
KB Göteborg Lorensberg 53:5	969659-8755	Gothenburg	**100**	**1**	**45**
KB Gårda-Stampen	969646-4065	Gothenburg	**100**	**1**	**116**
					5,369

NOTE 13. FINANCIAL ASSETS, CONT.

During the year, Wallenstam AB sold its participations in KB Myran 200 and KB Myran 341. The company also acquired five limited partnerships, KB Stärteredsvägen 24, KB Länsmansvägen 2, KB Höghallsvägen 1-5, KB Uttern and KB Myran nr 136. The company is a general partner in the above limited partnerships.

NOTE 14. DEFERRED TAX

SEK million	Dec 31, 2017	Dec 31, 2016
DEFERRED TAX LIABILITY		
Differences booked/tax depreciation	**-58**	-61
DEFERRED TAX ASSETS		
Loss carryforwards	**190**	216
Pension commitment secured via endowment insurance	**11**	10
Temporary differences, interest rate derivatives	**173**	213
Net deferred tax asset/liability	**316**	378

All tax losses run for unlimited periods.

NOTE 15. FINANCIAL DERIVATIVE INSTRUMENTS

	Dec 31, 2017		Dec 31, 2016	
SEK million	Assets	Liabilities	Assets	Liabilities
NON-CURRENT DERIVATIVE INSTRUMENTS				
Interest rate swap contracts	**9**	**-796**	-	-966
Currency derivatives	**1**	**-**		
Book value, non-current derivative instruments	**10**	**-796**	-	-966
CURRENT DERIVATIVE INSTRUMENTS				
Interest rate swap contracts	**-**	**-1**	-	-4
Book value, current derivative instruments	**-**	**-1**	-	-4
Total derivative instruments	**10**	**-797**	-	-970

Maturity structure, financial derivative instruments

SEK million	Dec 31, 2017	Dec 31, 2016
3 months–1 year	**-1**	-4
1–5 years	**-353**	-268
>5 years	**-433**	-698
Total	**-787**	-970

NOTE 16. PREPAID EXPENSES AND ACCRUED INCOME

SEK million	Dec 31, 2017	Dec 31, 2016
Prepaid administrative expenses	**17**	12
Accrued administrative income	**6**	-
Other accrued income	**6**	2
Total prepaid expenses and accrued income	**29**	14

Accrued administrative income refers to receivables from Group companies.

NOTE 17. CASH AND CASH EQUIVALENTS

SEK million	Dec 31, 2017	Dec 31, 2016
Cash and cash equivalents	**207**	57
Approved amount, overdraft facilities	**800**	800
Utilized amount, overdraft facilities	**-**	-
Available amount, overdraft facilities	**800**	800
Available liquid assets	**1,007**	857

NOTE 18. EQUITY

ACCOUNTING PRINCIPLE

Wallenstam AB recognizes Group contributions paid and received as appropriations in the income statement.

Shareholders' contributions are recognized by the parent company (donor) as an increase in the book value of shares and by the subsidiary (recipient) as an increase in non-restricted equity. The value of shareholder contributions capitalized by the parent company is tested as described above under Participations in subsidiaries, changes during the year.

Dividends received from subsidiaries are recognized as revenue provided that they derive from income earned after the acquisition. Dividends which exceed this earned profit are treated as a repayment of the investment and reduce the carrying amount of the participation.

A specification of change in equity is provided in the Parent Company Statement of Changes in Equity, immediately after the balance sheet.

Change in number of shares

Number of shares	A shares	B shares	Total number	Of which treasury shares	Outstanding shares	Quota value, SEK
Number Dec 31, 2016	34,500,000	305,500,000	340,000,000	11,000,000	329,000,000	0.50
Reduction share capital		-10,000,000	-10,000,000	-10,000,000		
Repurchase				3,000,000	-3,000,000	
Number Dec 31, 2017	34,500,000	295,500,000	330,000,000	4,000,000	326,000,000	0.50

The share capital in Wallenstam AB consists of 34,500,000 A shares, which carry ten votes each, and 295,500,000 B shares, which carry one vote each. On closing day, the number of repurchased B shares amounted to 4,000,000, representing 1 percent of the share capital. During 2017, 3,000,000 shares were repurchased at an average price of SEK 78.41 per share. The average cost for all treasury shares amounts to SEK 76.11 per share.

The proposed dividend for the 2017 financial year is SEK 1.80 per share (1.70).

NOTE 19. APPROPRIATION OF PROFITS

SEK	2017	2016
The following earnings are at the disposal of the Annual General Meeting:		
Retained earnings	**3,765,836,421**	4,662,890,060
Net profit for the year	**4,072,508,985**	-111,140,038
Total	**7,838,345,406**	4,551,750,022
Shareholder dividend SEK 1.80 (1.70) per share	**586,620,000**	556,367,500
To be carried forward	**7,251,725,406**	3,995,382,522
Total	**7,838,345,406**	4,551,750,022

In the company, there are a total of 330,000,000 shares, of which 4,100,000 are non-dividend-paying repurchased own shares up to February 8, 2018. The total of the above proposed dividend of SEK 586,620,000 may be changed if the number of repurchased own shares changes before each record day for dividend.

NOTE 20. INTEREST-BEARING LIABILITIES

SEK million	Dec 31, 2017	Dec 31, 2016
NON-CURRENT LOANS		
Liabilities to credit institutions	**2,247**	997
Book value, non-current liabilities to credit institutions	**2,247**	997
CURRENT LOANS		
Overdraft facilities	**-**	-
Liabilities to credit institutions	**6,213**	8,683
Book value, current liabilities to credit institutions	**6,213**	8,683
Total liabilities to credit institutions	**8,460**	9,680

Loan agreement maturity structure

	Dec 31, 2017 Amount, SEK million	Dec 31, 2016 Amount, SEK million
0–3 months	**2,186**	2,965
3 months–1 year	**4,027**	5,718
1–2 years	**500**	497
2–3 years	**1,497**	500
3-4 years	**250**	-
Total	**8,460**	9,680

Interest maturity structure

	Dec 31, 2017		Dec 31, 2016	
	Amount, SEK million	Average interest, %	Amount, SEK million	Average interest, %
0–3 months	**-2,399**	**-3.17**	578	13.68
3 months–1 year	**1,307**	**0.35**	1,347	1.01
1–2 years	**130**	**2.57**	100	1.75
2–3 years	**997**	**3.44**	130	2.56
3–4 years	**1,200**	**3.05**	1,000	2.66
4–5 years	**1,700**	**2.38**	1,200	3.05
5–6 years	**1,475**	**2.71**	1,500	2.48
6–7 years	**1,450**	**1.92**	1,475	2.71
7–8 years	**1,300**	**1.32**	650	3.40
8–9 years	**1,100**	**1.95**	400	2.40
>9 years	**200**	**2.55**	1,300	2.04
Total	**8,460**	**3.63**	9,680	3.06

All of the Group's interest rate derivatives are raised through banks by the parent company. The volume of the parent company's interest rate derivatives exceeds the volume of loans held by the parent company. Interest derivatives raised by the parent company on behalf of subsidiaries are attributed to the subsidiaries concerned and therefore form part of the inter-company transactions. The reason for this is that interest derivatives are not attributable to the parent company but to the financing of each respective subsidiary.

The unutilized overdraft facility amounts to SEK 800 million (800).

Weighted average interest rates on loans taking into account recognized derivative instruments

%	2017	2016
Loans	**2.98**	3.21
Overdraft facilities	**0.55**	0.53

Recognized and fair values of other liabilities agree.

Liabilities to Group companies

Liabilities to Group companies are expected to run until further notice in order to handle liquidity flows in subsidiaries.

NOTE 21. FINANCIAL INSTRUMENTS

ACCOUNTING PRINCIPLE

According to RFR 2, parent companies that are covered by the consolidated financial statements should recognize certain financial instruments at fair value. Since Wallenstam does not apply hedge accounting in respect of interest rate derivatives, all changes in value are reported directly among financial income and expenses in the income statement. The parent company administers borrowing including hedging of interest rates through interest rate derivatives for the Group's companies as an administrative service. All the financial circumstances described for the Group (refer to the Group's Note 29) also apply to the parent company, with the exception of electricity derivatives.

Financial instruments

SEK million	Financial assets measured at fair value through profit or loss 31.12.17	31.12.16	Loans and receivables 31.12.17	31.12.16	Financial assets available-for-sale 31.12.17	31.12.16	Total 31.12.17	31.12.16	Income statement
FINANCIAL ASSETS									
Receivables from Group companies	**-**	-	**19,325**	16,655	**-**	-	**19,325**	16,655	Interest income
Other shares of property interests	**-**	-	**-**	-	**7**	7	**7**	7	Net financial items, Other comprehensive income
Other non-current receivables	**-**	-	**1**	1	**-**	-	**1**	1	Administration
Interest rate derivatives	**9**	-	**-**	-	**-**	-	**9**	-	Unrealized change in value derivatives
Currency derivatives	**-**	-	**-**	-	**-**	-	**1**	-	Other comprehensive income
Trade receivables	**-**	-	**0**	1	**-**	-	**0**	1	Rental income
Other current receivables	**-**	-	**14**	2	**-**	-	**14**	2	-
Cash and cash equivalents	**-**	-	**207**	57	**-**	-	**207**	57	-
Total financial assets	**9**	-	**19,547**	16,716	**7**	7	**19,564**	16,723	

SEK million	Financial liabilities measured at fair value through profit or loss 31.12.17	31.12.16	Financial liabilities measured at amortized cost 31.12.17	31.12.16	Total 31.12.17	31.12.16	Income statement
FINANCIAL LIABILITIES							
Other non-current liabilities	**-**	82	**-**	-	**-**	82	Unrealized change in value, synthetic options scheme
Liabilities to Group companies	**-**	-	**9,229**	8,186	**9,229**	8,186	Interest expenses
Interest rate derivatives	**797**	970	**-**	-	**797**	970	Unrealized change in value derivatives
Interest-bearing liabilities	**-**	-	**8,460**	9,680	**8,460**	9,680	Interest expenses
Trade payables	**-**	-	**13**	30	**13**	30	Operation and administration
Accrued expenses	**-**	-	**82**	78	**82**	78	Operation and administration
Other current liabilities	**-**	-	**15**	15	**15**	15	Operation and administration
Total financial liabilities	**797**	1,052	**17,799**	17,989	**18,596**	19,041	

NOTE 22. ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	Dec 31, 2017	Dec 31, 2016
Accrued salary costs	**41**	37
Accrued interest expenses	**34**	35
Accrued operating expenses	**1**	1
Prepaid rental income	**13**	9
Accrued administrative expenses	**6**	5
Book value, accrued expenses and deferred income	**95**	87

NOTE 23. PLEDGED ASSETS

SEK million	Dec 31, 2017	Dec 31, 2016
Property mortgages	**1,244**	1,239
Internal promissory notes and property mortgages	**534**	3,034
Pledged endowment insurance	**47**	43
Book value pledged assets	**1,825**	4,316

NOTE 24. CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLE

The parent company's financial guarantee contracts mainly consist of loan guarantees in favour of subsidiaries. Financial guarantees mean the company has a commitment to compensate the holder of a liability instrument for losses that the holder suffers as a result of a named debtor's failure to meet its obligations and/or payments according to the terms of agreement. Contingent liabilities in favour of subsidiaries are financial guarantee agreements and are recognized in accordance with RFR 2, Accounting for Legal Entities, i.e. they are not recognized as provisions but are instead disclosed.

Surety commitments for Group companies amounted to SEK 10,197 million (6,739) and for other companies to SEK 235 million (126). Other contingent liabilities refer to responsibility as a general partner for the external liabilities of limited partnership companies, amounting to SEK 46 million (37), and for Fastigo, amounting to SEK 2 million (2).

NOTE 25. STATEMENT OF CASH FLOWS

SEK million	2017	2016
ADJUSTMENT ITEMS, NOT AFFECTING CASH FLOW		
Realized and unrealized changes in value, synthetic options	**56**	7
Accrued unpaid management costs and administrative expenses	**4**	3
Depreciation/retirement	**35**	57
Total adjustment items, not affecting cash flow	**95**	67

NOTE 26. CASH FLOW CHANGES IN FINANCING ACTIVITIES

ACCOUNTING PRINCIPLE

In the parent company, there are no non-cash items in financing activities to specify in accordance with IAS 7 Statement of Cash Flows.

NOTE 27. POST-BALANCE SHEET EVENTS

On January 15, 2018, a bond issue was carried out for SEK 400 million within the framework of the MTN program, which was established on November 1, 2017. The bond loan runs for two years with a fixed interest rate of 0.68 percent.

The income statements and balance sheets will be submitted to the Annual General Meeting on April 24, 2018.

The Board of Directors and the CEO affirm that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS as adopted by the EU and provide a true and fair view of the Group's financial position and results of operations. The annual accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results of operations. The statutory administration report 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 part of the Group.

Gothenburg, March 22, 2018

Wallenstam AB (publ)

Christer Villard
Chairman of the Board

Ulrica Jansson Messing
Vice Chairman

Anders Berntsson
Board member

Karin Mattsson Weijber
Board member

Agneta Wallenstam
Board member

Hans Wallenstam
Chief Executive Officer

My audit report concerning these annual accounts and the consolidated financial statements was issued on March 22, 2018.

