

**LOVE
THE CITY.
BUILD
MORE!**

ANNUAL REPORT 2014

Wallenstam 

THIS IS WALLENSTAM

“

Our contribution to a living, accessible city is 1,500 new homes. Every year for five years.”

HANS WALLENSTAM, CEO

Wallenstam is a growing property company that builds, develops and administers properties for sustainable living and the pursuit of business. Our ownership is focused on residential properties in Stockholm and Gothenburg, and also on commercial properties in Gothenburg. Through our subsidiary Svensk Natur-Energi, we are self-sufficient in renewable energy and meet both our own and our tenants' needs on a monthly basis.

Our head office has been in Gothenburg since the company was founded in 1944, and the Wallenstam share is listed on the Nasdaq Stockholm, Large Cap.

Our goal: 10% net asset value growth

During Business Plan 2014–2018, the average rate of net asset value growth, excluding dividends and repurchases, must be at least 10 per cent per year.

Everyone needs somewhere to live

There are major housing shortages in our big city regions today. With 70 years' experience of property management and construction, we offer a wealth of expertise in the development and densification of cities. In our view city development is not just about developing our existing properties but also about new construction – a combination that creates value. We are primarily a rental apartment producer with production intended for our own management, but we adapt rental and letting arrangements to demand and opportunity in each individual project. In the years ahead, we will also begin construction of 1,500 apartments per year on average.

Focus on the customer

We are present in two strong markets – Stockholm and Gothenburg. We offer attractive housing where tenants can feel safe and secure, premises that are well-

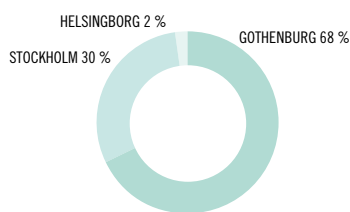
sued for the businesses concerned and eco-friendly electricity at good prices. We build and develop with a focus on security, sustainability, smart floor plans and reasonable monthly costs for the customer. Our customers wants and needs are at the centre of our business.

Saving natural resources

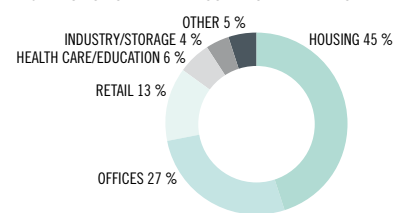
We seek to contribute to a sustainable society. Our new construction and property management is based on the fact that buildings affect the environment throughout their life cycle. We strive to achieve long-term sustainability for individuals and companies in a number of ways. With 64 wind turbines in operation, we are self-sufficient in renewable energy. The new homes we build have low energy consumption, and we also install individual electricity and water metering. We optimize the operation of our buildings on an ongoing basis, e.g. during renovations, to reduce energy consumption. Sustainable development is part of our day-to-day world.

Number of properties: around 220
Property value: SEK 28 billion
Lettable area: 1 million sq m
Occupancy rate, lettable area: 98 %
Number of wind turbines: 64

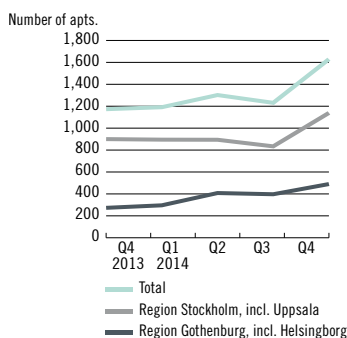
GEOGRAPHICAL DISTRIBUTION BY FLOOR SPACE



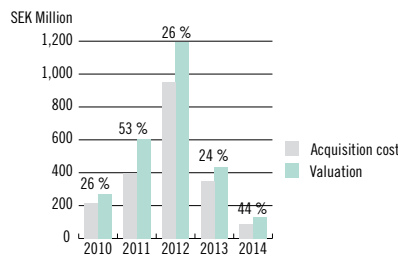
DISTRIBUTION OF RENTAL INCOME 2014 BY TYPE OF PREMISES



APARTMENTS, CONSTRUCTIONS IN PROGRESS

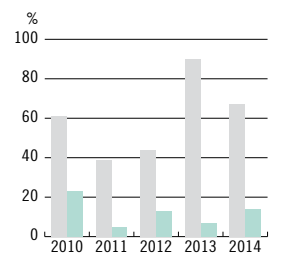


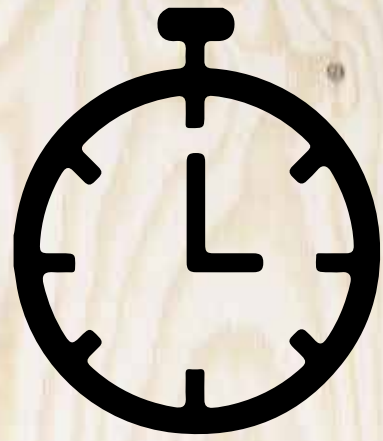
VALUE GROWTH NEW CONSTRUCTION



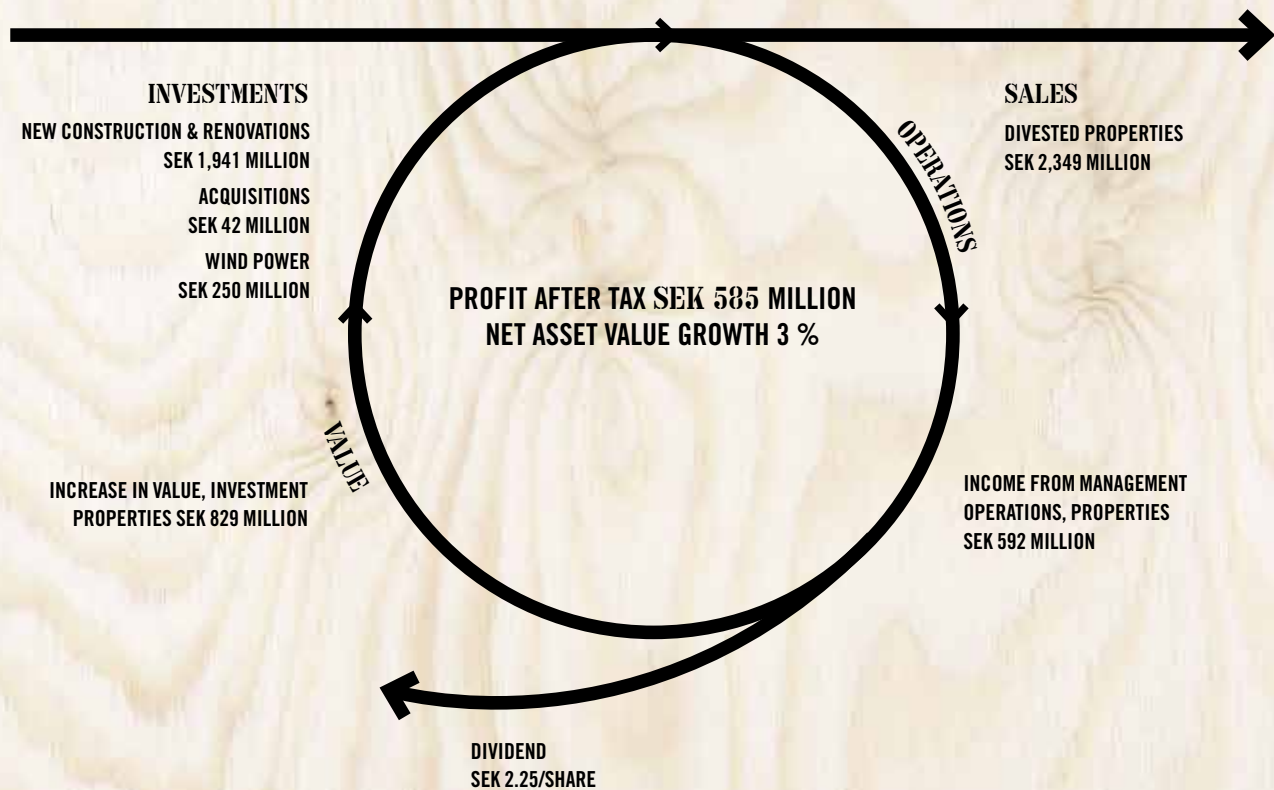
Value increase of new rental apartment construction projects compared to cost. The graph shows outcomes for properties finished completely and per project in the year properties were completed, regardless of when the effects was reported in the income statement.

VALUE-CREATING PROPERTY TRANSACTIONS, INVESTMENT PROPERTIES





2014 AT A GLANCE



FIRST QUARTER

SF Bio buys green electricity from Svensk NaturEnergi

- SF Bio chooses electricity from Svensk NaturEnergi
- Renovations, Barnens ö
- Investment in solar cell company
- SF Bio rents premises at Göta-platsen on Avenyn, Gothenburg
- Awarded Kundkristallen for the best service index boost
- Fashion boutiques and restaurants with new food concepts move into Wallenstam premises in Gothenburg
- Sales of properties in Bromma and Nacka Orminge
- Began reconstruction and extension of just over 20 apartments in Gothenburg

SECOND QUARTER

Property transactions enable increased production

- Design celebrities Simon and Tomas design Tuletornen high rises in Sundbyberg
- Friskis & Svettis buys green electricity from Svensk NaturEnergi
- Awarded prize for best equal opportunities work in the industry
- Bonds for SEK 600 million issued
- Nespresso rents retail space in Kopparhuset on Avenyn
- Sale of property in Sollentuna – Additional opportunities for new production in Tyresö
- Construction start on 112 apartments in Kvillebäcken, Gothenburg

THIRD QUARTER

Major interest in Tuletornen

- Launch of Wallenstam Drive, a new service for tenants in collaboration with Hertz
- Tommy Hilfiger sets up shop in Kopparhuset on Avenyn
- Major interest shown as sales of cooperative apartments start in the Tuletornen high rises in Sundbyberg

FOURTH QUARTER

Purchase of building land for new homes

- Ture No8 in Stockholm awarded Prefab 2014, Svensk Betong's architecture prize
- Purchase of building land for new homes at Stallbacken near Åby in Mölndal
- Sale of commercial properties in Gothenburg to Platzter
- Property on Mölndalsvägen Green Building certified
- D. Carnegie & Co buys green electricity from Svensk NaturEnergi
- We win two land allocation competitions in Huddinge and Uppsala
- We sign an agreement for the sale of Kungsholmsporten and the acquisition of four properties on Hantverkargatan and Bergsgatan in Stockholm
- Commence construction of 185 apartments at Stallbacken, Mölndal, 121 apartments in Norra Djurgårdsstaden, Stockholm and 274 apartments in Uppsala



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	2014	2013	2012
Earnings			
Rental income, SEK million	1,566	1,578	1,576
Operating surplus, management operations, SEK million	1,127	1,095	1,073
Surplus ratio, property operations, %	72	69	68
Income from management operations, SEK million	592	473	454
Income from natural energy management operations, SEK million	-25	-8	-34
Profit before unrealized changes in value, SEK million	1,025	539	618
Profit after tax, SEK million	585	1,276	1,927
Return on equity, %	4.6	10.3	17.6
Occupancy rate, lettable area, %	98	98	98
Financial position			
Value of investment properties, SEK million	28,481	28,079	27,680
Equity/assets ratio, %	41	40	38
Average interest as of closing date, %	2.56	3.11	3.51
Per-share data, SEK			
Profit after tax	3.5	7.5	11.3
Equity	77	76	70
Dividends	2.25*	2.00	1.25

* Proposed dividend for financial year 2014.

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

VISION

To be a leading developer and market-leading property owner
in selected big-city regions.

BUSINESS CONCEPT

To develop, build, buy and sell properties that are sustainable in business
and human terms in selected big city regions.

GOAL

To achieve an average rate of net asset value growth, excluding dividends and
repurchases, of at least 10 per cent per year up until the end of 2018.

GOAL 2014–2018

NET ASSET VALUE GROWTH

The average rate of increase in net asset value, excluding dividends and repurchases, must be at least 10 per cent per year.

TOTAL VALUE CREATED

Net asset value describes the Group's total value and includes equity and deferred tax liability. Net asset value growth takes place through profitable new construction, efficient management, an inspired letting operation, value-creating investments and successful business operations.

Our goal measures the increase in net asset value on a rolling 12 month basis and shows how much value is created in the entire operation. Net asset value growth during 2014, excluding dividends and repurchases, amounted to 3 per cent. This also comprises changes in value in financial derivatives that do

not affect cash flow (minus 4.1 percentage points) and impairment charges to wind turbines made during the year (minus 1.7 percentage points). The increase in asset value excluding these items amounted to 8.8 per cent.

NET ASSET VALUE GROWTH, %

2014		3.0 %
2015		
2016		
2017		
2018		

Average growth in net asset value, excluding dividends and repurchases, for the last twelve-month period.

FINANCIAL REQUIREMENTS

We have defined two financial key ratios for the current business plan – a realized interest coverage ratio that should not fall below 2:1 on a rolling full year basis, and an equity/assets ratio of at least 30 per cent.

In 2014, the interest coverage ratio was 5.3:1 and the equity/assets ratio was 41 per cent.



“

We take the housing shortage very seriously indeed. It hits individuals and our collective growth hard. We're changing tack in our housing policy. We're going to speed up procedures and build more rental apartments. The goal is to complete 40,000 homes by 2020.”

**KARIN WANNGÅRD,
CITY FINANCE COMMISSIONER AND CHAIR OF THE
EXECUTIVE COMMITTEE, CITY OF STOCKHOLM**

2014 – 2018

OUR BUSINESS PLAN 2018

Wallenstam provides a product for which there is enormous demand – new homes in attractive locations in two of Sweden's growth regions, Stockholm and Gothenburg.

When we take part in urban development, our extensive experience in managing and developing homes and commercial premises combined with our expertise in new construction, puts us in a unique position. We know what is needed to make an entire city district come alive and function, and what is important if people are to feel safe and satisfied with their homes and workplaces. We help build cities and we assume full responsibility for sustainability.

Our working methods make it profitable to build rental apartments – a form of tenure society needs – but because we adapt forms of tenure to what is possible in each individual project, co-op apartments also make up part

of our new construction projects. But regardless of the type of tenure, we keep development, respect and commitment in focus.

Our goal for Business Plan 2018 is an average increase in net asset value of at least 10 per cent per year excluding dividends and repurchases. Value growth is created primarily through our own work, e.g. in the new construction of an average of 1,500 apartments per year, and through efficient management. We also concentrate keenly on increasing the proportion of satisfied tenants, while reducing the carbon footprint in our property holding. Both parameters contribute to increased earnings.

Our ambitions for new construction and urban development are challenging in a number of ways, but are a natural part of our day-to-day life. We love the city, and we're eager to build!



GUIDING PRINCIPLES 2014–2018

RESIDENTIAL PRODUCTION

An average residential production of 1,500 apartments per year.

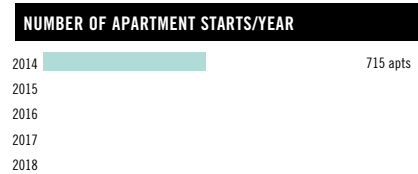
1,500 APARTMENTS PER YEAR

Homes are in very short supply in our regions, and new construction is a central issue for Wallenstam. We are primarily a rental apartment producer but because we adapt forms of tenure to what is possible in each individual project, we also build cooperative apartments. We generate good yields and good value growth through cost-effective new production of quality apartments in good locations where demand is high.

The assiduous work of many years has resulted in a sound project portfolio that we are constantly developing. Many projects are planned in parallel, which is essential if we are to achieve our minimum of 7,500 apartments starts by year-end 2018.

During 2014, we began construction on 715 apartments, of which 320 are in Region Gothenburg and 395 in Region Stockholm.

OUTCOME



REDUCING OUR CARBON FOOTPRINT

To reduce the carbon footprint in the property holding by 15 per cent per sq m by the end of 2018.

15 PER CENT PER SQ M BY THE END OF 2018

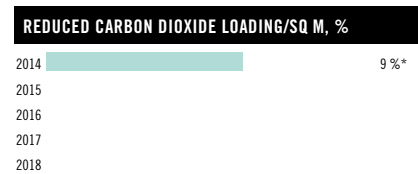
Our guiding principle of reducing the carbon footprint in our apartments reflects our environmental responsibility and also contributes to reduced operating costs. The majority of our CO₂ loading derives from district heating.

A reduced carbon footprint is achieved through several different measures such as optimized operations, improved technical installations and replacing fossil fuel with green technology. Energy production from our 64 wind turbines covers our own and our tenants' renewable energy needs on a monthly basis. We are constantly working on

improvements to produce more energy efficient buildings when we renovate or build from scratch. Furthermore, individual electricity and water metering has been standard in our new construction since 2006. Such metering contributes to a reduction in consumption of 10–25 per cent following a running-in period.

During 2014, the carbon footprint in our property holding was reduced by 9 per cent per sq m. This is due not only to the effects of our energy conservation initiatives, but also as the result of a mild winter.

OUTCOME



*Estimated value for actual impact

TENANT RECOMMENDATIONS

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

MORE EACH YEAR

Satisfied tenants means more tenants! And our tenants – private as well as commercial – are important to us.

By maintaining an active dialogue with them in meetings and conversations, we capture their opinions and needs on an ongoing basis from an early stage. We carry out annual surveys among our tenants to find out about their needs and wishes regarding residential and commercial premises in a structured way. We use the results to find areas of improvement

to make our tenants more satisfied yet. In February 2014, Wallenstam was awarded the Kundkristallen (Customer Crystal) in the 'biggest boost' category, a prize where private and municipal property companies compete in service and quality.

During 2014, the proportion of residential tenants willing to recommend Wallenstam increased by 2.4 percentage points. The corresponding increase among commercial tenants was 12.0 percentage points.

OUTCOME

TENANTS RECOMMENDING WALLENSTAM ON INCREASE		
	Tenants Residential	Tenants Commercial
2014	✓	✓
2015		
2016		
2017		
2018		

OUR STRATEGIES

Wallenstam's strategies are based on the three aspects of sustainable development: financial, social and environmental responsibility.



ENVIRONMENTAL SUSTAINABILITY

To strive for environmental sustainability and reduce the environmental impact of our buildings, and to be self-sufficient in renewable electricity. To develop our products and services on an ongoing basis through efficient, businesslike eco-friendly management and construction.

SOCIAL SUSTAINABILITY

To contribute to a better society and take active social responsibility through building safe, secure areas and showing respect for the individual, our tenants and employees. To support vulnerable groups and contribute to active leisure and youth activities in the areas where we do business.

FINANCIAL SUSTAINABILITY

To meet business environment demands through good business development, a flexible organization and an optimum capital structure. To create value for tenants, the community in general and the company through profitable property development in the right growth markets.

CORE VALUES

Our core values – progress, respect, commitment – describe our fundamental values. They provide guidelines for our work and strengthen the organization's team spirit and our brand as a whole. They show what we stand for and how we would like to be perceived by shareholders, tenants, the general public, politicians and other decision-makers.

ASSET-CREATING FACTORS

Wallenstam's asset-creating factors consist of a dynamic transaction process in which sustainable living, urban development and profitable property management form the basis for value growth and the constant development of the company. The combination of strategies, goals, guiding principles and well-embedded core values enables us to run and advance our business in a manner that creates value for owners, tenants, employees, investors and other stakeholders alike.

A WORD FROM THE CEO

In many ways, 2014 was a special year and a time of great turbulence in our business environment. Record low interest rates and a historically low rate of growth. But as far as the company is concerned, I must say it's full steam ahead on the property scene and demand for our product is boundless in our markets. We see this above all in our income from management operations, which has grown by 25 per cent.

The year had many excellent, interesting experiences to offer. I feel we have gained recognition and confidence in our company as a rental apartment builder. We are becoming to an increasing extent a collaborative partner to municipalities when building new

neighbourhoods or densifying existing ones with more homes. The highlight of the year was being able to show that our business concept holds water all the way from start to finish. During 2009, we began construction on land described as impossible to build on. We built what came to be known as Kungsholmsporten, whose excellent quality and the best possible operational and environmental impact aspects generated value for the company. Now we've handed over Kungsholmsporten to AFA, also a thriving, long-term rental apartment owner. We began with nothing, but by applying all of the organization's expertise, we were able to reap the rewards of our efforts.

Results, 2014

Operations are proceeding well, the surplus ratio is increasing and the 25 per cent improvement in income from management operations is tremendously positive. This was in spite of property sales, which have a negative effect on income from management operations in the short term. This year's profits were charged with changes in value on interest derivatives and impairment charges on our wind turbines, depreciations in value which do not affect cash flow but are shown as an expense in the income statement. They will be added back to equity over time.