Harald Jagner
Authorized Public Accountant

AUDITOR'S REPORT

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF WALLENSTAM AB (PUBL) CORPORATE IDENTITY NUMBER 556072-1523

This is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

I have audited the annual accounts and consolidated accounts of Wallenstam AB (publ) for the financial year 2017-01-01 - 2017-12-31. The annual accounts and consolidated accounts of the company are included on pages 67-126 in this document.

In my 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 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts 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 2017 and their financial performance and cash flow for the year then ended 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 accounts.

I therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

My opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's board of directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements. This includes that, based on the best of my knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in my professional judgment, were of most significance in my audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of my audit of, and in forming my opinion thereon, the annual accounts and consolidated accounts as a whole, but I do not provide a separate opinion on these matters.

Valuation of investment properties

Investment properties are valued at actual value and at 31 December 2017 the property holdings are valued at MSEK 41,410. Wallenstam's investment properties are valued by an internal valuation team at actual value in accordance with IFRS. The valuation requires a number of estimates and assumptions regarding e.g. future cash flow and determination of required dividend yield for each property. Relatively insignificant changes in estimates and assumptions may imply a significant impact on the Group's result and financial position.

For further information, please refer to the Administration report on page 67, comments on Group result on page 73, comments on the consolidated balance sheet on page 75 and note 11 and 14 in the financial statements.

My audit included the following procedures, but was not limited to these:

- I have reviewed Wallenstam's valuation procedures and considered the assumptions reasonable, that the procedures are consistently applied and that integrity exists in the internal valuation model.
- I have reviewed input and computations in the internal valuation model, on property level for a selection of properties, to ensure completeness and correctness.
- I have engaged an external party to assess Wallenstam's internal valuation.
- I have reviewed the correctness and completeness in relevant notes to the financial statements.

Income tax

The computations of current and deferred tax may imply a risk and uncertainty since conclusions based on the computations or part of it are based on assumptions on statutory requirements, legal usage or other sources where the application of the law is unclear. Examples of such a situation could be where there is a lack guidance available in relevant sources of law, or where statutory requirements are subject to investigation and possible amendments. The risk is that it is difficult to ensure a correct predictability and a correct conclusion. Incorrect judgments and assumptions may have a material impact on the Group's result and financial position.

For further information, please refer to the Administration report on page 67, comments on Group result on page 73, comments on the consolidated balance sheet on page 75 and note 12 and 27 in the financial statements.

My audit included the following procedures, but was not limited to these:

- I have reviewed and assessed Wallenstam's procedures for computations of current and deferred tax and reviewed the computations of current and deferred tax against underlying documentation and tested the computations against tax legislation.
- I have reviewed the handling of realized and unrealized gains and losses on derivatives and performed property transactions in the tax computations.
- I have reviewed the correctness and completeness in relevant notes in the financial statements.
- Tax specialists have been involved in the review.

Valuation of wind turbines

Wallenstam valuates wind turbines at acquisition value according to current regulations. At 31 December 2017 the wind turbines were valued at MSEK 682. To assess any need for impairment Wallenstam test valuates the wind turbines. The valuation requires judgments and assumptions about for example the development of electricity prices, pricing of electricity certificates and weighted average cost of capital, which is a result of economic conditions, the weather and political decisions. Relatively small changes in judgments and assumptions may imply a material impact on the valuation of wind turbines.

For further information please refer to the Administration report on page 67, comments on Group result on page 73, comments on the consolidated balance sheet on page 75 and note 9 and 15 in the financial statements.

My audit included the following procedures, but was not limited to these:

- I have reviewed Wallenstam's valuation procedures and assessed if assumptions made are reasonable, that the procedures are consistently applied and that integrity exists in the internal valuation model.
- I have reviewed input data and computations in the internal valuation model for a selection of wind turbines to ensure that they are correct.
- I have reviewed the correctness and completeness in relevant notes to the financial statements.
- Valuation experts have been involved in the review.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-66 and 136-146. The Board of Directors and the Managing Director are responsible for this other information.

My opinion on the annual accounts and consolidated accounts does not cover this other information and I do not express any form of assurance conclusion regarding this other information.

In connection with my audit of the annual accounts and consolidated accounts, my responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure I also take into account my knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If I, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, I am required to report that fact. I 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 accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, 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 accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, 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 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

My objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 accounts.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to my audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts and consolidated accounts. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my opinions.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

I must also provide the Board of Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, I determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. I describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of the Board of Directors and the Managing Director of Wallenstam AB (publ) for the financial year 2017-01-01 - 2017-12-31 and the proposed appropriations of the company's profit or loss.

I recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring 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 fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

My objective concerning the audit of the administration, and thereby my 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.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, I exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on my professional judgment with starting point in risk and materiality. This means that I focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. I examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss I examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Harald Jagner, was appointed auditor of Wallenstam AB by the general meeting of the shareholders on the 2017-04-26 and has been the company's auditor since 2013-04-23.

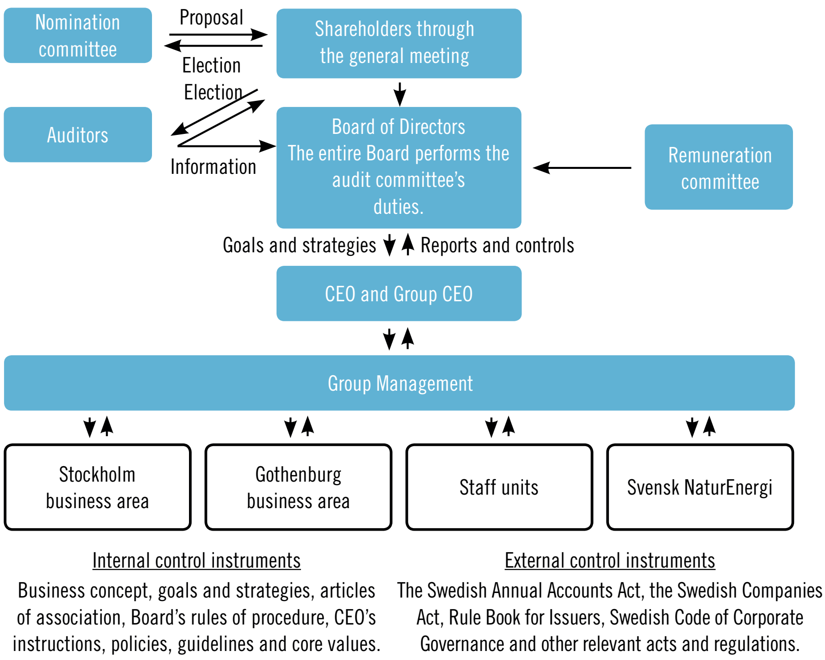
Gothenburg, March 22, 2018

Signatur on Swedish original

Harald Jagner
Authorized public accountant

CORPORATE GOVERNANCE REPORT 2017

WALLENSTAM'S CORPORATE GOVERNANCE STRUCTURE



PRINCIPLES OF CORPORATE GOVERNANCE

Wallenstam AB is a Swedish public company with its registered office in Gothenburg. The company's B shares are listed on Nasdaq Stockholm, Large Cap. In order to ensure good governance of the Group, responsibility is clearly divided among the shareholders, Board as well as the CEO and Management. The articles of association, the Board's rules of procedure, including CEO instruction, adopted policies and guidelines, the Swedish Companies Act and other applicable legislation and regulations form the basis for control of the Group. Wallenstam also applies the Swedish Corporate Governance Code (the Code). Wallenstam follows the Code with the exception of the provision regarding composition of the nomination committee. This deviation is explained in more detail below.

SHARES AND OWNERS

The number of shareholders in Wallenstam amounted to 13,291 at year-end. Wallenstam's principal shareholder is Hans Wallenstam who, together with his family and companies, holds around 25 percent of the equity and 62 percent of the voting rights. Foreign share ownership amounted to 10 percent of the equity and 5 percent of the voting rights. The thirteen largest shareholders, where shareholders ten to thirteen hold the same number of shares, represented the equivalent of around 60 percent of the equity and 80 percent of the voting rights. No warrants, convertibles or equivalent securities exist, which can result in additional shares in the company.

As of December 31, 2017, Wallenstam's share capital amounted to SEK 165 million, distributed among 34,500,000 A shares (ten votes per share) and 295,500,000 B shares (one vote per share). There are no limits to how many votes each shareholder may cast at annual general meetings. The shares all carry equal rights to the company's assets and profits. However, repurchased own shares have no dividend rights. Wallenstam's market capitalization at year-end amounted to SEK 26,037 million.

According to Wallenstam's dividend policy, the reported profit should primarily be reinvested in the operations to enable continued development of the Group's core business and thus create increased value growth. When determining the size of the dividend, consideration must also be given to the company's investment requirements, need to strengthen its balance sheet and position in general, and the ability of the Group to develop in the future while maintaining its financial strength and freedom of action. The amount available for distribution must never exceed profit before unrealized changes in value and impairment charges after the standard tax rate.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is Wallenstam's highest decision-making body where shareholders have the opportunity to make decisions on questions concerning the company. The AGM is held in Gothenburg within six months of the end of the financial year. Shareholders have the right to participate in the AGM – personally or by proxy – if the shareholder is recorded in the share register on the record day and has notified his participation in the meeting to the company within the period prescribed in the convening notice. In order to be able exercise voting rights at the meeting, shareholders whose shares are nominee-registered must temporarily reregister their shares in their own name in accordance with the notice to the AGM.

The AGM elects the Chairman of the Board, the other Board members and the company's auditors. It is also tasked with adopting the balance sheets and income statements for the company and the Group, deciding on the appropriation of the company's profits, discharging the members of the Board and the CEO from liability for the financial year, approving guidelines for remuneration to senior executives and the appointment of a nomination committee.

Notice to attend the AGM is given through the Official Swedish Gazette (Post- och Inrikes Tidningar) and on Wallenstam's website. It shall also be announced in Dagens Industri that notice has been given. The convening notice includes the agenda and the resolutions proposed by the Board of Directors and the nomination committee. Shareholders who wish to have a matter dealt with at the AGM can request this in good time to Wallenstam's Board of Directors prior to the meeting.

A total of 300 shareholders were represented at Wallenstam's AGM on April 26, 2017, representing around 57 percent of the shares and about 79 percent of the total number of votes in the company. The Board of Directors, CEO, Group Management and the company's auditor were present.

The following resolutions were adopted by the AGM on April 26, 2017:

- Adoption of the income statements and balance sheets of the Group and the parent company for 2016.
- A dividend of SEK 1.70 per share for the 2016 financial year, spread over two payment dates of SEK 0.85 each per share.
- Fees to the Board totaling SEK 1,400,000 of which SEK 700,000 to the Chairman of the Board, SEK 250,000 to the Vice Chairman and SEK 150,000 to each of the other Board members. Amounts include remuneration for committee work.
- Discharge from liability of the CEO and Board of Directors.
- Re-election of Board members Christer Villard, Agneta Wallenstam, Anders Berntsson and Ulrica Jansson Messing as well as Karin Mattsson Weijber. Christer Villard was re-elected as Chairman of the Board,
- Re-election of Harald Jagner as auditor and Pernilla Lihnell as deputy auditor, both from Deloitte AB.
- Approval of guidelines for remuneration of senior executives.
- Resolution on reduction of the share capital through cancellation of shares.
- Authorization for the Board to take decisions regarding acquisition and assignment of the company's own shares.
- Resolution regarding nomination committee ahead of the AGM 2018.

Minutes and a presentation from the AGM are available at www.wallenstam.se/bolagsstyrning.

NOMINATION COMMITTEE

The 2017 AGM resolved to establish a nomination committee ahead of the 2018 AGM in order to present proposals, including for the election of the Chairman and other members of the Board, election of the auditor, the chairman of the AGM, and questions relating to fees.

The nomination committee ahead of the AGM 2018 is composed of:

- Dick Brenner (nomination committee chairman)
- Christer Villard (Chairman of the Board, Wallenstam AB)
- Hans Wallenstam (largest shareholder, Wallenstam AB)
- Lars-Åke Bokenberger (representing the shareholder AMF)

The composition of the nomination committee implies a deviation from the Code's provision 2.3 as the CEO is a member of the nomination committee. The reason for the deviation is that the CEO is also the principal shareholder in the company and is thus a member of the nomination committee in that capacity.
The members of the nomination committee have carefully considered and stated that there is no conflict of interest in accepting the assignment as a member of Wallenstam's nomination committee.

Shareholders have the possibility of submitting proposals to the nomination committee using the address provided on Wallenstam's website. The nomination committee's proposals to the AGM are published in connection with the convening notice. The nomination committee also submits a reasoned opinion regarding the proposed Board and a report on how the nomination committee carried out its work. In its work, the nomination committee aims to maintain a uniform gender distribution in the Board and that the Board in other respects should be characterized by diversity and breadth in terms of competencies, experience and background. The nomination committee applies rule 4.1 of the Swedish Corporate Governance Code for this purpose as a diversity policy, in drawing up its proposal for election of Board members.

The nomination committee held one recorded meeting ahead of the 2018 AGM at which all of the matters that are incumbent on the committee to deal with under the Code were discussed. The nomination committee discussed and considered the size of the Board, what areas of expertise should be represented on the Board, fees to Board members and a proposal for election of the auditor. As a basis for its opinion, the nomination committee studied the result of the annual evaluation of the Board that was carried out during 2017.

BOARD OF DIRECTORS

Shareholders elect the Board at the AGM every year. The Board of Directors has overall responsibility for the Group's organization and administration, and to ensure that the control of accounting, management of funds and economic conditions in general are satisfactory. It is therefore incumbent on the Board to ensure that a functioning reporting system is in place and that the Board receives the necessary information regarding the company's position, profit/loss, financing and liquidity through periodical reporting. In addition to its responsibility for the company's organization and administration, the Board's most important task is to take decisions on strategic matters such as approval of strategic plans, business and profitability targets and policies. The Board also takes decisions on major acquisitions and divestments of properties and companies and major investments in construction and wind power as well as financing questions.

Composition of the Board

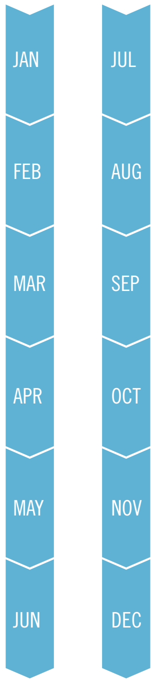
According to the articles of association, Wallenstam's Board must comprise at least four and not more than eight members, with no deputies. There are no provisions in the articles of association concerning the appointment and removal of Board members or about changes to the articles of association. Board members are elected annually at the AGM for the period until the end of the next AGM. New Board members receive an overview of the company and its operations and participate in Nasdaq Stockholm's training for board members in listed companies.
During 2017, Wallenstam's Board comprised five members elected by the AGM and no deputies. At the 2017 AGM, Christer

Name	Function	Elected	Attendance Board meetings	Attendance audit committee meetings	Attendance remuneration committee meetings	Independent*
Christer Villard	Chairman	1995	8/8	3/3	2/2	Yes
Ulrica Jansson Messing	Vice Chairman	2008	8/8	3/3	2/2	Yes
Anders Berntsson	Board member	1997	8/8	3/3		No
Agneta Wallenstam	Board member	2010	8/8	3/3		No
Karin Mattsson Weijber	Board member	2016	8/8	3/3		Yes

* Independent means independent in relation to the company, company management and to the company's major shareholders under the provisions of the Code.

ANNUAL PLANNING BY THE BOARD

Apart from standing items such as investment decisions and information from the CEO in the form of financial reports, market analysis etc.



February
- Adoption of the year-end report
- Remuneration matters
- Preparations for the AGM
- Audit matters
- Evaluation of internal audit
- Proposed dividend

April
- Preparations for the AGM
- Statutory Board meeting

June
- Matters for decision

September
- Strategies and plans
- Audit matters
- Forecasts

December
- Budget
- Policies
- Evaluation of the CEO's work
- Evaluation of the Board's work
- Audit matters
- Related party questions and conflicts of interest

Villard, Ulrica Jansson Messing, Agneta Wallenstam, Anders Berntsson and Karin Mattsson Weijber were re-elected. Board members are presented in more detail on page 12.

The CEO does not sit on the Board.

The work of the Board

The Board's work is governed by rules of procedure that are adopted annually at the statutory meeting. Among other things, the rules of procedure contain instructions about the division of duties within the Board and in relation to the CEO and the duties of the committees.

The Chairman of the Board leads the Board's work and ensures that the Board performs its duties. The Chairman monitors the Group's operations through continual contacts with the CEO and is responsible for ensuring that other members continually receive the information necessary to carry out the Board work in the best way. The Chairman is also responsible for conducting an annual evaluation of the Board's and CEO's work.

Board decisions require that more than half of the members are present and more than one third of the total number of members vote for the resolutions. The Chairman has the casting vote in the event of the same number of votes.

Meetings during 2017

In 2017, the Board held eight recorded meetings, of which one was the statutory meeting. At each of these meetings, the Board dealt with the matters described in the chart above and other matters of material importance for the company. The Board work during the year focused in particular on strategy discussions, financing questions including the establishment of an MTN (Medium Term Notes) program, IT security issues, complance issues including implementation of the new General Data Protection Regulation as well as construction projects and other investments. The CEO and officers of the company attend Board meetings in a reporting capacity.

During the year, the company's auditors attended the Board meetings held in February, September and December.

The Board conducted an evaluation of its work during 2017. The evaluation, which also covered the CEO's work, was conducted with the assistance of an external consultant and consisted of a questionnaire where the result of the evaluation was first analysed and subsequently presented to the Board at the scheduled Board meeting in December 2017. The nomination committee received the results of the evaluation and the presentation/analysis submitted to the Board by the consultant responsible.

Remuneration Committee

Within the Board, there is a remuneration committee tasked with preparing the Board's decisions on matters concerning remuneration principles as well as compensation and other terms of employment for company management. In addition, the remuneration committee must monitor and evaluate the application of guidelines for remuneration to senior executives that the AGM has adopted as well as current compensation structures and levels in the company. Where appropriate, the remuneration committee must also monitor and evaluate ongoing programs for variable remuneration to company management as well as programs concluded during the year. The committee's members are appointed by the Board once every year and its areas of responsibility are governed by the rules of procedure adopted by the Board annually.

During 2017, the remuneration committee was composed of Chairman of the Board Christer Villard and Vice Chairman Ulrica Jansson Messing. The remuneration committee held two recorded meetings during 2017. Matters dealt with at the meeting included an evaluation of current remuneration to senior executives including ongoing incentive program and proposals for future remuneration to the CEO and other senior executives in the company.

Audit Committee

The Board of Directors has discussed setting up an audit committee but has chosen not to establish one. The Board as a whole therefore performs the tasks that are the duty of an audit committee within the framework of the regular board work. In this way, the Board's expertize can be fully put to use and Board meetings are made more efficient. The duties of the audit committee include:

- monitoring the company's financial reporting and making recommendations and proposals to ensure the reliability of the reporting
- monitoring the effectiveness of the company's internal control, internal audit and risk management in respect of the financial reporting
- keeping informed about the audit of the annual accounts and consolidated financial statements
- following the outcome of the audit
- evaluating and reviewing the auditor's impartiality and independence
- submitting proposals to the AGM for the election of auditor or consider giving the nomination committee the task of submitting such proposals to the AGM.

During 2017, the Board met three times in its capacity as an audit committee to deal with the above matters.

CEO AND GROUP MANAGEMENT

The CEO is responsible for the company's day-to-day administration and leads the company's operations according to the Board's guidelines and directives, including the adopted CEO instruction. The CEO is responsible for preparing complete information and decision data prior to Board meetings, presenting matters for discussion and for justifying his proposals for actions and decisions. The CEO also keeps the Board continuously informed of the performance of the company and the Group through monthly newsletters.

Wallenstam's CEO Hans Wallenstam is the company's largest shareholder. It is a great advantage for Wallenstam to have a CEO with a long-term interest in the company. Apart from continuity, it also means quick decisions, which has proved to be a competitive advantage on a number of occasions.

In his day-to-day work the CEO leads the Group Management. Wallenstam's Group Management includes the CEO, the Vice CEO and Regional Director Stockholm and Uppsala business area, the Regional Director Gothenburg business area, the CFO and Head of Investor Relations, the Finance Director and the Communications Director. Wallenstam's Group Management is presented on page 14. The CEO and other members of Group Management meet continuously in order to monitor developments and results in the business areas, update forecasts and plans, and to discuss current issues. Reporting from Group Management to the CEO, in respect of each operational area, occurs on a monthly basis. In connection with this, an evaluation takes place together with annual development discussions to ensure that the right competencies are found in key positions.

Remuneration to the CEO and Group Management

Guidelines for salaries and other remuneration to the company's senior executives are decided by the AGM. The following guidelines, which apply to the CEO and other members of company management, were adopted by the 2017 AGM.

- Senior executives should be offered fixed salaries which are market-related and based on the employee's area of responsibility and performance.
- Senior executives should be offered market-related pension benefits chiefly in the form of premium-based pension agreements.
- Senior executives should be offered customary non-monetary benefits to facilitate the performance of their work. Additionally, benefits in the form of accommodation, including related expenses, may also be offered in individual cases.
- In addition to fixed salary, variable remuneration that rewards predetermined, measurable performance may also be offered. Such variable remuneration should seek to promote the creation of long-term value within the Group. Furthermore, in connection with the conclusion of a published company business plan and to the extent the Board considers appropriate, the Board will have the right to decide on monetary compensation to the Chief Executive Officer and the Vice Chief Executive Officers as remuneration for extraordinary work performed during the implementation of the business plan. Variable remuneration should be paid in the form of salary and may not exceed the fixed remuneration for the executive concerned for the year in question.
- Senior executives may be offered incentives in the form of synthetic options if such an offer is available to all permanent employees in the company. Payments under such an incentive program are not pensionable.
- A reciprocal period of notice of six months shall apply to senior executives. Termination benefits, including salary during the period of notice, may not exceed 24 monthly salary payments.

The Board retains the right to deviate from the guidelines if there are particular reasons in an individual case.

EXTERNAL AUDITORS

Wallenstam's auditors are elected annually by the AGM. At the 2017 AGM, Harald Jagner and Pernilla Lihnell, both from Deloitte AB, were re-elected as auditor and deputy auditor respectively, until the end of the 2018 AGM. The auditors examine the Board's and the CEO's administration of the company and the quality of the company's accounting. The auditors report the outcome of their examination to the shareholders through their audit report, which is presented at the AGM. Moreover, the auditors present detailed statements to the Board at Board meetings several times per year. The Board meets the company's auditors without the Group Management being present once per year.

In addition to the audit, Deloitte AB performs certain audit-related services for Wallenstam. These services mainly relate to accounting, tax and company law-related matters, and Wallenstam is of the opinion that the performance of these services does not jeopardize Deloitte AB's independence. Further information regarding remuneration to the auditors can be found in the Group's Note 4.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board has overall responsibility for ensuring that Wallenstam has a satisfactory system for internal control over financial reporting. This system is designed through collaboration among the Board, Group Management and the company's personnel aimed at ensuring the following:

- that the company has reliable financial reporting
- that the company has a suitable and efficient financial reporting organization.
- that the company complies with applicable legislation and other applicable regulations regarding the financial reporting.

The company uses the established COSO framework (Internal Control – Integrated Framework) in its financing reporting work.

Control environment

To ensure internal control over financial reporting, Wallenstam's control environment is based on a clear division and distribution of responsibilities and duties between the Board and the CEO, and also within the company's operational activities. The Board's rules of procedure and CEO instructions aim to ensure such a distinct division of roles and responsibilities in order to facilitate the effective management of operational risks. Correspondingly, there are also decision-making and authorization procedures covering all of the Group's operations, among other things, aimed at ensuring good order and at preventing or detecting irregularities/fraud (non-approved purchases, unauthorized use of the company's assets etc.) in time, which can have a significant impact on the company's financial reporting.

Policies adopted by the Board, such as the Code of Conduct and finance policy, are also important for the internal control work. There are also established guidelines for the company's employees in order for them to understand the importance of their respective roles in the maintenance of good internal control. The guidelines for the financial reporting are updated in the event of changes in legal requirements, listing requirements and/or accounting standards.

Risk assessment
Wallenstam's Group Management continually evaluates and identifies the risk for material errors in the financial reporting in discussions and meetings in the organization. The Board, in its capacity as an audit committee, reviews the material risks with the company's auditors and also decides on necessary measures that need to be taken. Higher risks have been identified in the following areas:
- valuation of investment properties
- valuation of wind turbines
- fiscal estimates including interpretation of cases and regulatory changes.

Control activities
Control activities are designed both to prevent and detect shortcomings in the identified risk areas above and also to ensure that any errors in the financial reporting are corrected. There are also control activities to ensure that reporting occurs in accordance with applicable accounting rules and standards. Other controls include various forms of system support, built into established routines and division of duties such as quarterly reporting from the business areas to the CFO and through the principle that all documents should be reviewed and approved by at least two people. In addition, the company has established an ethics council, which employees can contact in order to report suspected irregularities.

The Board reviews the interim and annual accounts prior to publication.

Instructions, procedures and manuals are drawn up, updated and communicated to the employees concerned on an ongoing basis to ensure they have up-to-date information. Employees also undergo training to ensure the necessary competencies.

Information and communication
Both the internal information within Wallenstam and the external communication are governed by the Group's overall information disclosure guidelines. Regarding communication of internal information, company management is responsible for informing the relevant employees about their responsibility for maintaining good internal control, with the aim of ensuring effective and accurate disclosure of financial reporting. This occurs through regular information meetings in each business area, among other ways. Employees are also kept informed via Wallenstam's Intranet about adopted policies, guidelines, instructions and manuals.

The PR and marketing department is responsible for external information disclosure in respect of the financial reporting. This work is conducted according to the principle of current and correct disclosure as described in Nasdaq Stockholm's rule book for issuers.

Follow-up of internal control
Wallenstam's Group Management continually evaluates that the internal control over financial reporting is working in the intended way. This occurs through internal analyses and by reviewing the accounting department's work, with the aim of identifying measures needed or proposals for improvements. The Board subsequently receives Group Management's comments regarding the operations and the internal control. The company's auditors participate in Board meetings three times per year and inform members of their observations regarding the company's internal routines and control system. Board members also have the opportunity to ask questions to the external auditors at these meetings. It is the duty of the Board to ensure that action is taken regarding possible shortcomings and proposed measures resulting from Group Management reports, as well as in the audit and information from the auditors.