Our goal: 10 per cent net asset value growth

Our goal for Business Plan 2018 is an average net asset value growth of at least 10 per cent per year excluding dividends and repurchases. At 3 per cent, this year's outcome is unsatisfactory as we were negatively affected by around 6 percentage points due to the changes in the value of derivatives and impairment losses on wind turbines during the year. The changes in the value of derivatives are a zero-sum game, and will prospectively affect net asset value positively instead. There will be a similar affect on the impair-

ment charges when electricity prices increase. I see no reason to revise our goal. The basis for achieving the goal is to start construction of on average 1,500 apartments every year, something we constantly work toward and which I am convinced we will accomplish.

We love the city and are eager to build more

During 2014, we completed our cooperative apartment project Ture No8. All of the apartments are sold, what's more at record prices for the Stockholm market. We are following up with Tuletornen in Sundbyberg, another

impressive cooperative apartment project. Developing unique projects is cool and inspirational, but our primary direction is the production of rental apartments for which we take overall responsibility as urban developers.

We are sticking to plan regarding new production and during the year we began construction on just over 700 apartments. It was our great pleasure to begin building for the first time in Uppsala in the autumn. The majority of our new production today is in Stockholm, including Uppsala. I hope we can raise the rate of production in Gothenburg, as the situation here



“

Geographical location will become all the more important, as will our tenants. Wallenstam's future looks extremely bright.”

HANS WALLENSTAM, CEO

is just as grave as in the Stockholm region. Our project portfolio contains many exciting opportunities for construction, both on our own land and through land allocations. We are involved in many major urban development projects, often in collaboration with other builders, in which we will build a large number of homes over a period of several years. And we are eager to build!

Focusing on the environment

I am both pleased and satisfied that we are self-sufficient in renewable electricity. We've left leeway enough for future projects and to accommodate a greater property volume while still covering our energy requirements. Our wind power investments began as a strategy for controlling our expenses. We also want to offer our tenants green electricity at good prices. It is a part of the sustainability thinking that informs our entire operation. At the beginning of 2015, we appointed an environmental director – a position charged with running and developing Wallenstam's work on environmental and energy issues within both property management and new construction.

Value growth through our own efforts

There is an enormous demand for homes in the places where we do business. I have great faith in our busi-

ness concept and our strategy of building quality properties for a reasonable rate of return to enable us to build regardless of the economic cycle. It means we invest SEK 2–3 billion each year in new construction projects, and we have a project portfolio that allows us to maintain this level of investment. It feels good to have an investment programme that allows us to create value for the company and our shareholders through our own efforts instead of just growing through property acquisitions.

I'm proud of all our committed, capable employees at Wallenstam and their fabulous energy and creativity in every part of the company. We have a balanced workforce with the right skill sets and our efforts to be an attractive employer so that our employees decide to stay mean that more and more people want to work for us.

Bright future for Wallenstam

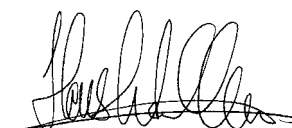
Wallenstam's future looks extremely bright. Interest rates are low in Sweden and will remain so for some time to come. In my opinion, the yields required of properties will fall and we should see an increase in the values of the right properties in the immediate future. Geographical location will become all the more important, as will our tenants. From a risk perspective and in the light of the low rate of growth, our tenants' ability to pay

becomes a more central issue. Accordingly, the requirement for buildings to be situated in attractive locations becomes more pronounced. This also entails efforts to make our tenants even more pleased with us as their landlord.

Great share performance

It is pleasing to note the confidence the market and our shareholders place in us. The number of shareholders increases year by year, and I am convinced that one reason for the increase is faith in us as a company that sticks to its plans and delivers results. The share price trend during 2014 was 33 per cent, which is on par with the property index. Our ambition is to stay above the property index, which is a tough challenge.

The path we have chosen – investing in our own new construction of rental properties in attractive locations and commercial properties in inner-city locations – is the right one, and it shows that we have a viable business concept, which the proposed dividend of SEK 2.25 per share ably demonstrates.

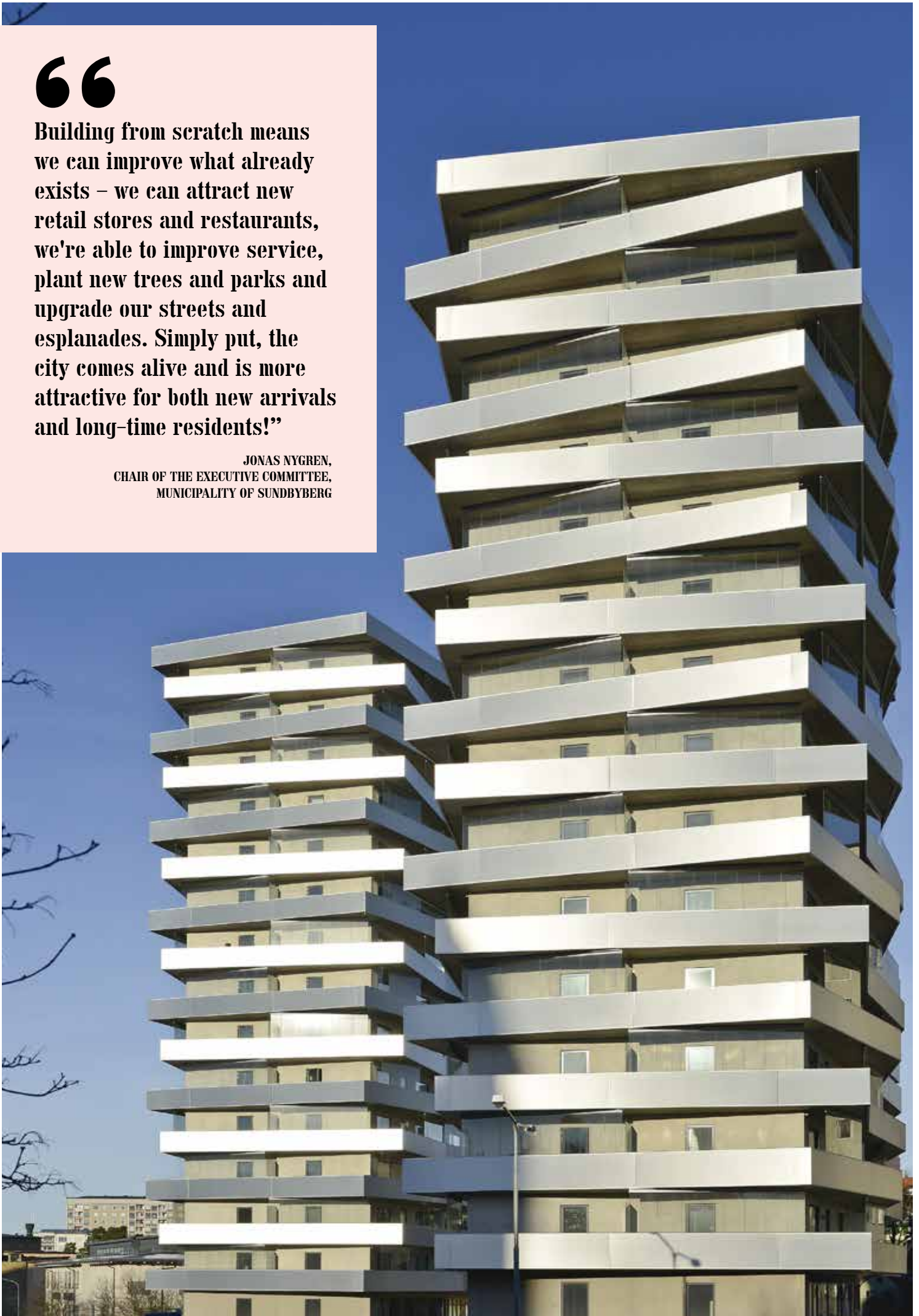


Hans Wallenstam,
CEO

“

Building from scratch means we can improve what already exists – we can attract new retail stores and restaurants, we're able to improve service, plant new trees and parks and upgrade our streets and esplanades. Simply put, the city comes alive and is more attractive for both new arrivals and long-time residents!”

**JONAS NYGREN,
CHAIR OF THE EXECUTIVE COMMITTEE,
MUNICIPALITY OF SUNDBYBERG**



A WORD FROM THE CHAIRMAN

I am happy to declare that for Wallenstam, 2014 went as expected. The company is stable with strong finances and good future prospects. Seen from the perspectives of the executive management, CEO and the Board of Directors alike, business is fantastic. This is something the Board of Directors would like to mark and let our shareholders benefit from by proposing a dividend of SEK 2.25 per share for the 2014 financial year.

A concept for success

In just a few years, Wallenstam has developed into one of Sweden's major residential property producers while also developing the commercial holding in central Gothenburg and generating renewable energy through its subsidiary Svensk NaturEnergi. An entrepreneurial spirit and a desire to grow the business coupled to good cost control and an enduring focus on sustainability is a concept for success.

Even though Wallenstam is a large, growing company our management style and daily operations are characterized by clear commitment, presence and an understanding of the details you would expect in a smaller company. It provides Board members with a fundamental confidence and good insights into the operation from both strategic and business perspectives.



Strategic crossroads

Several years ago, Stockholm and Gothenburg were prioritized as the company's principal markets. It was a very wise direction to take and means that today, through new production and good property management, Wallenstam is able to create value for itself and the municipalities it serves by supplying a product for which there is an enormous, if not monumental, demand – homes!

Financial trends

The past year and the financial trends that currently characterize our business environment are a difficult, complex issue. The fact that the Swedish Central Bank has gone so far as to introduce negative interest is a historic and rather alarming decision; it gives the impression that Sweden is maybe a country in crisis. The way I see things, we enjoy a stable situation with good finances, reasonable unemployment and a certain degree of growth, albeit limited, in comparison with other EU countries.

For the property sector and Wallenstam, lower interest expenses are positive – they provide an opportunity to build more homes at lower costs and deliver a product that the market so desperately needs. At the same time, they create opportunities for improving the company's financial stability, which is comforting in the financial turbulence that characterizes the business world.

The Work of the Board

The Board of Directors has had the benefit of working together for a considerable time. This provides the company and the Board good continuity, which in my opinion is a great advantage especially for a company like Wallenstam, with an operation characterized by relatively long cycles.