Internal audit
Wallenstam's Group Management continually reviews the procedures and documentation concerning the internal control system. Nothing has emerged to indicate that the control system is not working as intended. In the light of this, the Board has decided not to establish an internal audit function. This decision will be reviewed annually.

NON-COMPLIANCE
During 2017, no breaches of regulations or etiquette at the stock exchange where Wallenstam's shares are traded have taken place according to decisions by the exchange's disciplinary committee or pronouncements by the Swedish Securities Council.

This report is not part of the formal annual report.

Gothenburg, March 22, 2018

Christer Villard
Chairman of the Board

Ulrica Jansson Messing
Vice Chairman

Anders Berntsson
Board member

Karin Mattsson Weijber
Board member

Agneta Wallenstam
Board member

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

TO THE GENERAL MEETING OF THE SHAREHOLDERS IN WALLENSTAM AB (PUBL)
CORPORATE IDENTITY NUMBER 556072-1523

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the financial year 2017-01-01 - 2017-12-31 on pages 130 - 134 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
My 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 my examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I believe that the examination has provided me with sufficient basis for my opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, March 22, 2018

Signature on Swedish original

Harald Jagner
Authorized Public Accountant

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

TO THE GENERAL MEETING OF THE SHAREHOLDERS IN WALLENSTAM AB (PUBL)
CORPORATE IDENTITY NUMBER 556072-1523

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 2, 20, 24 – 38, 131, 133-134, 145 and inside the cover, and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
My examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that my examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I believe that the examination has provided me with sufficient basis for my opinion.

Opinions
A statutory sustainability report has been prepared.

Gothenburg, March 22, 2018

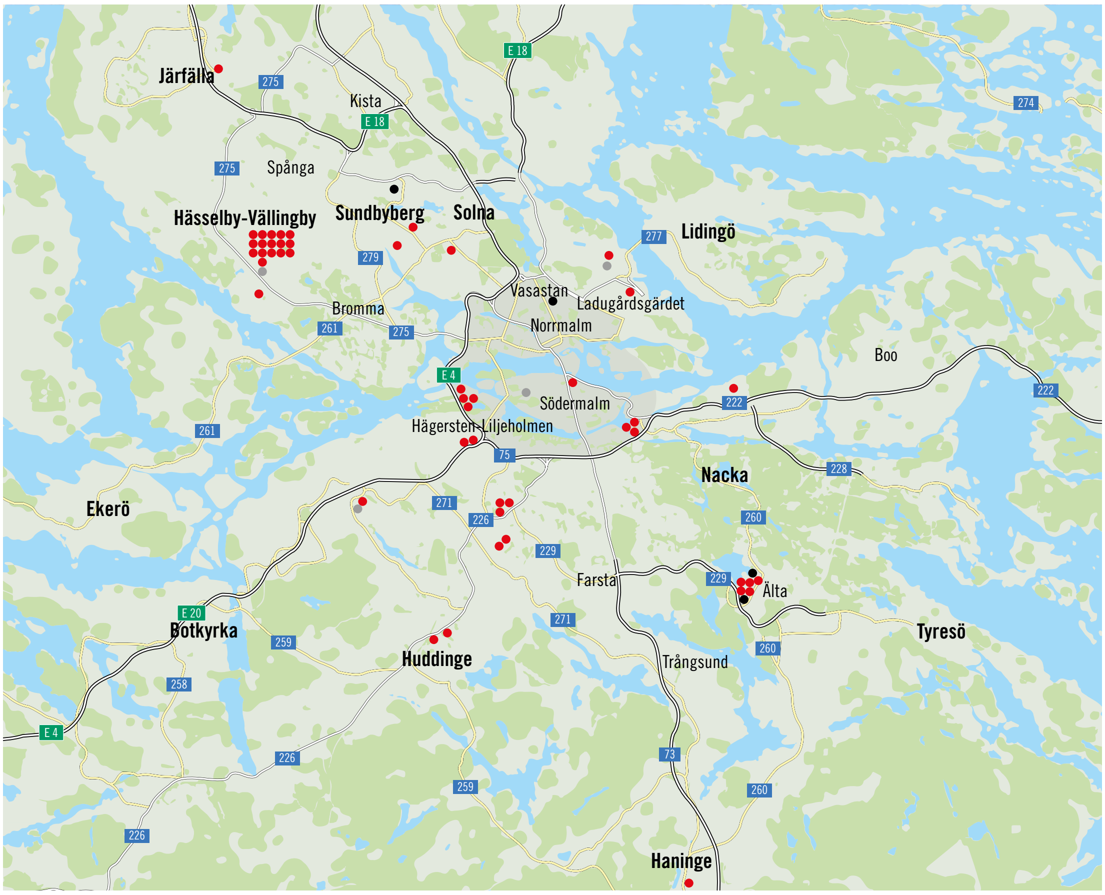
Signature on Swedish original

Harald Jagner
Authorized Public Accountant

PROPERTY LIST STOCKHOLM

• = Residential properties • = Commercial properties • = Public use properties

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apts.
Barkarby													
• Barkarby 2:28	Barkarbyvägen 42-52, 42A-42B, 44A-44C / Gripengatan 1-7 / Karlslundsvägen 4-8, 8A / Stora torget 1-3, 1A-1B, 2, 2A-2B	2014	15,615		756	45		3,688		20,104	348,265		247
Blackeberg													
• Islänningen 1	Holbergsgatan 82-84	1951	2,548		196					2,744	36,164	2021	84
Gröndal													
• Barlasten 4	Fågelsångsvägen 17	1929	719	191		21				931	14,852		16
• Galjonsbilden 28	Matrosbacken 15	1949	571							571	10,055		11
• Mastkorgen 7	Fregattvägen 4-8	1956	4,071			331		675		5,077	72,639		60
• Mastkorgen 9	Fågelsångsvägen 1	1956	546	52						598	9,676		11
Gärdet													
• New York 1	Sandhamnsgatan 1	1943	2,212		260					2,472	74,859		40
Hammarby Sjöstad													
• Forsen 1	Båtbyggargatan 66-68 / Vävar Johans gata 12-18	2005	8,216					1,700		9,916	252,400	2024	135
• Skärgårdsbåten 2	Fendergatan 2-4	2009	3,380					750		4,130	110,861	2018	49
• Svallvågen 1	Fartygsgatan 12-18 / Rorgångargatan 22-28 / Vävar Johans gata 29-37	2007	11,734					2,675		14,409	369,600	2026	170
Haninge													
• Söderbymalm 3:518	Poseidons gränd 1-21, 3A-3B, 7A-7B, 11A / Poseidons torg 1A-1C, 2A-2C	2012	11,408	527	1,081	30		4,150		17,196	223,400		196
Huddinge													
• Kansliet 2	Kansligränd 1-5 / Lännavägen 4 / Rådsvägen 4, 4A-4E	2007	9,206			31				9,237	151,147		138
• Klinten 16	Chronas väg 3 / Gamla Södertäljevägen 139 / Klintvägen 5	1982	1,385	27		20		175		1,607	16,228		22
• Klinten 18	Gamla Södertäljevägen 135 / Klintvägen 9-11	1982	1,217	470		8				1,695	18,897		23
• Runan 1	Drakvägen 2 / Gymnasievägen 2 / Kvarnbergsplan 2-18	1960	10,291	275	1,313	36		300		12,215	150,328		194
Högdalen													
• Brukslaven 2	Skebokvarnsvägen 163-171	1955	4,752			19			88	4,859	67,482	2024	81
• Nockteglet 3	Sjösavägen 21-31	1953	2,569	88				156		2,813	38,436	2023	45
Midsommarkransen													
• Violen 12	Erikslundsgatan 6 / Nioörtsvägen 36	1938 / 1987	1,053		296					1,349	22,193		16
• Violen 13	Nioörtsvägen 38	1938 / 1987	848		127					975	16,461		11
Nacka Strand													
• Sicklaön 368:2	Fyrspannsvägen 3A-3B, 5A-5C / Jacobsdalsvägen 2A / Lokomobilvägen 3-5	2015	7,561					1,694		9,255	185,702	2023	122
Norra Djurgårdsstaden													
• Domarudden 1	Grythundsgatan 3 / Jaktgatan 38-40	2016					815			815		2024	
• Stora Sjöfallet 3	Grythundsgatan 5-11 / Husarviksgatan 16A / Jaktgatan 37-41	2016	6,626		229			1,772		8,627	162,612	2024	121
Råcksta													
• Hålslaget 2	Ullångergatan 5	1953	3,840	51		79			6	3,976	57,687	2022	71
• Hålslaget 3	Ullångergatan 7-19	1953	3,020	200		113				3,333	44,096	2022	49
• Hängmappen 1	Multrågatan 34-50	1953	4,033	238		78				4,349	59,170	2021	59
• Kontot 2	Multrågatan 27A-27E, 29	2007	5,009							5,009	89,000	2026	73
• Kortregistret 2	Multrågatan 88-106	1953	4,039	251		116				4,406	58,211	2021	67
• Kortregistret 3	Multrågatan 72-86	1953	3,347	137		166				3,650	48,218	2021	60
• Kortregistret 6	Multrågatan 52-70, 56A-56B	1953	3,904	29	812	36				4,781	61,558	2021	65
• Kulspetspennan 1	Nordingrågatan 2-20, 20A-20B	1953	5,481	36		197		700		6,414	81,826	2022	96
• Kundregistret 4	Multrågatan 128	1953	2,933	31		67				3,031	43,109	2025	54
• Kundregistret 5	Multrågatan 130-156 / Ångermannagatan 123-125	1953	6,784	128	286	212		550		7,960	99,742	2025	108
• Kundregistret 6	Ångermannagatan 109-121	1953	2,803		64	156				3,023	42,024	2025	56
• Räknemaskinen 2	Gudmundrågatan 1-3, 2-10 / Solleftegatan 15-17	1952 / 1993	3,739	325	268	119				4,451	54,773	2021	58
• Räknetabellen 3	Gudmundrågatan 12 / Långseleringen 5	1953		58	307	78	1,087			1,530		2021	
• Samlingspärmen 2	Multrågatan 31-39	1953	1,979	122	87	6				2,194	29,581	2021	35
• Skrivmaskinen 4	Multrågatan 6-32	1952	5,889	83		279		250	17	6,518	87,735	2021	107
• Skrivmaskinen 6	Gudmundrågatan 15-19	1952	1,324							1,324	19,600	2021	24
• Skrivmaskinen 8	Gudmundrågatan 1-9 / Multrågatan 2-4 / Solleftegatan 3-13	1952	5,530	145		324				5,999	79,025	2021	100
Solna													
• Smaragden 1	Hannebergsgatan 22	1951	2,446	430		143				3,019	50,363		32
Sundbyberg													
• Fjällnäset 14	Högklintavägen 9-11	1966	2,632	514		153				3,299	49,311		37
• Freden Större 14	Gesällvägen 1 / Rissneleden 2-2B, 4-18 / Östra Madenvägen 3-5, 9-17	1974		20,087	7,556	6,629		3,880		38,152	181,748		
• Lärkan 14	Kolonivägen 2-4 / Skogsbacken 1-3 / Tulegatan 8-14 / Ängsstigen 1-7	1964	9,823	629	1,447	2,938	1,299	9,780	113	26,029	226,400		162
Södermalm													
• Pålen 16	Hornsgatan 91 / Hornskroken 1	1938 / 1996	3,647	469	198					4,314			57
• Urväderskilppan Mindre 4	Klevgränd 10 / Urvädersgränd 11	1964	1,175		98	131		209		1,613	30,637		11



• = Residential properties
• = Commercial properties
• = Public use properties

LAND

Name
Balettskon 1
Barkarby 2:44
Berga 6:682
Berga 6:738, 6:739
Freden Större 12
Freden Större 13
Hacksta 1:72
Järnet 1
Järnet 7
Maren 1:14
Maren 1:15
Rankan 3
Rankan 4
Seglarskon 1
Seglarskon 2

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apts.
Älta													
• Älta 10:62	Oxelbacken 1-3 / Oxelvägen 24	2015	7,509					2,554		10,063	167,584	2024	129
• Älta 14:104	Stensövägen 2-8	2011	4,217					1,175		5,392	82,488		73
• Älta 19:1	Oxelvägen 42	1968		1,344	1,283	908		50	1,585	5,170	44,400		
• Älta 24:2	Oxelvägen 3-29	1965	24,800	264		528			20	25,612	285,706		320
• Älta 24:3	Oxelvägen 1	1971							1,007	1,007	6,424		
• Älta 25:1	Oxelvägen 26-40	1966	12,598	135		523		5,975	16	19,247	151,444		163
• Älta 27:3	Ältavägen 202	1993	4,711	665	300	94				5,770	73,458		73
Örby													
• Kolvringen 1	Rävsnäsvägen 79-83	1951											
• Sökarlyktan 1	Rävsnäsvägen 57-63, 69-83	1951	2,884	50		609				3,543	37,494		44
• Trafikmärket 1	Rävsnäsvägen 69-77	1951											
Östermalm													
• Sälgen 2	Birger Jarlsgatan 64, 64A-64B / Rådmansgatan 24	1927 / 2007		3,614	110			583	250	4,557	149,945		
Total			**246,624**	**31,665**	**17,074**	**15,223**	**3,201**	**43,441**	**3,102**	**360,330**	**4,845,014**		**3,975**

PROPERTY LIST UPPSALA

• = Residential properties

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apts.
Gränby													
• Gränby 9:6	Bruno Liljeforsgatan 62, 64, 68 / Råbyvägen 63 A, B, C	2017	5,582	80	226			900		6,788	46,558		116
Rosendal													
• Kåbo 57:2	Rosendalsvägen 6, 8, 10A, 10B / Torgny Segerstedts allé 5, 7	2017	8,420					2,584		11,004			145
Östra Sala Backe													
• Sala Backe 47:1	Johannesbäcksgatan 49-57	2017	7,117	54				2,248		9,419			137
Total			**21,119**	**134**	**226**			**5,732**		**27,211**	**46,558**		**398**

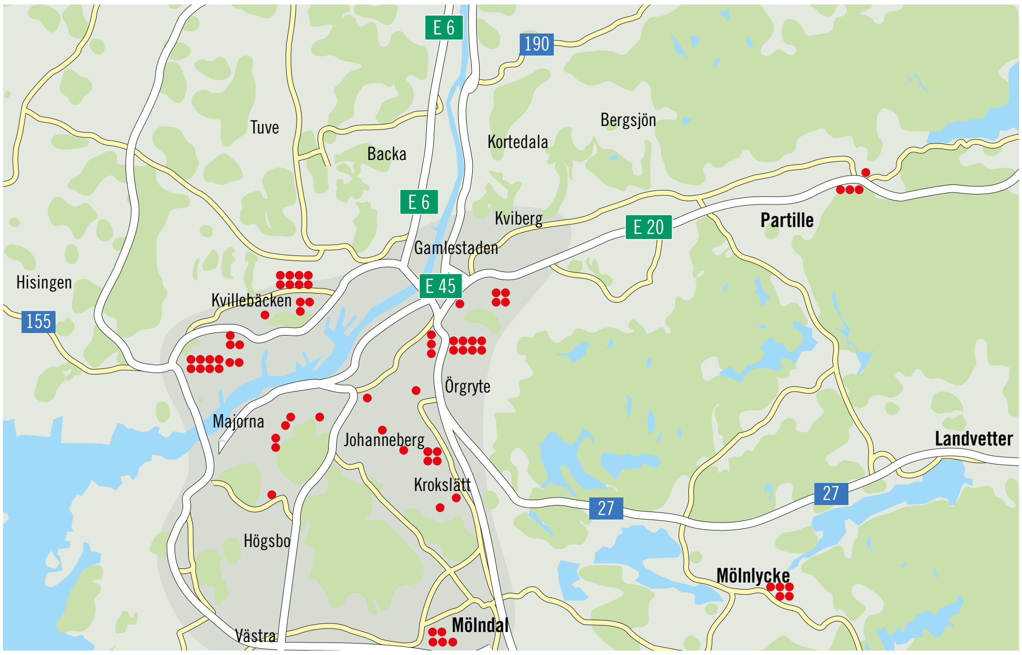
LAND

Name
Kåbo 63:2

PROPERTY LIST GOTHENBURG

• = Residential properties • = Commercial properties • = Public use properties

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apts.	Largest tenants
Aveny area														
• Lorensberg 7:15	Geijersgatan 7, 7A-7B / Götaplatsen 9 / Viktor Rydbergsgatan 1, 1A-1B	1936 / 2002	3,804	45	1,753	10			537	6,149	212,400		60	SF Bio
• Lorensberg 15:3	Lennart Torstenssonsgatan 6-8	1929 / 1993					2,100			2,100				The University of Gothenburg
• Lorensberg 43:1	Kungsportsavenyen 1 / Parkgatan 29 / Storgatan 30 / Teatergatan 2	1883 / 2008	553	2,925	707				10	4,195	118,800		10	Advokatfirman Nordia Göteborg
• Lorensberg 44:2	Kungsportsavenyen 2 / Parkgatan 31 / Storgatan 32, 34A-34B / Södra vägen 1	1910 / 2005		4,682	782					5,464	124,600			Wallenstam
• Lorensberg 45:21	Kungsportsavenyen 4 / Storgatan 51	1940 / 2000	1,946		1,070					3,016	104,800		27	Morelli Restaurang
• Lorensberg 50:1	Götabergsgatan 16 / Vasagatan 33	1934					4,600			4,600				
• Lorensberg 52:4	Kristinelundsgatan 10 / Kungsportsavenyen 21-25 / Teatergatan 22-26	1941 / 1996	6,858	5,016	2,334	168		2,970	68	17,414	314,200		78	Convendum
• Lorensberg 53:1	Kungsportsavenyen 16 / Vasagatan 43A	1896 / 1998		1,500	705					2,205	70,000			Nilson Group
• Lorensberg 53:2	Lorensbergsgatan 1 / Vasagatan 43B	1966 / 2009		994	846				536	2,376	49,000			Pincho Nation
• Lorensberg 53:5	Kristinelundsgatan 14 / Lorensbergsgatan 7	1920 / 1984	1,179		540					1,719	48,309		13	Göteborgs Nattliv
• Lorensberg 53:6	Kristinelundsgatan 12 / Kungsportsavenyen 22	1929		879	574				277	1,730	39,885			Opalen Fastighets-Förvaltning
• Lorensberg 53:7	Kungsportsavenyen 20	1879			855		272			1,127	39,800			SEB
• Lorensberg 55:14	Engelbrektsgatan 34AA-34AB, 34B-34C / Lorensbergsgatan 18-20 / Södra Vägen 29	1936 / 2014	6,242	210	1,251	60			617	8,380	244,548		86	
• Lorensberg 56:8	Engelbrektsgatan 32 / Kungsportsavenyen 32-34 / Lorensbergsgatan 17-19	1962 / 2010	1,081	4,234	2,126	162		700		8,303	186,006		10	Svenska McDonalds
• Lorensberg 57:8	Engelbrektsgatan 30 / Kungsportsavenyen 29-37 / Teatergatan 30-38	1962 / 2014	7,097	4,845	4,271	398			1,250	17,861	618,834		93	Lindex Sverige
• Lorensberg 58:6	Chalmersgatan 26 / Engelbrektsgatan 26-28 / Teatergatan 25	1929 / 1988	1,565	4,201	349	70				6,185	143,000		14	Studentvikarie Sverige
• Vasastaden 3:1	Erik Dahlbergsgatan 1 / Karl Gustavsgatan 2 / Parkgatan 9-11, 10-12	1898 / 1980	1,578	879	196		2,444			5,097			15	Sjölins gymnasium
• Vasastaden 9:7	Bellmansgatan 13 / Vasagatan 14	1929 / 1990	2,079							2,079				
Gamlestaden														
• Gamlestaden 740:22	Marieholmsgatan 60B-60C	1929 / 1969				389				389	15,819	2024		SITA Sverige
Guldheden														
• Guldheden 5:5	Guldhedstorget 1, 1A-1B / Reutersgatan 1	1945 / 2015	2,708		611	50			1,010	4,379	63,437		57	
Gårda														
• Gårda 18:22	Drakegatan 5	1989		9,360		303		2,850	107	12,620	163,600			Max Matthiessen
• Gårda 20:1	Fabriksgatan 15 / Gårdavägen 1	1986 / 2007		4,343	93	129		204		4,769	79,200			Försäkringskassan, MSC Sweden
• Gårda 22:24	Fabriksgatan 26 / Vädursgatan 5	1989 / 2008		5,140	820	434	2,471	1,713		10,578	66,000			Kunskapsskolan
• Gårda 46:9	Södra Gubberogatan 4-8, 18-20	1936 / 1995		12,588	544	771		2,950	2,365	19,218	134,278			Frisk Service i GBG
Heden														
• Heden 24:13	Skånegatan 19 / Sten Sturegatan 34-36	1964 / 1997	3,693	414	750	36		1,423		6,316	115,896		34	Dagab Inköp & Logistik
• Heden 24:14	Skånegatan 21-23 / Sten Sturegatan 38-44	1962 / 1988	8,538	1,839	2,143	1,042		3,000	274	16,836	302,600		87	Netto Marknad Sverige
• Heden 37:4	Skånegatan 16B	2006			10,610					10,610		2026		SF Bio
Högsbo														
• Högsbo 5:7	A Odhners gata 6 / Olof Asklunds gata 25	1967 / 1998			1,369	1,894				3,263	14,598			B V H Car Recond
• Högsbo 34:12	Gruvgatan 4	1980		215		1,700				1,915	5,842			Bilia Group
• Högsbo 34:21	Gruvgatan 6-8 / J A Wettergrens gata 16	1989		4,964	269	262		1,450	3,107	10,052				GHP Spine Centre Göteborg
• Järnbrott 195:1	Högsbogatan 21-25	2009	6,838	81				1,000		7,919	124,386	2018	100	
Inom Vallgraven														
• Inom Vallgraven 6:1	Kungsportsplatsen 2	1929 / 2011		1,647	1,086					2,733	96,000			Fingerprint Cards
• Inom Vallgraven 15:1	Drottninggatan 24-26 / Korsgatan 2-6 / Södra Hamngatan 25	1809		1,820	1,290					3,110	76,000			Wiktor Ahlströms konditori
• Inom Vallgraven 16:6	Korsgatan 1 / Södra Hamngatan 17-23	1891		2,981	287	138	1,846			5,253	115,800			Nordens Teknikerinstitut
• Inom Vallgraven 16:24	Korsgatan 3	1885		1,121	225	94			382	1,822	35,818			Advokatfirman Credo
• Inom Vallgraven 16:25	Drottninggatan 22 / Korsgatan 5	1885		552	188	40				780	20,200			Försäkrings AB Avanza Pension
• Inom Vallgraven 17:13	Drottninggatan 8, 9-11	1929 / 1998		2,626	29	100				2,755	60,400			Infotiv



● = Residential properties

LAND Name
Almekärr 2:10
Gårda 52:10
Gårda 52:11
Gårda 52:2
Gårda 52:3
Hjällsnäs 11:17
Hälle 1:3
Inom Vallgraven 32:14
Johanneberg 15:31
Kallebäck 3:3
Kärra 2:11
Kärra 26:5
Lunden 61:9
Mölnlycke 2:1
Rödklövern 1
Skår 57:15
Släps-Hagen 1:29
Solsten 1:115
Stallbacken 26
Stallbacken 27
Storegården 1:70
Stärtered 1:22
Älvsborg 755:505

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apts.	Largest tenants
• Inom Vallgraven 18:3	Korsgatan 11, 11B / Kyrkogatan 32	1929 / 2002	845		711					1,556	44,000		18	Buttericks Leco
• Inom Vallgraven 20:9	Kungsgatan 52 / Östra Hamngatan 39	1864 / 2008			1,767					1,767	94,000			Zara Sverige
• Inom Vallgraven 20:18	Korsgatan 14-18 / Kungsgatan 42-44 / Kyrkogatan 15-19	1810 / 2004		5,254	3,517	124				8,895	322,000			KappAhl Sverige
• Inom Vallgraven 21:10	Kungsgatan 59 / Östra Hamngatan 41-43	1804 / 1998		1,452	503	8			61	2,024	78,000			WERKS Advokater
• Inom Vallgraven 21:11	Vallgatan 42 / Östra Hamngatan 45	1929 / 2015		2,142	332					2,474	100,548			DB Banklokaler
• Inom Vallgraven 23:7	Södra Larmgatan 16 / Vallgatan 21, 21A-21D	1929 / 2001	169	1,456	672	241				2,538	54,944		3	Footlight
• Inom Vallgraven 23:8*	Södra Larmgatan 18 / Vallgatan 23	1878			416					416				
• Inom Vallgraven 23:11	Korsgatan 17 / Södra Larmgatan 20-22 / Vallgatan 25-29, 25A-25B, 27A-27B	1929 / 2006		2,049	1,248	6				3,303	116,000			Burt
• Inom Vallgraven 23:13	Södra Larmgatan 10-14 / Vallgatan 15-19	1929 / 2002	323	2,653	2,130	86			87	5,279	110,133		5	Linderoths Mediaproduktion
• Inom Vallgraven 25:1	Basargatan 10-12 / Kungsportsplatsen 1 / Kungstorget 10-14, 11-13	1929 / 2008		3,150	2,482				6	5,638	186,808			Dunross & CO
• Inom Vallgraven 26:8	Basargatan 4-8, 6A-6B, 5-7 / Grönsakstorget 3 / Kungstorget 1-3, 2 / Lilla Korsgatan 2 / Södra Larmgatan 11-15, 13C	1929 / 2011	3,252	9,346	6,201	259		1,071		20,129	489,000		38	SF Bio
• Inom Vallgraven 27:1	Grönsakstorget 1 / Södra Larmgatan 7 / Västra Hamngatan 24-26	1929 / 2011		2,424	878	10			80	3,392	78,600			Barium
• Inom Vallgraven 32:1	Kaserntorget 6 / Vallgatan 1	1939 / 2001		2,033	576	247				2,856	64,800			More Ventures Nordic
• Inom Vallgraven 32:2	Vallgatan 3	1929 / 2008		133	440					573	12,476			Artilleriet Interiors
• Inom Vallgraven 32:8	Magasinsgatan 15 / Vallgatan 5	1814		386	322					708	12,616			Kaffelabbet MWJ
• Inom Vallgraven 32:12	Magasinsgatan 19 / Södra Larmgatan 2	1929 / 2004		370	2,085					2,455	45,200			Fe Sweden
• Inom Vallgraven 32:13	Kaserntorget 8, 9	1929 / 2007		123	471					594	9,166			Musik utan gränser
• Inom Vallgraven 35:12	Kaserntorget 1, 2 / Kungsgatan 13	1956		1,415	465	56				1,936	42,322			Protek Projektstyrning
• Inom Vallgraven 53:15	Lilla Torget 2 / Otterhällegatan 1	1986 / 2006		2,620		375				2,995	52,600			IMPLENIA Construction GmbH
• Inom Vallgraven 55:1	Drottninggatan 2 / Ekelundsgatan 2 / Magasinsgatan 1 / Otterhällegatan 2	1850 / 2002		2,861	416	84				3,361	60,000			Feelgood Företagshälsovård
• Inom Vallgraven 57:7	Kyrkogatan 12-16 / Västra Hamngatan 7A-7C	1907 / 2003		997		24			2,844	3,865				Frisk Service i GBG
• Inom Vallgraven 60:8	Ekelundsgatan 1-3 / Otterhällegatan 4	1965 / 1997		11,378	514	1,064		1,098	55	14,109	223,000			County Administrative Board
• Inom Vallgraven 60:9	Ekelundsgatan 5-7 / Otterhällegatan 6	1964		2,600	66	48		3,900	3	6,617	76,000	2018		Fingerprint Cards
• Inom Vallgraven 60:10	Ekelundsgatan 9-11 / Kungsgatan 20-22 / Käppslängareliden 2 / Otterhällegatan 8	1964 / 2002		4,610	1,357				1,224	7,191	123,000			Fingerprint Cards
• Inom Vallgraven 64:31	Stora Badhusgatan 16	1949					1,669			1,669				Kitas utbildning
• Nordstaden 24:11	Kronhusgatan 16 / Östra Hamngatan 15	1929			266		3,930			4,196				Vittraskolorna