Although Wallenstam's Board is relatively small regarding the number of members, they represent a range of different professional abilities that go together extremely well, thanks to the Board's composition.

We engage an external consulting firm every other year to evaluate the work of the Board. The evaluation in 2014 was carried out by the Board. Together we debated what was good and what could be better in frank and open discussions where, as always, respect was shown for each other's points of view and opinions. We all feel that work is proceeding well, that everyone's voice is heard and that we are well prepared to deal with every issue in the best way.

Business plan and faith in the future

Wallenstam's business plan and goal stand firm. Although challenging, the goal is perfectly achievable. During 2014, net asset value growth was affected by changes in value of derivatives and impairment charges to wind turbines. However, the Board

of Directors stands united in its faith in the future and will highlight this by proposing a further rise in the dividend compare to previous years. The changes in value of derivatives are something of an illusion in that they do not affect cash flow as they are zeroed out on maturity, but for accounting purposes they affect the income statement and thus the net asset value.

The Future

In my opinion, the immediate future looks very bright for Wallenstam, and I base this among other things on the strategic direction we adopted several years ago when we made the conscious decision that Wallenstam would operate in selected big city regions. This is something all of our new residential construction projects bear positive witness to today, and it also clearly shows in the demand for our commercial premises.

Summing up, I would like to say that I am especially proud to be Chairman of Wallenstam, and I would like to extend a big thank you to the executive management and personnel for their extraordinarily good work during 2014.



Christer Villard
Chairman of the Board

BOARD OF DIRECTORS

ANDERS BERTSSON

Board member

Born 1954, Bachelor of Laws

Board member since 1997

(Deputy 1981–1996)

Previous experience working at Handelsbanken AB and as Deputy CEO at Wallenstam AB 1979–2006 and a number of other board and consultancy assignments related to the property and construction industries.

Other assignments: Board chairman at Dadbros Holding AB.

Shareholding in Wallenstam: 9,621,000 B shares*.

CHRISTER VILLARD

Chairman

Born 1949, Bachelor of Laws

Board member since 1995

Previous experience from various executive positions e.g. MD at Aragon Fondkommission, Hägglöf & Ponsbach Fondkommission AB, Kaupthing Bank Sverige AB, Retrieva AB and Deputy MD at Götabanken and World Bank advisor to governments of Lithuania and Indonesia.

Other assignments: Board chairman at ACCVI AB, Aptic AB, Drottningholmsteaterns vänner, Joy Shop AB, Länsförsäkringar Stockholm, Segulah III-IV and Stockholms Köpmansklubb. Board member at AB Segulah, Exeger Sweden AB, G Hamiltons familjestiftelse, Fagerbergs stiftelse in Stockholms Borgerskap, Stiftelsen Drottningholms Slottsteater and Länsförsäkringar AB.

Shareholding in Wallenstam: 81,500 B shares*.

**Including family members.*

The above information refers to the year-end status.



ULRICA JANSSON MESSING

Vice Chairman

Born 1968, upper secondary qualification in social science.

Board member since 2008

Previous experience from Hassela care homes, member of parliament and cabinet minister at the Ministries of Employment, Culture and Enterprise and Innovation.

Other assignments: Chairman of the Board in Astrid Lindgrens Värld, Vice Chairman of the Board at ACR. Board member at Bergvik Skogs and Länsförsäkringar Livbolag.

Shareholding in Wallenstam: 150,737 B shares*

AGNETA WALLENSTAM

Board member

Born 1952, educated in theology, ethnology, archaeology and social anthropology. Master of Cultural Anthropology

Board member since 2010

Previous experience working as a pastor and parish director for a number of parishes since 1987.

Other assignments: Pastor, Bethlehem Church, Gothenburg. Board member at the Refugee Mission in Gothenburg. Shareholding in Wallenstam: 10,502,000 B shares*.

ERIK ÅSBRINK

Board member

Born 1947, B.A. and Bachelor of Science (Economics)

Board member since 2000

Previous experience includes Under Secretary of State at the Finance Department, Chairman of the Riksbank's General Council, Minister for Taxes, MD at Vasakronan AB, Finance Minister and member of the Ecofin Council and a number of board assignments and chairmanships in several tax investigations and Förtroendekommissionen (the Trust Commission).

Other assignments: Board chairman at Alecta, Fasticon Holding AB, Stockholm School of Economics and Svensk Hypotekspension AB. Board chairman at Bemanningsföretagens Auktorisationsnämnd. Board member at Bilspeditioners Transportörförening and Stiftelsen Cancercentrum Karolinska.

Shareholding in Wallenstam: 1,500 B shares.



GROUP MANAGE- MENT

BENNY OLSSON

Deputy CEO Wallenstam AB in charge of Svensk NaturEnergi AB. Born 1945, employed since 1988 Education: Structural Engineer Previous executive positions at Wallenstam: Construction and Property Management Director, Wallenstam i Göteborg AB, CEO, Wallenstam i Göteborg AB, CEO Wallenstam Lokaler AB, Construction Director, CEO, Wallenstam Bostad AB

External assignments: Board member, Barn i Nöd.

Shareholding in Wallenstam: 372,407 B shares* and 50,000 synthetic options.

SUSANN LINDE

CFO and in charge of IR Born 1979, employed since 2001 Education: Bachelor of Science (Economics)

Previous executive positions at Wallenstam: Group Financial Controller

Shareholding in Wallenstam: 10,000 B shares and 30,000 synthetic options.

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.

Shareholding in Wallenstam: 17,250,000 A shares, 22,447,400 B shares** and 50,000 synthetic options.



*Shareholding also includes shares owned via companies. **Shareholding also includes shares owned via companies including family members. The above information refers to the year-end status.

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, Länsförsäkringar in Gothenburg and Bohus County.
Shareholding in Wallenstam: 36,000 B shares and 30,000 synthetic options.

MATHIAS ARONSSON

Deputy CEO Wallenstam AB in charge of region Stockholm.
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 in Nordisk Byggdag.
Shareholding in Wallenstam: 124,500 B shares and 50,000 synthetic options.

ELISABETH VANSVIK

PR and HR director
Born 1970, employed since 2002
Education: M.A., Media and Communications Science
Previous executive positions at Wallenstam: Director of Communications.
External assignments: Board member, Barn i Nöd.
Shareholding in Wallenstam: 2,000 B shares and 30,000 synthetic options.

THOMAS DAHL

Deputy CEO Wallenstam AB in charge of region Gothenburg.
Born 1961, employed since 1988
Education: Management Law
Previous executive positions at Wallenstam: Property Director at Wallenstam i Göteborg AB, Property Director at Lennart Wallenstam Byggnads AB, Public Relations & Marketing Director, CEO, Wallenstam Företag AB.
External assignments: Member of nomination committee for Fastighetsägarna Göteborg region 1
Shareholding in Wallenstam: 200,950 B shares* and 50,000 synthetic options.

**AUDITOR**

Harald Jagner, Auditor, Born 1971, Authorized Public Accountant, Deloitte AB
Re-elected auditor in 2014
Other assignments: Serneke, Surahammars Bruk, Böhler-Uddeholm, KVD Kvarndammen Group, Skeppshypotekskassan, Älvstranden Utveckling, Västtrafik AB and Higab.

Pernilla Lihnell, Substitute auditor, Born 1969, Authorized Public Accountant, Deloitte AB
Re-elected Substitute auditor in 2014
Other assignments: Viking Malt, MediCarrier and S:t Eriks Ögonsjukhus.

THE WALLENSTAM SHARE

Owning shares in Wallenstam means investing in a long-term, value-creating company with stable growth. In the current market situation with low growth everywhere, value growth takes place primarily through new construction projects and our project portfolio provides the opportunity for good total returns.

Our strong financial position with its low loan-to-value ratio and high equity/assets ratio contributes to the low risk profile enjoyed by our shares. We have historically delivered stable rates of return to our shareholders. The Wallenstam share was at the top of the list of companies on the Nasdaq Stockholm with the best total returns over the past 15 years according to a summary compiled by the business weekly Affärsvärlden in October 2014.

Under the current business plan we aim to increase the rate of residential construction to an average of 1,500 apartments per year, to provide our company and our shareholders the opportunity for good value growth.

Market capitalization

The Wallenstam B share has been listed since 1984, and as of 1 January 2012 it is quoted on the Nasdaq Stockholm Large Cap list. The registered value of all shares amounted on closing day to SEK 22,049 million (16,533).

Share trading and turn over

During 2014, a total of 26.4 million (24.8) Wallenstam shares changed hands at a total value of SEK 2,882 million (2,186) on the Stockholm Nasdaq. Average daily turnover was around 106,200 shares (99,300).

The share's highest price during the year reached SEK 131.90 and its lowest SEK 94.30. At year-end, the share price was SEK 129.70 (97.25), which amounts to an increase of 33 per cent. This can be compared with the indices for the OMX Stockholm Real Estate PI and OMX Stockholm PI, which increased by 35 per cent and 12 per cent respectively.

In addition to Nasdaq Stockholm, where around 92 per cent of the share's turnover took place in 2014, Wallenstam shares were also traded on Turquoise, around 5 per cent, and Bats Chi-X, around 3 per cent. Minor trading also took place at other exchanges.

Share capital and owners

Wallenstam's share capital amounts to SEK 170 million distributed across 17,250,000 A shares (ten votes per share) and 152,750,000 B shares (one vote per share). As of closing day, 3,000,000 B shares had been repurchased. The number of shares outstanding, i.e. the number of registered shares less the number of repurchased shares amounted

to 167,000,000 (168,800,000) as of 31 December 2014. At year-end, the company had 8,860 shareholders.

Repurchase

Repurchase is a shareholder-friendly measure that distributes surplus value to them. In accordance with the AGM resolution, Wallenstam is able to acquire up to 10 per cent of B shares outstanding. During 2014, 1,800,000 shares were bought back at an average price of SEK 113.40.