* Share in BRF Larmtrumman

• = Commercial properties • = Public use properties

Name of property	Address	Year of con-struction/ conversion	Resi-dential sq m	Office sq m	Retail sq m	Industry/ warehous-ing sq m	Edu-cation sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease-hold	No. of apts.	Largest tenants
Johanneberg														
• Johanneberg 15:32	Eklandagatan 27 / Volrat Thamsgatan 2-4	1950 / 1993		569						569	6,566			
• Johanneberg 47:4	Örnehufvudsgatan 7	1939 / 1986	1,904			42				1,946	57,025		31	
Järntorget														
• Haga 31:5	Haga Östergata 10 / Haga Öster-gata 12 / Skolgatan 1 / Skolgatan 3 / Södra Allégatan 6 / Östra Skansgatan 4	1992		1,978				500	3,030	5,508				Medborgarskolan Region Väst
• Masthugget 10:3	Första Långgatan 22	1960 / 1994		2,133	173	110				2,416	28,400			TIBCO Software
• Masthugget 10:15	Första Långgatan 16-18 / Nordhemsgatan 13-15 / Andra Långgatan 15-19	1957 / 1989		8,594	971	385	4,006	800	785	15,541	168,000			Framtidsgymnasiet i Göteborg
• Masthugget 10:20	Första Långgatan 24-26 / Värmlandsgatan 14	1962 / 1991		6,709	467	126				7,302	88,400			Västra Götaland County Council
• Pustervik 2:19	Lilla Pusterviksgatan 1-3 / Norra Allégatan 6 / Pusterviksgatan 11	1968 / 1994					4,300			4,300				Folkuniversitetet
Kallebäck														
• Kallebäck 3:4	Mejerigatan 1	1971		8,400	485	20,841				29,726	104,000			Sandryds Handels
Krokslätt														
• Illern 6	Krokslätts Parkgata 46A-46D	1944 / 1975	884			39			8	931	12,397		24	
• Krokslätt 9:15	Bomgatan 1 / Framnäsgatan 2 / Mölndalsvägen 47-51	2008	2,873							2,873	68,800		60	
• Krokslätt 21:1	Drivhusgatan 6A-6B / Milpåle-gatan 5 / Thorburnsgatan 12A-12D	1948 / 1994	2,517			13				2,530	48,059		47	
• Krokslätt 21:2	Drivhusgatan 4A-4C / Helmutsrogatan 7A-7B	1950 / 1994	1,761			122				1,883	33,709		33	
• Krokslätt 21:3	Helmutsrogatan 9 / Milpålegatan 3, 3A-3C	1950 / 2008	1,506			126				1,632	27,373		20	
Kvillebäcken														
• Brämaregården 42:11	Godemansgatan 2 / Hjalmar Brantingsgatan 5, 5A-5D	1942	782		266	75				1,123	12,011		14	
• Brämaregården 42:12	Hjalmar Brantingsgatan 7, 7A-7D / Lantmätaregatan 5	1939	821		221	70				1,112	12,772		15	
• Brämaregården 44:11	Hjalmar Brantingsgatan 9 / Lantmätaregatan 2-6	1983	2,792		291	128				3,211	43,393		39	
• Brämaregården 62:1	Fjärdingsgatan 3-9 / Gustaf Dahlénsgatan 4-8, 6A / Långängen 14-16	2015	5,857		257			1,250		7,364	147,600		112	
• Kvillebäcken 3:1	Gustaf Dahlénsgatan 10-14 / Långängen 11, 11A / Solventilsgatan 20-22	2014	6,009		85			1,167		7,261	147,940		115	
• Kvillebäcken 5:6	Lantmätaregatan 12, 12A-12D, 14A-14C / Långängen 19	1954	2,089	114	559					2,762	33,359		37	
• Kvillebäcken 73:1	Fjärdingsgatan 23-29 / Gustaf Dahlénsgatan 22-26	2013	6,280		108	3	594	2,336		9,321	155,899		108	The City of Gothenburg
• Kvillebäcken 74:1	Gustaf Dahlénsgatan 7A-7F / Rundbäcksgatan 14	2013	5,124	78		2	800	2,268		8,272	135,970		98	The City of Gothenburg

Name of property	Address	Year of con-struction/ conversion	Resi-dential sq m	Office sq m	Retail sq m	Industry/ warehous-ing sq m	Edu-cation sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease-hold	No. of apts.	Largest tenants
Kyrkbyn														
• Kyrkbyn 9:6	Estlandsgatan 1 / Prebendegatan 32A-32D / Östra Bräckevägen 52	1942 / 1975	652						54	706	8,484		16	
• Kyrkbyn 10:14	Estlandsgatan 4A-4D / Finlands-gatan 3 / Östra Bräckevägen 54	1942 / 1994	684			8				692	8,537		16	
• Kyrkbyn 10:15	Estlandsgatan 2A-2D / Finlands-gatan 1 / Vårbroddsgatan 1	1942 / 1975	658						47	705	8,269		16	
• Kyrkbyn 11:14	Finlandsgatan 4A-4D / Hull-gatan 3 / Östra Bräckevägen 56	1942 / 1975	652							652	8,208		16	
• Kyrkbyn 13:14	Londongatan 4 / Tilburygatan 2A-2D / Vårbroddsgatan 7	1943 / 1984	766			50				816	9,305		14	
• Lindholmen 1:21	Polstjärnegatan 6	1955				11,147			1,350	12,497	27,230			The City of Gothen-burg, Regional State Archives in Gothenburg
• Lindholmen 5:1	Polstjärnegatan 8, 8A	1968				11,510				11,510	15,532			The City of Gothen-burg, Regional State Archives in Gothenburg
• Rambergsstaden 25:3	Enekullegatan 5A-5D	1943 / 1984	744			49				793	9,037		14	
• Rambergsstaden 28:1	Enekullegatan 4 / Håkansgatan 2 / Trekantsgatan 2, 2A-2D	1943	714		52	125				891	9,773		15	
• Rambergsstaden 28:2	Enekullegatan 2A-2D / Håkansgatan 4	1943	812			201				1,013	11,092		18	
• Rambergsstaden 32:2	Lantmannagatan 6 / Östra Keillersgatan 1A-1G	1945 / 1985	1,948							1,948	29,400		36	
• Sannegården 20:2	Bautastensgatan 11A-11C	1936	700			38				738	9,253		18	
• Sannegården 20:3	Bautastensgatan 9, 9A-9C	1939	741		41	6				788	10,268		17	
• Sannegården 21:39	Biskopsgatan 2A-2D / Pilegårds-gatan 26 / Prebendegatan 9	1945 / 1983	612	50		50				712	7,564		11	
• Sannegården 21:41	Pilegårdsgatan 22A-22D / Prebendegatan 5	1942 / 1975	520			59				579	6,908		14	
• Sannegården 21:42	Pilegårdsgatan 20A-20D / Prebendegatan 3	1942	538			20				558	7,029		14	
Kålltorp														
• Bagaregården 27:1	Lilla Munkebäcksgatan 9A-9E	1939 / 1999	1,062			18				1,080	21,228		25	
• Kålltorp 36:15	Stobéegatan 8A-8C	1935 / 1997	945		50					995	19,154		20	
• Kålltorp 57:1	Qvidingsgatan 2A-2C	1936	576			65				641	11,254		14	
• Kålltorp 57:2	Qvidingsgatan 4A-4B	1936	551			72				623	10,123		10	
Linnéstaden														
• Olivedal 3:12	Övre Djupedalsgatan 7, 7A-7D	1929	1,143			192				1,335	26,865		16	
Lunden and Olskroken														
• Bö 72:20	Danska vägen 20	1861		350					551	901				
• Gårda 64:1	Redbergsvägen 11, 11A-11B	1939 / 2015	2,940		310					3,250	61,970		43	
• Gårda 67:29	Mäster Johansgatan 15-17	2006	3,725					80		3,805	89,131		53	
• Gårda 69:1	Gradmansplatsen 1 / Redbergsvägen 17, 17A-17B	1938 / 1998	1,728		435					2,163	35,306		28	
• Gårda 69:24	Kobbarnas väg 8	1937 / 1994	1,610							1,610	33,800		26	
• Gårda 70:8	Kobbarnas väg 15	1944 / 1985	1,573			15				1,588	30,800		25	
• Lunden 13:2	Karlagatan 7A-7C	1935 / 1976	628							628	12,400		16	
• Lunden 14:12	Karlagatan 1-3 / Mäster Johans-gatan 14-16 / Wrangelsgatan 1	1974	4,434	47		43	517	1,469		6,510	89,637		63	
• Lunden 16:7	Karlagatan 4, 4A-4C	1939 / 1976	583	46	34					663	11,807		12	
• Olskroken 11:8	Övre Olskroksgatan 22, 22A-22B	1928 / 1979	1,640			60		30		1,730	30,745		24	
Majorna														
• Majorna 303:29	Amiralitetsgatan 2A-2B, 4-8 / Bangatan 21-39 / Djurgårdsgatan 26-40	1965 / 2014	34,173	1,001	1,784	170		10,949	456	48,533	683,973		444	Dagab Inköp & Logistik
• Majorna 332:6	Godhemsgatan 14A-14C / Paternostergatan 7	1933	854			70				924	14,868		18	
• Majorna 332:9	Godhemsgatan 8A-8B	1933	665			90				755	11,547		12	
• Majorna 350:1	Dahlströmsgatan 8-20, 20B-20C, 22-44, 44B, 46-52 / Kolumbusgatan 1-3 / Stenklevsgatan 5	1959 / 2012	17,255	439	13	1,980			909	20,596	322,796		246	
Mölndal														
• Stallbacken 5	Åby Allé 13 och 19	2016	2,263					1,099		3,362	43,221		42	
• Stallbacken 7	Åby Allé 15-17	2016	3,715					1,368		5,083	72,638		71	
• Stallbacken 9	Åby Allé 21-23	2016	4,000							4,000	76,000		75	
• Stallbacken 23	Åby Allé 51-57	2017	4,599					671		5,270	28,600		88	
• Stallbacken 24	Åby Allé 59-63	2017	4,526							4,526	24,200		82	
• Uttern 12	Göteborgsvägen 119-121 / Sörgårdsgatan 1A-1F	1929	1,556		137	30				1,723	22,382		26	
Mölndalsvägen														
• Krokslätt 154:7	Nordgårdsgatan 3 / Ebbe Lieberathsgatan 6 / Fredriksdalsgatan 2 / Mölndalsvägen 79	1970		346	1,820	2,899				5,065				

Name of property	Address	Year of con-struction/ conversion	Resi-dential sq m	Office sq m	Retail sq m	Industry/ warehous-ing sq m	Edu-cation sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease-hold	No. of apts.	Largest tenants
Mölnlycke														
• Hulebäck 1:23	Biblioteksgatan 9-15 / Centralvägen 14 / Ekdalavägen 3 / Gunnar Runfors gränd 2	1975 / 2013	2,751		4,972					7,723	96,000		46	
• Hulebäck 1:604	Centralvägen 13A-13D / Råda torg 7	1951	692		512	75			73	1,352	12,899		16	
• Hulebäck 4:90	Badhusgatan 14, 16A-16D / Biblioteksgatan 14A-14C, 16A-16D	2001	1,772	82	1,086					2,940	42,643		32	
• Hulebäck 4:92	Biblioteksgatan 4A-4E	2002		457	496					953	11,630			Kronans Drog-handel Apotek
• Hulebäck 4:97	Biblioteksgatan 5 / Central-vägen 10-12 / Gunnar Runfors gränd 1-9 / Lennart Kvarnströms plats 2-8	1970 / 2011	1,339	1,112	640	17				3,108	44,596		20	Swedbank
• Hulebäck 4:164	Allén 2-6 / Biblioteksgatan 1A-1C / Centralvägen 8A-8E / Lennart Kvarnströms plats 1-13	2012	2,613		2,391			1,825		6,829	95,190		52	Lindex Sverige
• Hönekulla 1:157	Långenäsvägen 9A-9B, 11 / Rörsvängen 6	1933	100		305			28		433	1,790		2	Du & Din Hund i Härryda
• Hönekulla 1:479	Hönekullavägen 7	1971		608	437	211			1,505	2,761	13,193			Rescue Mission
• Hönekulla 1:571	Åvägen 1	1993		1,650		2,669				4,319	26,790			RZ HB Mekaniska
• Mölnlycke 1:1, 1:161	Fabriksvägen 1 / Långenäsvägen 2 / Mölnlycke fabriker 1-21, 2-4, 12-16, 20	1890 / 2001		6,116	520	25,322	900		5,625	38,483	104,286			Essity Hygiene and Health
• Mölnlycke 1:159	Fabriksvägen 2	1890 / 1981		350						350	1,468			SV Sjuhärad
• Mölnlycke 1:160	Fabriksvägen 1 / Långenäsvägen 2 / Mölnlycke fabriker 1-21, 2-4, 12-16, 20	1890 / 2001				4,800				4,800	9,808			
• Pixbo 1:294, 1:20	Rådavägen 2	1966 / 1994					1,850			1,850				
Partille and Jonsered														
• Manered 5:3	Höghallsvägen 1A-1B, 3A-3B, 5A-5B / Jonseredsvägen 4	1949 / 1994	1,332			54				1,386	8,696		24	
• Stärtered 1:21	Bäcksorlet 2 / Länsmansvägen 2A-2B, 4A-4B, 6A-6B, 8A-8B	1949 / 1994	2,176	134		33				2,343	22,562		40	
• Stärtered 1:23	Stärteredsvägen 24A-24B, 26A-26B, 28A-28B, 30A-30B	1950 / 1994	2,164			94				2,258	21,230		40	
• Stärtered 1:28	Stärteredsvägen 25-31	2010	3,620							3,620	55,800		59	
Rambergsstaden														
• Brämaregården 15:17	Väderkvarnsgatan 11A-11C	1938 / 1991	1,012	50		10				1,072	15,519		17	
• Brämaregården 19:2	Jägaregatan 9A-9C / Tunnbindaregatan 1	1930 / 1990	1,032							1,032	14,000		19	
• Brämaregården 30:3	Ekebergsgatan 1-7 / Hallegatan 7 / Hisingsgatan 22, 22B, 24A-24B	1991 / 2006	2,276							2,276	36,600		35	
Rosenlund														
• Inom Vallgraven 69:5	Rosenlundsgatan 6-8 / Rosenlundsplatsen 2	1974 / 1998		12,432	3,793	1,742		2,282	261	20,510	300,000			The Swedish En-forcement Authority
Stampen														
• Stampen 5:6	Polhemsplatsen 1 / Stampgatan 12-18	1990 / 2009		7,402		84		2,975	1,681	12,142	165,000			Akademiska Hus
• Stampen 15:18	Friggagatan 25A	1936 / 1993	1,418		205					1,623	36,281		26	
Önnered														
• Önnered 762:369	Önnereds brygga 1-17	1975 / 2005		1,434	705	228			520	2,887	19,903	2024		Restaurang Bryggvägen 100
Total			**233,329**	**202,234**	**91,129**	**97,271**	**32,299**	**55,426**	**31,755**	**743,443**	**10,590,570**		**3,643**	

PROPERTY LIST HELSINGBORG

• = Residential properties

Name of property	Address	Year of con-struction/ conversion	Residen-tial sq m	Office sq m	Retail sq m	Industry/ warehous-ing sq m	Edu-cation sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease-hold	No. of apts.
Mariastaden													
• Skäran 1	Grepgatan 10-42	2017	6,308		2,338			3,577	1,520	13,743	69,400		110
Total			**6,308**		**2,338**			**3,577**	**1,520**	**13,743**	**69,400**		**110**

LAND

Name
Mässhaken 2

PROPERTY HOLDINGS

	Residential sq m	Office sq m	Retail sq m	Industry/ ware-housing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	No. of apts.
Total Wallenstam Group	507,380	234,033	110,767	112,494	35,500	108,176	36,377	1,144,727	15,808,855	8,126

COMPLETED NEW CONSTRUCTION, INVESTMENT PROPERTIES, 2017

Name of property	Address	Year of construction/conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	No. of apts.
Gothenburg											
Stallbacken 9 (Project: Stallbacken Punkt1)	Åby Allé 21-23	2016	4,000							4,000	75
Ombyggnation Lorensberg 52:4 (Project: Mid Avenue Valand)	Kristinelundsgatan10 / Kungsportsavenyen 21-25 / Teatergatan 22-26	1941 / 2017	1,957	3,217	-721	-316			-356	3,781	35
Stallbacken 23 (Project: Stallbacken Nivå2)	Åby Allé 51-57	2017	4,599					671		5,270	88
Stallbacken 24 (Project: Stallbacken Punkt3)	Åby Allé 59-63	2017	4,526							4,526	82
Converted commercial premises to apartments in existing holdings, change			51	-51							1
Helsingborg											
Skäran 1* (Project: Stengläntan, Mariastaden)	Grepgatan 10-42	2017	6,308		2,338			3,577	1,520	13,743	110
Uppsala											
Uppsala Sala Backe 47:1 (Project: Snickeriet)	Johannesbäcksgatan 49-57	2017	7,117	54				2,248		9,419	137
Kåbo 57:2 (Project: Fjärilen)	Rosendalsvägen 6-10A,B / Torgny Segerstedts allé 5-7	2017	8,420					2,584		11,004	145
Gränby 9:6 (Project: Symfonin)	Bruno Liljeforsgatan 62, 64, 68 / Råbyvägen 63 A, B, C	2017	5,582	80	226			900		6,788	116
Total			**42,560**	**3,300**	**1,843**	**-316**		**9,980**	**1,164**	**58,531**	**789**

*Development property

PROPERTY ACQUISITIONS, 2017

Name of property	Address	Year of construction/conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	No. of apts.
Gothenburg											
Högsbo 34:12	Gruvgatan 4	1980		215		900				1,115	
Lorensberg 53:7	Kungsportsavenyen 20	1879			855		272			1,127	
Bö 72:20	Danska vägen 20	1861		350					551	901	
Kallebäck 3:4	Mejerigatan 1	1971		8,400	485	20,841				29,726	
Hönekulla 1:571	Åvägen 1	1993		1,650		2,669				4,319	
Share in BRF Larmtrumman, 4 co-op premises	Södra Larmgatan 18 / Vallgatan 23	1878			416					416	
Rödklövern 1**											
Helsingborg											
Mässhaken 2**											
Stockholm											
Berga 6:738 6:739**											
Uppsala											
Kåbo 63:2**											
Totalt				**10,615**	**1,756**	**24,410**	**272**		**551**	**37,604**	

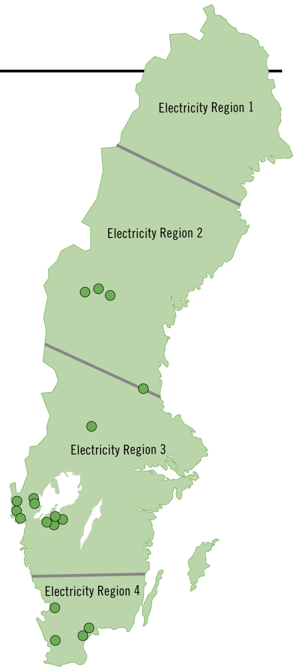
**Land

PROPERTY SALES, 2017

Name of property	Address	Year of construction/conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	No. of apts.
Helsingborg											
Vildvinet 1	Erik Dahlbergs gata 34 / Flemminggatan 14 / Pålsjögatan 21 / Tågagatan 47	1951 / 2016	11,241		191	588		1,177	1,623	14,820	182
Gothenburg											
Kålltorp 37:1	Björcksgatan 29 / Munkebäcksgatan 6	1930 / 1974	603		166					769	13
Krokslätt 154:8	Mölndalsvägen 77 / Nordgårdsgatan 1	1986		3,237	1,224			691	772	5,924	
Krokslätt 20:6	Mölndalsvägen 81	1932 / 2000		2,540		251	600			3,391	
Total			**11,844**	**5,777**	**1,581**	**839**	**600**	**1,868**	**2,395**	**24,904**	**195**

WIND POWER

Name	Location	No. of turbines	Output MW
Dan Carlson	Rålanda, Uddevalla Municipality, Bohuslän	2	4.0
Rose-Marie Gulleberg	Lyngby, Kristianstads Municipality, Skåne	3	5.6
Bengt Carlsson	Gategården, Vara Municipality, Västra Götaland	1	1.8
Birgitta Lidbeck	Västergården, Melleruds Municipality, Dalsland	2	3.6
Ann-Marie Forsberg	Tängelsbol, Melleruds Municipality, Dalsland	1	1.8
Anders Adlerborn	Köjkeberget, Vansbro Municipality, Dalarna	2	4.0
Erika Söderström	Stentjärnåsen, Härjedalens Municipality, Jämtland	5	10.0
Kaj Lamton	Rätan-Digerberget, Bergs Municipality, Jämtland	5	11.5
Thomas Dahl	Vettåsen/Mårtensklack, Sandviken and Ockelbo Municipality, Gästrikland	10	23.0
Carola Strandberg	Karstorp, Skara Municipality, Västra Götaland	3	6.0
Bo Strandberg	Kilagården, Skara Municipality, Västra Götaland	3	6.0
Susanne Börjeson	Järmunderöd, Munkedals Municipality, Västra Götaland	3	6.0
Jeanette Wallén	Middagsberget, Bergs Municipality, Jämtland	3	9.0
Lena Johanson	Södervidinge, Kävlinge Municipality, Skåne	2	4.0
Benny Olsson	Gunnarby, Uddevalla Municipality, Bohuslän	8	18.4
Rigmor Sköld	Tommared, Laholms Municipality, Halland	6	13.8
Gun Karlsson	Nyckeltorp, Skara Municipality, Västra Götaland	3	6.0
Louise Wingstrand	Furulund, Kristianstad Municipality, Skåne	2	4.0
Total		**64**	**138.5**



WALLENSTAM'S GRI REPORTING

Wallenstam applies Global Reporting Initiative's (GRI), G4 guidelines, Core option. The reporting follows the financial year and is published annually as part of the annual report. The latest GRI Report was published on April 3, 2017.

This report describes how the Wallenstam Group has worked with sustainability issues during 2017. Wallenstam has defined the scope of the report as the areas referred to in the GRI index. A table is provided on the following pages of what GRI indicators are reported and where information about the GRI indicators is found in Wallenstam's reporting. This report has not been reviewed by an external party.

The contact person with regard to the reporting and its content is Communications Director Elisabeth Vansvik, elisabeth.vansvik@wallenstam.se.

Information is provided below on the GRI indicators that are not reported elsewhere in the annual report.

G4-10: THE NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT, EMPLOYMENT TYPE, GENDER AND REGION

The average number of employees in 2017 amounted to 244. All of the Group's employees are permanent employees, with the exception of eight people who are probationary employees and nine people who are employed on a temporary basis, for example in the form of work as a substitute. 13 people work part time, all of whom are permanent employees. Wallenstam had no significant variation in the number of employees during the year.

G4-14: WHETHER AND HOW THE PRECAUTIONARY APPROACH OR PRINCIPLES IS ADDRESSED IN THE ORGANIZATION

In many instances, Wallenstam acts in accordance with the precautionary approach, even though we do not use it as a concept in governance and strategies. For example, the precautionary approach is used in our work on identifying, analyzing and following up risks.

G4-16: MEMBERSHIP IN ASSOCIATIONS AND/OR NATIONAL/INTERNATIONAL ADVOCACY ORGANIZATIONS

Representatives of Wallenstam are represented in the governing bodies of Avenyföreningen, Fastighetsägarna Göteborg 1:a regionen, Nordisk Byggdag and Barn i Nöd, among other organizations.