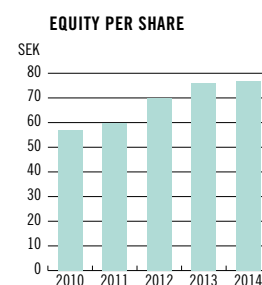
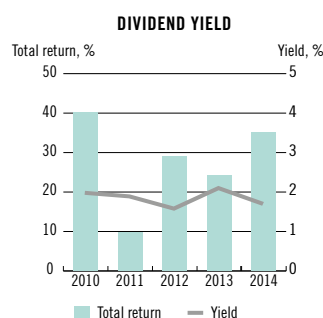
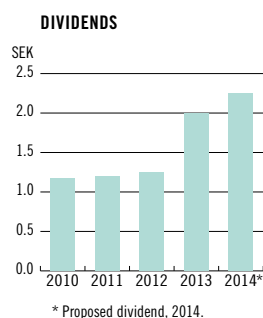
Net asset value

Net asset value amounted to SEK 15,964 million (16,027) on closing day. Net asset value describes the Group's total created value and includes equity and deferred tax liability.

Our goal for Business Plan 2018 is to achieve an average net asset value growth excluding dividends and repurchases, of at least 10 per cent per year. See also page 7.

Dividends to shareholders

According to Wallenstam's dividend policy, reported profit must as the first choice be re-invested in the company for continued development and increased net asset value growth. The ambition is also for operations to provide a stable level of dividends over the long term. However, the distributable



amount must never exceed realized profit before unrealized changes in value and impairment charges after the standard tax rate. When determining the size of the dividend, consideration must be given to the company's investment requirements, its balance sheet requirements, position and future development.

The Board of Directors proposes a dividend of SEK 2.25 per share (2.00). Profit before unrealized changes in value, after the standard tax rate for 2014, is calculated to SEK 800 million and the proposed dividend is calculated to be around SEK 376 million.

Dividend yield

The proposed dividend is equivalent to a yield of 1.7 per cent (2.1) based on the share price at the end of the period.

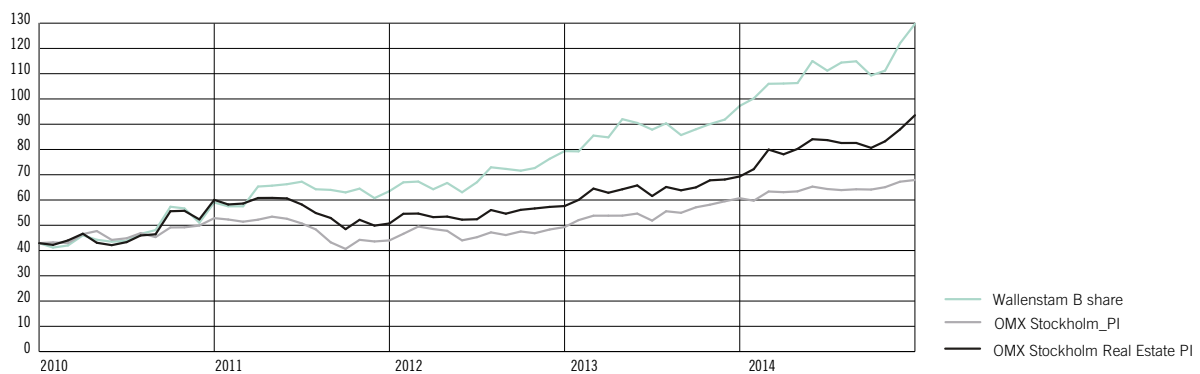
The total yield per share, calculated as share price performance during the previous twelve months including proposed dividends in relation to the share price at the beginning of the period, amounted to 35 per cent (24).

Information to the market

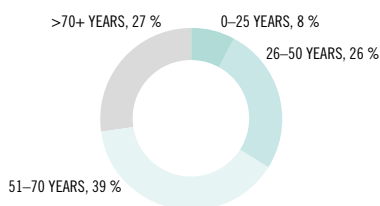
All the relevant information about Wallenstam is available at wallenstam.se. We also make press releases and financial reports public here. Financial

information is presented primarily in interim reports, year-end reports and annual reports. We also arrange regular meetings with analysts, investors and shareholder representatives. The website provides access to presentations from the AGM and analyst meetings and a subscription function registers preferences for how the reader would like to receive the information. We mail the annual report to shareholders who so request.

SHARE PRICE TREND 2010–2014, SEK

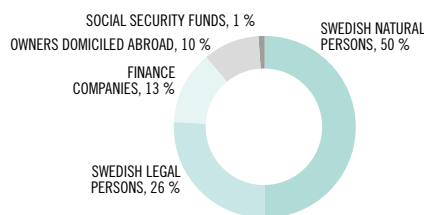


AGE DISTRIBUTION, NUMBER OF SHAREHOLDERS*

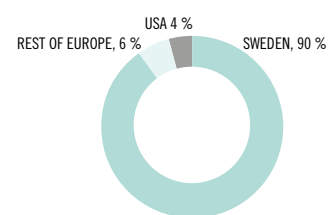


* People with Swedish personal ID numbers.

HOLDING BY OWNER CATEGORY



GEOGRAPHIC DISTRIBUTION, HOLDING



SHAREHOLDER HOLDINGS, 31/12/2014

	A shares	B shares	Equity, %	Votes, %
Hans Wallenstam, and family, and company	17,250,000	22,447,400	23.35	60.50
AMF – Insurance and funds		14,815,216	8.71	4.60
Agneta Wallenstam and family		10,502,000	6.18	3.26
Anders Berntsson and family, and company		9,621,000	5.66	2.99
Henric Wiman and family		6,022,631	3.54	1.87
Bengt Norman and company		4,300,000	2.53	1.33
Monica and Jonas Brandström		3,831,407	2.25	1.19
U Wallenstam and family		3,749,570	2.21	1.16
Christian Wallenstam		2,950,000	1.74	0.92
CBNY – Norges Bank		2,802,566	1.65	0.87
Other owners		68,708,210	40.42	21.32
Total number of shares	17,250,000	149,750,000		
Repurchased own shares*		3,000,000	1.76	
Registered shares	17,250,000	152,750,000		
Total registered shares	170,000,000		100	100
Total outstanding shares	167,000,000			
Institutional ownership			14	8
Foreign ownership			10	5

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

SHARE CAPITAL TRENDS

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 à 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 à SEK 75	10,000,000	40,000,000	10,000,000	10
1987	Bonus issue 1:1	40,000,000	80,000,000	8,000,000	10
1995	New share issue in specie à 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

COMPARISONS WITH OTHER LISTED PROPERTY COMPANIES

	Share price, SEK/common share 31/12/2014	Market cap, SEK M 31/12/2014	Repurchased shares in 2014, %	Earnings after tax, SEK/share	P/E ratio	Proposed dividend, SEK/share	Yield, %*	Total return, %	Number of registered common shares (SEK M)
Atrium Ljungberg	114.70	15	0	4.9	23	3.30	2.9	33.8	133
Balder	110.25	18	0	18.1	6	0.00	0.0	67.0	162
Castellum	122.10	20	0	7.4	17	4.60	3.8	26.2	164
Fabege	100.60	16	0	10.5	10	3.25	3.2	34.9	165
FastPartner	108.75	6	0	8.7	12	3.50	3.2	52.7	53
Heba	97.25	4	0	3.1	32	1.30	1.3	31.3	41
Hufvudstaden	101.60	22	0	9.7	10	2.90	2.9	21.1	206
Klövern**	7.60	7	0	1.0	7	0.30	3.9	n/a	916
Kungsleden	56.50	10	0	-5.2	-11	1.50	2.7	42.3	182
Sagax	44.00	7	0	4.0	11	0.80	1.8	84.1	158
Wallenstam	129.70	22	1	3.5	37	2.25	1.7	35.4	167
Wihlborgs	142.75	11	0	5.1	28	4.75	3.3	27.5	77

Source: Year-end reports and websites of the respective companies. The comparison includes common shares only.

* Based on the proposed dividend. ** Yield and total return refer only to B shares.

INVESTING IN WALLENSTAM

PRODUCT AND OFFER

- Enormous demand for the product offered – homes – in regions where people want to live and work.
- A commercial holding concentrated to Gothenburg's inner-city has resulted in stable, positive value growth and high occupancy rates regardless of the economic cycle.
- A new construction process and investment model makes building possible independent of the economic cycle.
- A strong project portfolio, built up over many years, enables construction to create value.

KNOW-HOW AND EXPERIENCE

- Long experience of property management, residential construction and commercial tenant realities provides the know-how about urban development for a living city.
- Strong shared values – progress, respect, commitment – characterize the entire organization.
- A balanced Board of Directors and group management with long experience from the industry, the company and the market.

RESPONSIBLE ENTREPRENEURIALISM

- Contributes to stable neighbourhoods whose tenants feel comfortably at home and satisfied.
- Backs green investments and social commitment for a better community.
- Has strong financial position with a high equity/assets ratio and low loan-to-value ratio.

WALLENSTAM SHARE TREND, 2000–2014



“

We have a huge investment portfolio and in recent years we've created our own value growth through construction. We do this in an environment with extremely low growth and exceptionally low interest rate levels.”

HANS WALLENSTAM, CEO

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

- **Attractive properties and good property 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 new construction and requires daily strategic and practical work.
- **Secure financing** because capital is a vital resource for operations, access to it 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 remains high over time generate good returns and excellent value.

OPPORTUNITIES AND RISKS

Here at Wallenstam we make a conscious effort to make the best of opportunities and manage and mitigate potential risk factors. Risks and opportunities that can affect operations in the short and long terms are divided into three categories: operations, business environment and financing.

Operations

Opportunities and risks associated with the operation refer to things that concern our core business, vision and our focus on operational revenues and expenses.

NEW CONSTRUCTION OF HOMES

Our new construction projects are important for value growth in the company, and they demand high standards of the organization in regard to project planning, procurement, construction and the choice of contractor to ensure good rates of return, quality and production volumes. Each individual project is affected by access to building land, the planning process, planning permission management, collaboration with contractors and any necessary appeals, etc.

When we build new homes we do so in good locations where demand is high, there are good rates of return and excellent value growth. Our production process is quality controlled and cost effective. We build attractive homes at reasonable rents, with good supervision and value growth through sound competence, an organization that focuses keenly on exploitation, establishment and management in detail.

The risk of failing to achieve a good production volume is deemed relatively small as we have long forward planning, have several potential projects under development in parallel and enjoy close cooperation with the municipalities where we seek to provide more homes. Our yield requirement allows construction independent of the economic cycle.

RENTAL INCOME

Rent levels and vacancy rates in commercial properties are affected by growth in the Swedish economy and also by the volume of new constructions. The housing shortage is severe in the regions where we operate. Today, private sector and municipal property companies compete on more equal terms as the municipal companies' rent-controlling role no longer governs.

The attractive locations and high standards our properties enjoy are factors that contribute to stable rental income and a low vacancy risk, regardless of the economic cycle. These are aspects we also prioritize in connection with property acquisitions. Our residential property holding is fully let and the risk of vacancies is low as demand in our regions is substantially greater than supply. Residential rental income is comparatively secure and predictable.

stable tenant structure where 21 per cent of our commercial floor space is taken up by municipal companies, institutions and government agencies. At year-end, our ten biggest commercial tenants corresponded to 9 per cent of our total rental value or 17 per cent of the rental value in the commercial holding.

In Gothenburg, where our commercial properties are located, the new construction rate for business premises has been low and demand stable in recent years. The occupancy rate is stable and amounts to 95 per cent in respect of lettable area. We also have a good,

The contract portfolio remains stable and in line with market levels, and during 2015 contracts amounting to 17 per cent of rental value will be eligible for renegotiation. The average remaining validity of our contracts is 2.7 years. In all, this means the risk for major future vacancies and reduced rental revenues is considered minor.

EXPENSE TRENDS FOR OPERATIONS, MAINTENANCE AND TECHNICAL RISKS

Heating is a major expense item for every property company. Heating constitutes around one quarter of Wallenstam's operating costs and it is impacted by seasonal effects such as temperature and weather. Costs are higher during the first and fourth quarters when heating and property maintenance expenses are affected by cold, snowy winter months. Maintenance expenses can be affected by e.g. unforeseen events.

A quarter of our properties were erected or underwent reconstruction since the turn of the millennium. Our property holding is well-maintained.

with a focus on energy efficiency and we work proactively to encourage our tenants to reduce their own operating costs.

A property's technical operation is handled through day-to-day management and an individual management plan for each property. We achieve good cost control through dedicated work with long-term maintenance plans.

We are self-sufficient in renewable energy, which makes us less sensitive to fluctuations in the price of electricity. We feel we are able to reduce expenses by combining energy efficiency measures with the guarantee of the right level of consumption based on operating statistics from our properties.

We build and renovate existing properties

“

We want a safe and varied city environment with many natural meeting places for everybody in every stage of life. A city where people greet each other!”

**CATHRIN BERGENSTRÄHLE,
CHAIR, ENVIRONMENT AND
TOWN HOUSING COMMITTEE, NACKA MUNICIPALITY**

ENERGY

The annual production of wind power is affected by how windy it has been during the year. The price of electricity depends on a range of different factors such as the economic cycle, the weather and political decisions, and it has a direct affect on the operation's earnings. We are also exposed to a certain currency risk, mainly through electricity trading on Nord Pool Spot and Nasdaq Commodities, as these transactions take place in EUR.

Our wind turbines are spread from Jämtland in the north to Skåne in the south, which increases our ability to achieve a maximum, even production volume.

Prevailing electricity prices are at historically low levels. We have no control over factors such as the economic cycle, the weather and political decisions that affect electricity prices. Based on the current market situation, we see a medium risk regarding electricity price trends. Our investment in renewable energy is long-term

and aimed among other things at controlling expenses in our property operation, as low prices also have a positive effect on operating expenses.

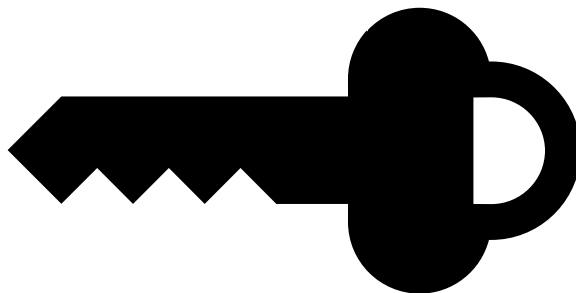
To protect operations and reduce the impact of market fluctuations, we make use of forward financial agreements to hedge income from future electricity sales and electricity production. The economic impact of currency market fluctuations is mitigated through forward exchange rate contracts.

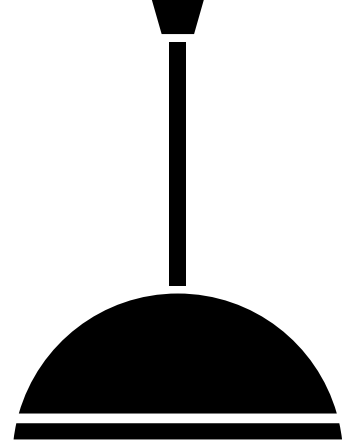
ORGANIZATION

The ability to attract and retain competent, dedicated personnel is a Wallenstam success factor. Market demand for expertise within construction/project management and administration is great and is anticipated to grow moving forward.

A good working environment, attractive working conditions and proficiency training programmes equate to progress for the individual and the company alike. Wallenstam is an attractive employer that is well able to recruit employees with the right profiles.

Our employees have the expertise necessary to predict changes and react quickly to existing and future market requirements.





Business environment

Opportunities and risks associated with the business environment exist primarily beyond our operation, e.g. in the form of changing market conditions. These are risks that the Board of Directors and executive management have little ability to affect in the short term, but which must be taken into account in the operation's strategic development.

CHANGED PROPERTY VALUES

According to the accounting standards in the International Financial Reporting Standards, IFRS, the fair value of the Group's investment property is reported in the balance sheet and changes in value in the income statement. This has the effect of making our earnings and position more volatile. Small general changes in the required rates of return can have major impacts on earnings.

Our apartment buildings are in strong markets in locations where people want to live and work and where there are excellent conditions for long-term, positive development. Accordingly, we deem the risk of value volatility in our apartment buildings to be small.

Around 90 per cent of our commercial floor space is in Gothenburg and the majority of the properties are within a one-kilometre radius

from fashionable Kungssportsavenyen. Properties in attractive locations entail a lower risk of falling values in a worsening economic cycle. The sub market is stable, with good prospects for a long-term, positive development. The high standards and attractive locations of the properties means we see little risk regarding property value volatility in our commercial holding.

TAXES

Wallenstam is affected by political decisions linked to fiscal legislation or its interpretation such as the levels of company tax or property tax. A change in fiscal legislation or practice entailing for example changed eligibilities in regard to the right to tax deductions or the ability to exploit loss carryforward, may mean that Wallenstam's future tax situation changes, thereby also affecting profit or loss.

We actively follow developments in matters fiscal in regard to new standpoints, interpretation of legal cases and changes to regulations, as these may mean that our tax position changes.

The Group's biggest tax expenditures consist primarily of VAT expenses – for which we have a limited right of deduction as a property company – and such items as property tax, energy and stamp duty and personnel-related

taxes and charges. The expense for these other taxes amounted to around SEK 520 million (475) in 2014.

ENVIRONMENT

Our ownership and operation of wind turbines and electrical installations means the Group conducts operations that are notifiable and subject to authorization in accordance with the Swedish Environmental Code. We investigate and identify possible environmental risks such as PCB and radon in our properties on an ongoing basis. Political decisions concerning the environment and assessments by experts and civil authorities as to what constitutes environmentally hazardous technology, materials and thresholds are constantly changing.

Action plans and measures are drawn up immediately should some kind of environmental risk in the form of e.g. PCB or radon occur. We contribute actively to sustainable development through our energy-efficient construction and

investments in renewable energy. We are proactive in our fulfilment of new regulations and requirements in environmental legislation and we see no major risks based on environmental aspects.

Financing

The ability to develop the business and expand to the desired extent independent of the economic cycle is conditional upon a secure flow of capital. We enjoy good, long-term collaborations with the major business banks founded on mutual trust and transparency. Based on the current market situation, overall financial risks are deemed to be relatively limited.

LIQUIDITY

The freedom to implement approved investments and fulfil payment obligations is conditional upon strong liquidity.

Wallenstam's high equity/assets ratio and good bank connections create excellent conditions for financing current and future investments. We see no major risks in our liquidity as new

construction project, major re-constructions, etc. do not begin until we have secured financing. Liquidity forecasts are updated continuously with the objective of optimizing cash management.

INTEREST RATES AND REFINANCING

Financial risk refers to an inability to satisfy demand for new capital, which is an essential operational resource.

Our loan portfolio consists of loans of different maturities from different creditors. The length of term for capital tied up is assessed according to pricing and the refinancing risk in the capital market. We work proactively with fixed-interest terms to achieve good average interest rates and good yields on our loan portfolio. Interest

derivatives are used to spread risk, protect the underlying portfolio and provide a flexible means to influence the fixed interest terms in the loan portfolio.

Against the background of the working method described above, we consider the risk/possibility of major interest expense volatility to be insignificant.

SENSITIVITY ANALYSIS, CHANGED YIELD REQUIREMENT FOR PROPERTIES

	SEK million
0.5 % point lower	31,762
0.25 % point lower	30,015
Our estimate	28,481
0.25 % point higher	27,122
0.5 % point higher	25,908

SENSITIVITY ANALYSIS, CASH FLOW

	SEK million
Change in rental income, apartments, 1 %	7
Change in rental income in renegotiable commercial contracts, 1 %	1
Change in operating costs, 1 %	4
Change in loan interest rate, 1 percentage point (annual)	65
Annual wind, change 10 %	14
EUR/SEK, change 50 öre	1
El. price change 5 öre	6

FINANCIAL STRATEGY

Access to capital is a basic condition 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 is laid down by the Board of Directors and reviewed annually. It seeks to limit the company's financial risks, which consist chiefly of liquidity, refinancing and interest risks.

Capital structure

As of 31 December 2014, the value of the group's assets amounted to SEK 31,757 million (32,437) financed partly through equity of SEK 12,883 million (12,840), and partly by liabilities of SEK 18,874 million (19,597), of which SEK 15,078 million (16 704) are interest-bearing.

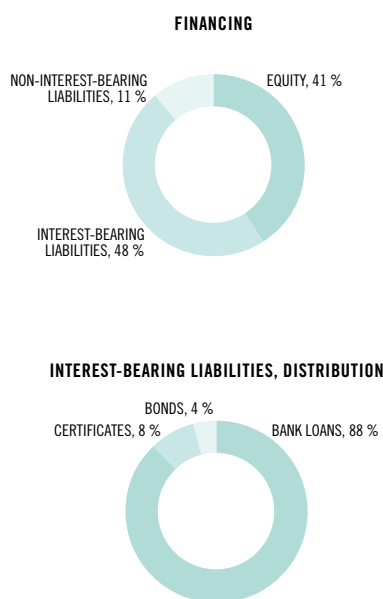
We strive to achieve a balance between an acceptable level of risk and a good return on equity. In the current business plan, an equity/assets ratio in excess of 30 per cent is considered to be appropriate. At year-end, the equity/assets ratio stood at 41 per cent (40).