G4-20,21: DISCLOSURE OF EACH MATERIAL ASPECT'S IMPACT INSIDE AND OUTSIDE THE ORGANIZATION

GRI aspect	Boundaries
Economic performance	Own operations
Energy	Own operations and sold energy
Water	Own operations and customers
Air emissions	Own operations and customers
Compliance with environmental laws and regulations	Own operations
Non-discrimination	Own operations
Anti-corruption	Own operations
Compliance with laws and regulations	Own operations
Product labelling	Own operations and supply chain

G4-EC1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

SEK million	
Direct economic value generated	
Revenues	3,017
Economic value distributed	
Payments to suppliers	-3,215
Of which, VAT without right to deduction	*-474*
Employee wages and benefits, incl. pensions and taxes	-264
Fees and benefits to the Board and CEO, incl. pensions and taxes	-12
Paid energy tax, stamp duty, property tax	-108
Interest payments to providers of capital, net	-283
Dividend to shareholders and repurchase of shares	-791
Economic value retained	**-1,656**

G4-EN3 ENERGY CONSUMPTION IN OUR PROPERTIES

	Unit	2017	2016	2015	2014	2013*
Fuel consumption						
Total fuel consumption from non-renewable sources	***MWh***	***483***	***624***	***600***	***574***	***608***
Heating oil	MWh	377	447	499	487	530
Natural gas	MWh	107	177	101	87	78
Fuel consumption from renewable sources						
Non-applicable		-	-	-	-	-

* Base year 2013 – commences from start of the business plan.

** The electricity item includes electricity consumption relating to heat pumps.

*** All data regarding CO_2 in this table is based on inputs from suppliers, which report according to prevailing accounting standards. As data for the actual impact in 2017 was not available during preparation of this reporting, the heating data is based to a minor extent on estimated values based on the emission factors for the year 2016.

G4-EN3 ENERGY CONSUMPTION IN OUR PROPERTIES, CONT.

	Unit	2017	2016	2015	2014	2013*
Energy consumption						
Electricity*	***MWh***	***35,526***	***35,742***	***34,254***	***35,065***	***46,687***
Heating	***MWh***	***87,475***	***93,684***	***89,891***	***97,060***	***122,452***
District heating	MWh	86,992	93,060	89,291	96,486	121,844
Oil	MWh	377	447	499	487	530
Natural gas	MWh	107	177	101	87	78
Cooling	***MWh***	***621***	***707***	***783***	***692***	***684***
District cooling	MWh	621	707	783	692	684
Green cooling	MWh	-	-	-	-	-
Total energy consumption, non-renewable	**MWh**	**40,661**	**44,374**	**44,974**	**97,752**	**123,136**
Total energy consumption, renewable	**MWh**	**82,961**	**85,758**	**79,954**	**35,065**	**46,687**
Total energy consumption	**MWh**	**123,622**	**130,133**	**124,927**	**132,817**	**169,823**
Heating per sq m climate-adjusted	KWh	82.9	91.5	92.1	105.1	106.6
Own electricity production from renewable sources						
Wind power	***MWh***	***381,440***	***351,794***	***415,284***	***321,200***	***281,452***

G4-EN6: DECREASE IN ENERGY USE*

	Unit	2017	2016	2015	2014
Total reduction	**MWh**	**6,511**	**-5,206**	**7,889**	**37,007**
Reduction electricity	MWh	217	-1,489	812	11,622
Reduction heating	MWh	6,208	-3,793	7,169	25,393
Reduction cooling	MWh	86	76	-91	-8

G4-EN8: WATER CONSUMPTION IN OUR PROPERTIES

	Unit	2017	2016	2015	2014	2013*
Water consumption per sq m (exclusively municipal water supply)	litre	914.5	933.6	969.3	1,105.3	1,033.4

G4-EN15: DIRECT GREENHOUSE GAS EMISSIONS***

	Unit	2017	2016	2015	2014	2013*
Direct greenhouse gas emissions	ton	124	158	156	145	159

G4-EN16: INDIRECT GREENHOUSE GAS EMISSIONS***

	Unit	Comment	2017	2016	2015	2014	2013*
Electricity	ton CO_2	Market-based method: 100% internally generated wind power	0	0	0	0	0
	ton CO_2	Location-based method: Average emission factor for Sweden (Svensk Energi)	457	465	445	456	700
District heating			3,768	3,473	3,416	4,010	8,160
District cooling			0	16	19	24	24

G4-EN19: REDUCTION OF GREENHOUSE GAS EMISSIONS***

	Unit	2017	2016	2015	2014	2013*
Reduction of greenhouse gas emissions	ton CO_2	-246	-56	589	4,163	
Total emissions CO_2 per sq m		3.50	3.40	3.69	5.4	5.93
Reduction of CO_2 per sq m	%	-2.9	7.9	31.7	8.9	
Accumulated reduction since 2013 per sq m	%	41.0	53.5	53.7	43.5	

G4-EN29: COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

During 2017, no significant fines or non-monetary sanctions were imposed on Wallenstam for violations of prevailing environmental laws and regulations.

G4-HR3: NON-DISCRIMINATION

No incidents of discrimination were reported in 2017.

G4-S08: COMPLIANCE WITH LAWS AND REGULATIONS

During 2017, no significant fines or non-monetary sanctions were imposed on Wallenstam for violations of prevailing laws and regulations.

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WELCOME TO THE AGM

Wallenstam AB (publ), corporate id. no. 556072-1523, cordially invites its shareholders to attend the AGM on Tuesday, April 24, 2018 at 4.00 p.m. at Liseberg Theatre, Liseberg main entrance, Örgrytevägen 5, Gothenburg, Sweden.

The venue opens for registration at 2.30 p.m. Light refreshments will be served before the AGM.

REGISTRATION

Shareholders who wish to participate in the AGM must be registered as shareholders in the share register maintained by Euroclear Sweden AB no later than Wednesday, April 18, 2018, and must also notify the company of their intention to participate in the AGM no later than Wednesday, April 18, 2018, preferably before 4.00 p.m. Upon registration, shareholders must provide their name (company name), civic registration number (corporate identity number), address and telephone number as well as the name and civic registration number of any proxy and the number of any accompanying assistants (no more than two).

Registration may take place in the following ways:
- by telephone on +46 31 743 95 91
- by mail to Wallenstam AB (publ), FAO: Louise Wingstrand, SE 401 84 Gothenburg, Sweden
- on Wallenstam's website at wallenstam.se/arsstamma

There are proxy forms available on Wallenstam's website at wallenstam.se/arsstamma for shareholders wishing to be represented by proxy.

Shareholders who have their shares registered with nominees must re-register their shares in their own name in order to have the right to participate in the AGM. Such registration, which may be temporary, must be completed at Euroclear Sweden AB no later thanWednesday, April 18, 2018. Shareholders should request their nominees to ensure re-registration in good time before this date.

The AGM considers the matters which it must address according to the Articles of Association as well as additional matters described in the notice convening the AGM.

The Board proposes that the dividend be spread over two payment dates. The record day for the first payment is proposed to be April 26, 2018 and October 31, 2018 for the second payment. If the AGM resolves in accordance with the proposal, Euroclear Sweden AB is expected to execute the first payment on May 2, 2018 and the second payment on November 5, 2018.

GLOSSARY

Yield requirements
The yield an owner demands for an investment with due consideration for how risky the investment is.

Load balancing responsibility
Means we must produce or purchase electricity in amounts equivalent to those used by our electricity customers. The same amount of electricity must be supplied every hour as used at any point of consumption.

Beta value
A statistical measurement that describes a share's risk. A beta value greater than 1.0 means that the share's yield changes more than its comparative index and the share is deemed to have a high risk. Conversely, the share is deemed to have a low risk in the case of a beta value less than 1.0.

CBD
Central Business District, the most central, attractive shopping and office locations.

Derivative instruments
A financial instrument whose value is related to an underlying asset or obligation. Used to create a hedge against undesirable price trends in the underlying asset. Examples of normal derivative instruments are futures and swap agreements.

Renewable energy certificates
The renewable energy certificate system is based on the provision of certificates to the producers of renewable electricity. Each MWh (megawat hour) equals one certificate. The sale of certificates is intended to provide producers with revenue in addition to the revenue from electricity sales.

Renewable energy
Energy that comes from renewable sources such as wind power, hydroelectric power and bio-fuels.

GRI
Global Reporting Initiative, a framework for recording and reporting sustainability information. GRI provides guidelines for the content of sustainability reports, how they should be prepared and the indicators that should be reported.

Covenant
A contract between a lender and a borrower where the borrower guarantees to fulfil certain key ratios, such as a given equity/assets ratio, as a condition of the loan.

kWh
A unit of energy based on how many kW are used per hour.

kWh, monthly requirement
A unit of energy based on how many kW are used per hour based on a monthly requirement.

MW
Abbreviation for megawatt, one million Watts. A Watt is a unit of power.

Nord Pool
The Nordic electricity exchange.

Prime Rent
The highest basic rents in the best properties in various areas.

Spot market
A market where trade in goods for immediate delivery takes place.

Standard deviation
A statistical measurement that describes the share's volatility in relation to the share's average value.

Synthetic options scheme
A share-related options programme aimed at employees. Synthetic options provide the holder with the right to a final adjustment in cash at a given point in time based on the current share price.

Swap agreement
Swaps are financial instruments that entail an exchange of cash flow between two parties on an underlying nominal amount. An interest rate swap is an example of an agreement where an operator lending at fixed interest rates (e.g. fixed for five years) may wish to swap the interest flow with another operator lending at variable rates.

Vacancy rate
Unlet floor space in relation to total floor space.

Volatility
A measurement of how much a price of something varies over a given period.

Heating consumption, degree-day correction
Consumption is adjusted during a normal year with regard to temperature, wind and precipitation.

For additional clarifications, refer to wallenstam.se

DEFINITIONS

Share yield
The proposed dividend as a percentage of the share price at the end of the period.

Share total yield
The share price trend during the year including distributed dividend as a percentage of the share price at the start of the period.

The number of shares
The number of registered shares at any given time. *Number of shares outstanding:* the number of registered shares less repurchased own shares at any given time. *Average number of shares:* weighted average number of shares outstanding at any given time.

Loan-to-value ratio
Interest-bearing liabilities less cash and cash equivalents in relation to the Group's investments in properties, co-op apartment constructions in progress and development properties constructed for sale and wind power at the end of the period.

Market capitalization
Share price multiplied by the number of registered shares on the closing day.

Net operating income
Rental income less operating and maintenance expenses, site leasehold rents and property tax.

Income from property management
Net operating income with the addition of management costs and administrative expenses and net financial items.

Rental value*
Rental income and the estimated market rent for vacant space.

Cash flow per share
Cash flow for the period in relation to the average number of shares outstanding.

Cash flow from operating activities per share
Cash flow from operating activities for the period in relation to the average number of shares outstanding.

Non-current net asset value (EPRA NAV)
Equity with reversal of deferred tax liabilities and the net effect of unrealized changes in value of derivative instruments after tax.

Average number of employees
The total number of hours worked during the year divided by normal annual working hours.

Unrealized changes in value, investment properties
Gains or losses from a change in the assessed market value of investment properties compared to the previous reporting period. See page 65.

Unrealized changes in value, New construction: The increase in value is gradually recognized during the construction of the property until the first year it is taken into operation. Unrealized change in value, new construction recognizes the difference between the cost of construction of a new rental apartment and the value it has on completion.

Unrealized changes in value, Other: Refers to changes in value of investment properties, which have been in operation for one calendar year or more.

P/E ratio
Share price at the end of the period in relation to profit after tax for the average number of shares over the latest rolling 12-month period.

Projects in progress
Land and development properties with new construction/total conversion in progress.

Realized changes in value, investment properties
Gains or losses from investment property sales during the period less the estimated market value of the properties at the previous reporting period.

Earnings per share after tax
Profit after tax in relation to the average number of outstanding shares, in accordance with IFRS.

Return on equity
Profit after tax in relation to average equity, calculated on a rolling 12-month basis.

Return on total capital
Profit before tax with the addition of interest expenses in relation to average total capital employed, calculated on the latest rolling 12-month period.

Interest coverage ratio
Profit or loss before unrealized changes in value and impairment charges with reversal of net financial items for the latest rolling 12-month period in relation to net financial items for the latest rolling 12-month period.

Interest coverage ratio, realized
Profit or loss before unrealized changes in value and impairment charges with reversal of net financial items excluding realized changes in the value of investment properties with the addition of profit or loss from the sale of investment properties in relation to the invested amount for the latest rolling 12-month period in relation to net financial items for the latest rolling 12-month period.

Average interest
Interest expenses for the period including profit or loss on swap agreements realized during the period in relation to interest-bearing liabilities.

Equity/assets ratio
Equity in relation to total capital employed at the end of the period.

Net asset value
Equity with the addition of deferred tax liabilities.

Occupancy rate – lettable area
Let floor space in relation to total floor space.

Surplus ratio
Net operating income as a percentage of rental income.

For further information, please refer to: www.wallenstam.se/glossary

**Operational key ratios, are not considered alternative key ratios according to ESMA's guidelines. See page 65.*

CALENDAR

Annual General Meeting	April 24, 2018
Interim report I	April 24, 2018
Interim report II	July 18, 2018
Interim report III	October 25, 2018

Information regarding Wallenstam's business operations, financial reporting and press releases can be found at wallenstam.se.

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WE ARE BUILDING AT ALL TIMES

Higher, broader, denser. Cities are getting bigger. Old districts are gaining new life, others are being established, are growing together and forming entirely new areas.

Since 1944, at Wallenstam, we have worked with construction, densification and property management with the aim of creating areas where people want to stay, work and live their lives.

We are working to reach our goal of an annual growth in net asset value of 10 percent on average, and are striving according our guiding principles; to increase the proportion of satisfied customers, reduce our carbon footprint and build many environmentally sustainable homes.

We invite you to take an inside look at how this work progressed during 2017.