At year-end, Wallenstam had binding unutilized non-current loan agreements with banks amounting to SEK 887 million (1,725), which means good access to credit for developing the business.

We supervise the different kinds of existing capital borrowing on a day-to-day basis in order to adapt the structure in the best way for the company in both the short and long terms.

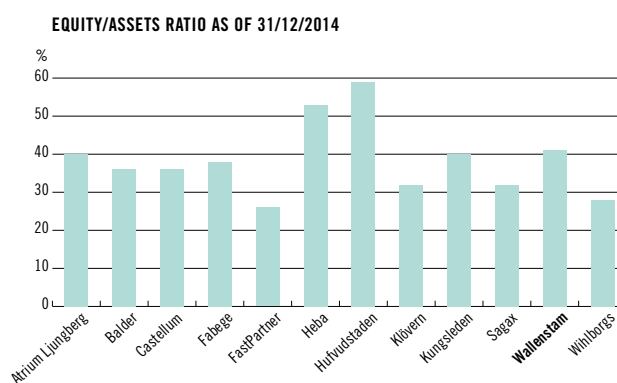
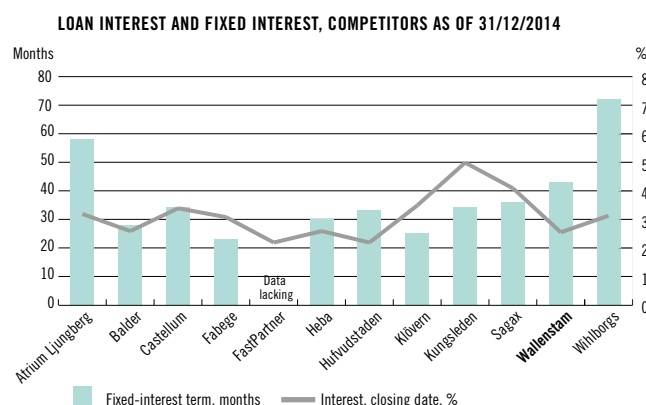
Fixed-rate interest and capital tied up

Interest expense is our largest single expense item. It is affected by changes in market interest rates and changing conditions in the credit market which in turn affect the margin creditors demand in return for lending money. We are well prepared to cope with changes in interest rate levels thanks to close collaboration with our banks. 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 8.4 per cent (6.7). The proportion with long fixed interest terms is 53 per cent (49). Fixed interest loans increased as we chose to pay off flexible loans during the year. Net indebtedness fell concurrently.



Interest-bearing liabilities

Interest-bearing liabilities consist of conventional bank loans together with interest derivatives, commercial papers with a limit of SEK 2 billion, and bonds. Bonds amounting to SEK 600 million were issued during the second quarter of 2014 and were used to refinance loans in Svensk NaturEnergi. Financing is secured chiefly by mortgage deeds for properties and the pledging of shares in wind-power companies. No sureties are pledged for bonds or the commercial paper programme.



Source: Year-end reports of the respective companies.

Interest derivatives

Interest derivatives are a flexible, cost-effective means of extending loans with short fixed-interest terms. From a cash flow perspective, the outcome over time is in principle the same as taking out a loan with fixed interest.

According to IAS 39 accounting standards, interest 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 the income statement. At year-end, the market value of the interest derivatives portfolio fell to SEK -1,003 million (-158) as a result of market interest rates falling ever lower due to financial unrest around the world. Unrealized changes in value for interest derivatives do not affect cash

flow and when a derivative contract falls due, its market value is dissolved in its entirety and the change in value over time does not affect shareholder equity. Lower interest rate levels also mean lower interest expenses for the company, which is positive for cash flow.

Realized interest coverage ratio

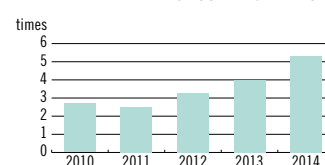
The interest coverage ratio measures how many times profit before interest suffices to pay interest expenses. As of year-end we had an interest coverage ratio of 3.7:1 (2.2:1). An alternative method is to measure the realized interest coverage ratio, which disregards unrealized changes in value but takes into account all of the realized profit (cost minus sales price) from transac-

tions during the period. In the current business plan, the realized interest coverage ratio for a rolling 12 month period may not fall below 2:1. With due consideration for transactions concluded during 2014, the realized interest coverage ratio is 5.3:1 (4.0:1).

Currency policy

Loans in foreign currencies may only be raised on condition that they are hedged on the borrowing date to ensure currency risk is minimized.

REALIZED INTEREST COVERAGE RATIO



LOAN PORTFOLIO

REGULATES THE DISTRIBUTION BETWEEN LENDERS AND THE LOAN PORTFOLIO MATURITY PROFILE

Based on our finance policy, the company's short and long-term supply of capital must be secured by adapting financial strategy to the company's operations.

We aim for a distribution between different lenders and different fixed terms. At year-end 2014, 53 per cent of the total loan portfolio had fixed-interest terms longer than one year.

During the year, the average interest rate was 2.82 per cent (3.34) and the average interest rate on closing day was 2.56 per cent (3.11).

Loans with interest that falls due within three months have an average interest of 1.16 per cent. 2.39 per cent includes the effects of swap agreements and fixed rate loans that fall due within a three month period.

FIXED TERMS, AVERAGE INTEREST

Interest maturity profile	Amount, SEK million	Average interest, %	Particip. %
0-3 mo.	6,135	2.39	40.7
3 mo.-1 year	888	1.27	5.9
1-2 years	300	3.21	2.0
2-3 years	800	2.79	5.3
3-4 years	500	2.99	3.3
4-5 years	530	3.05	3.5
5-6 years	1,000	2.66	6.6
6-7 years	1,100	3.10	7.3
7-8 years	1,500	2.48	9.9
8-9 years	1,475	2.71	9.8
> 9 years	850	3.20	5.6
Total	15,078	2.56	100.00

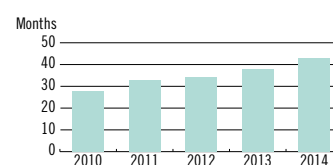
THE COMPANY'S FINANCIAL RISKS

INTEREST EXPENSES

The loan portfolio structure must balance short and long fixed interest terms in order to minimize interest expenses and provide stability. This balance is determined by market interest rates, confidence in continued market trends and our own financial strength.

At year-end, the average remaining fixed-interest term was 43 months (38). Interest rate risk is monitored on a day-to-day basis.

FIXED-INTEREST TERM

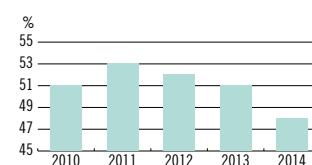


REFINANCING

We work actively to achieve low refinancing risk and high flexibility with regard to fixed-term loans in relation to market pricing, i.e. the best possible net financial income/expense within a given risk framework.

We pursue a long-term collaboration with the major Swedish business banks and at year-end we had a loan-to-value ratio of 48 per cent (51).

LOAN-TO-VALUE RATIO

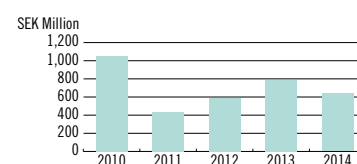


LIQUIDITY

Our liquidity reserve must provide the freedom to implement approved investments and fulfil payment obligations. Liquidity forecasts are updated continuously with the objective of optimizing cash management.

At year-end, available liquid assets amounted to SEK 639 million (784).

AVAILABLE LIQUID ASSETS





“

It was great to be recognised as an equal opportunities company. At the same time it feels a little strange that the issue needs to be highlighted – after all it’s self-evident that we all enjoy equal value and equal rights.”

HANS WALLENSTAM, CEO

ORGANIZATION AND EMPLOYEES

Wallenstam has 203 employees, all of whom show great commitment in their work contributing to the company's progress. The company has grown quickly and we take care to maintain a small-company atmosphere and to show personal consideration for our employees.

Participation creates commitment

Every single Wallenstam employee is important for the company's progress. Participation in our operation engenders commitment in day-to-day work and helps maintain good quality in every part of the organization. To further help employees and shareholders to pull together, all permanent employees were offered the chance to participate in a synthetic options scheme in 2013.

Award for advanced work with equal opportunities

Every Wallenstam employee is treated with respect and consideration for the individual's right to integrity, regardless of gender or other personal characteristics. In May 2014, Wallenstam received an award from Fastigo, the property sector employers' association, for its advanced, strategic equal opportunities efforts. The award was justified by our overall grasp of equality issues, systematic salary mapping and our clear endeavour to achieve gender balance in recruitment and executive appointments.

Recruitment and future employment needs

As far as possible, we try to provide opportunities for advancement within the company e.g. by announcing vacant positions internally first. When recruiting new employees we place great emphasis on personal qualities and character. A thorough induction of new personnel is important both for

their well-being and their ability to fit in with operations quickly. A schedule that allows them to become acquainted with different parts of the operation during the first weeks and a one-day conference for all new recruits make for an efficient, welcoming introduction.

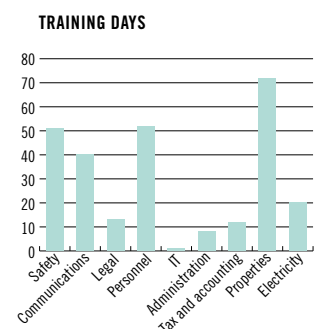
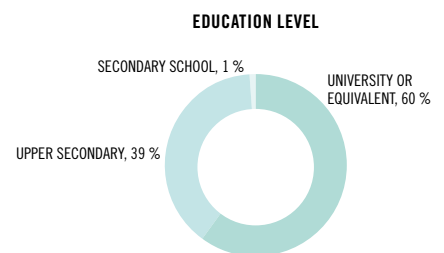
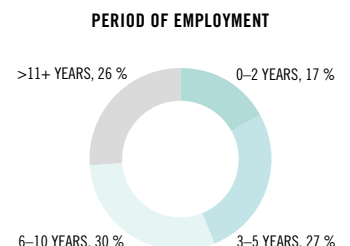
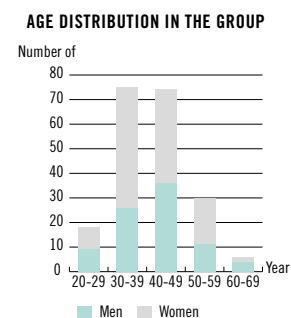
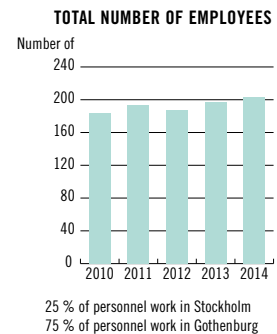
Recruiting the right personnel with the appropriate skill sets is one of the most important factors for business success. By collaborating with a number of different university colleges regarding lectures and internships, we add to the attractiveness of the property sector in general and the company in particular.

Employee dialogues for company progress

The majority of our personnel are permanent employees and the average length of employment is 8.3 years. All of our employees are covered by the collective bargaining agreement with Fastigo.

Every three years we carry out an employee survey in the form of an employee satisfaction index (ESI), partly to evaluate the current situation and partly to identify new opportunities for advancement within the company. The latest survey shows a high level of job satisfaction, great dedication, well-regarded leadership and confidence in management – criteria that we constantly work to uphold and improve.

Employee performance reviews are carried out annually in support of personal development, to follow up jointly established goals and sound out the work situation. Plans are also made for future skills enhancement, something which contributes both to the individual's and the company's progress. Skills enhancement takes place via external and internal courses and seminars as well as know-how transfer between colleagues. During 2014,



The total number of training days is 269, which on average is 1.3 training days per person.

Wallenstam employees took part in training such as:

- Technical training and supplementary courses in property management and operations
- Updates to rules and regulations for inspection staff
- Fire prevention training with the Fire and Rescue Service
- Cardiopulmonary resuscitation (CPR)

Work initiated during 2013 focusing on leadership, continued during 2014, e.g. in the form of management training.

Healthy employees

Wallenstam employees are healthy; absence due to illness is low and amounted to 2.8 per cent during the year. We have backed exercise in the name of good health for many years and in initiatives that continued during 2014, among other things through organized group exercise sessions. There are also excellent opportunities for individual training in fitness centres at each office, and health and wellness training is subsidized.

The physical workplace environment is good and the offices are equipped with ergonomic workstations.

All employees are also offered regular health checks with the purpose of promoting continued good health.

Crisis management

Our internal crisis management group meets at least once a year for practical training in crisis management covering both internal and external events on the basis of the company's crisis management plan. The crisis management plan also governs how we support employees and their families if a serious illness or accident should occur.

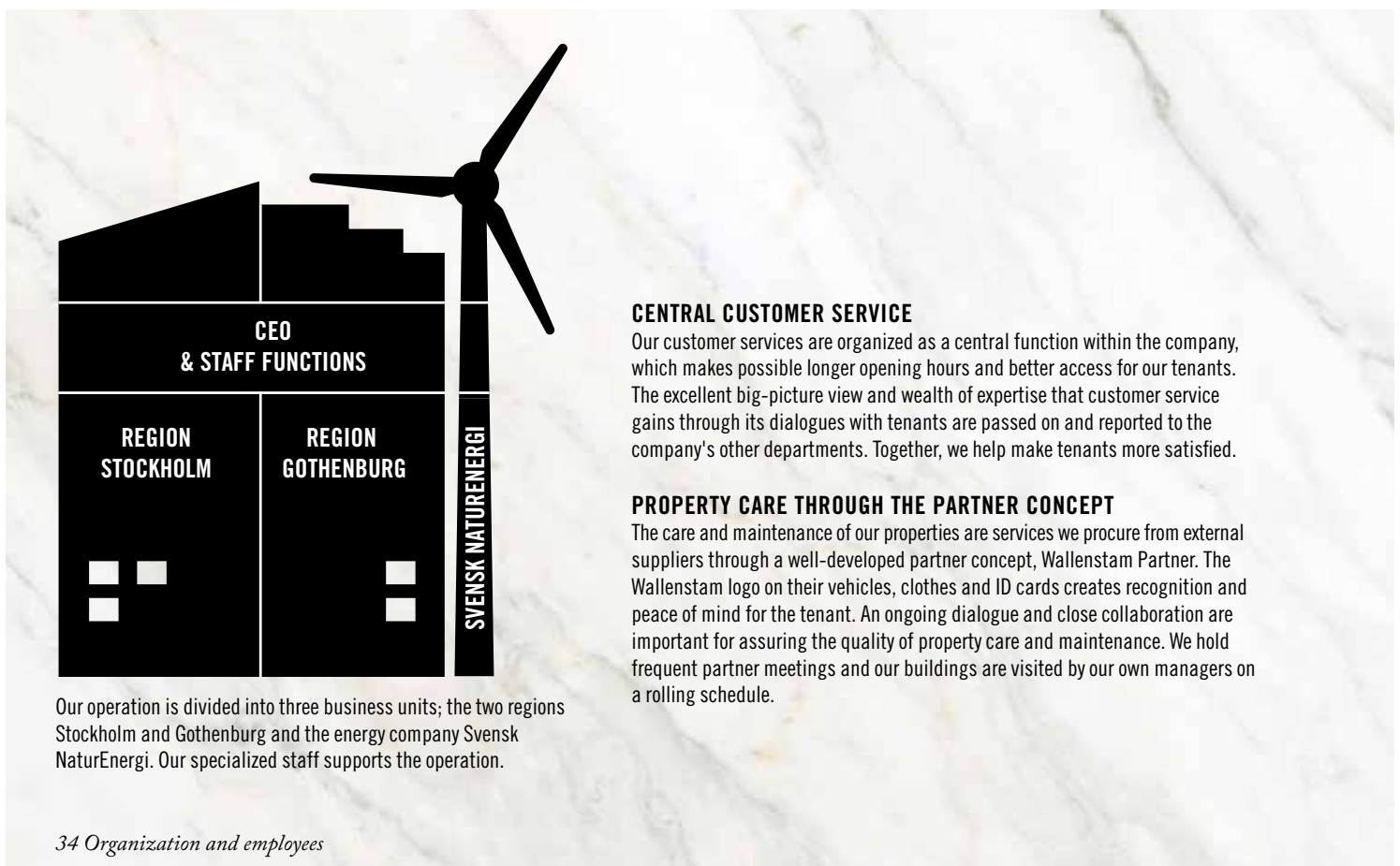
During 2014, we also carried out a CPR refresher course for members of the so-called casualty group, which comprises employees with enhanced knowledge of CPR and how to use the defibrillators deployed at our offices.

Policies and guidelines

Work at Wallenstam's 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. During the year, all policies and guidelines underwent thorough review and refinement. There are policies for energy, financing, dividends and currencies. We also have a Code of Conduct which forms the basis for the ethics council's work. During 2014, an information campaign concerning this policy was aimed at all employees.

In addition to these policies, there are a number of guidelines, concerning among other things the workplace environment, information security, IT, equal opportunities, leadership development and commitment to the community. At the end of the year, all managers received training in policies and guidelines and were tasked with passing on course content to employees in their own departments.



Our operation is divided into three business units; the two regions Stockholm and Gothenburg and the energy company Svensk NaturEnergi. Our specialized staff supports the operation.

CENTRAL CUSTOMER SERVICE

Our customer services are organized as a central function within the company, which makes possible longer opening hours and better access for our tenants. The excellent big-picture view and wealth of expertise that customer service gains through its dialogues with tenants are passed on and reported to the company's other departments. Together, we help make tenants more satisfied.

PROPERTY CARE THROUGH THE PARTNER CONCEPT

The care and maintenance of our properties are services we procure from external suppliers through a well-developed partner concept, Wallenstam Partner. The Wallenstam logo on their vehicles, clothes and ID cards creates recognition and peace of mind for the tenant. An ongoing dialogue and close collaboration are important for assuring the quality of property care and maintenance. We hold frequent partner meetings and our buildings are visited by our own managers on a rolling schedule.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

We build and manage properties that are sustainable for people and businesses. We contribute to a better community by investing in safety and security in our areas and supporting vulnerable groups and youth activities.

We demonstrate environmental, social and commercial commitment in everything we do. We constantly develop processes and procedures for more sustainable working methods. The work is a means of providing added value for the company and our stakeholders and contributes to progress in our regions.

As one of the larger property owners and a major housing producer in the regions where we operate, we contribute to employment when new properties and areas are developed. Our sustainability efforts focus on:

- taking active social responsibility
- helping to reduce energy consumption,
- investing in renewable energy sources, energy-efficient construction and
- continual improvements in the environmental status and performance of our properties.

One of the guiding principles in our current business plan is to reduce the carbon dioxide footprint in the property holding by 15 per cent per sq m up until 2018, which will benefit both the environment and our net asset value growth goal for the company.

IMPORTANT STAKEHOLDERS IN OUR SUSTAINABILITY EFFORTS

Wallenstam develops areas people want to live, work and spend time in. Long-term development requires commitment to, and an understanding of, the three pillars of sustainability work – financial, environmental and social stability.

Global Reporting Initiative

In respect of sustainability issues, we report everything we do and how we do it each year according to Global Reporting Initiative (GRI) guidelines, where we apply level C, and in the survey Hållbart Värdeskapande (Sustainable Value Creation).

Organization for environmental work

We base our new construction and our property management alike on the fact that buildings affect the environment throughout their life cycle. Group management bears overall responsibility for the company's sustainability issues. During the year we appointed an environmental director tasked with running and further developing Wallenstam's work on environmental and energy issues within both property management and new construction. Practical, day-to-day sustainability work is carried out in every part of the operation. Work with identifying the environmental impact and social demands that surround our operation is constantly in progress. In order to develop our sustainability work further, we remain open to influence from the outside world and maintain a dialogue with stakeholder groups, collaborative partners, business associations and other associations.

Growth with an environmental focus

Daily operations are carried out by technical personnel in each region, and major attention is paid to lowering the energy consumption of our buildings. When we introduce energy efficiency improvements, we monitor the median use of heating, cooling, electricity and hot water in buildings as demand at the hourly level and energy consumption per month. This provides a good basis for identifying and planning energy efficiency measures. When embarking on energy-saving projects we first estimate the current energy status and a calculation of how much energy is consumed in relation to floor space. We then prepare an action plan.

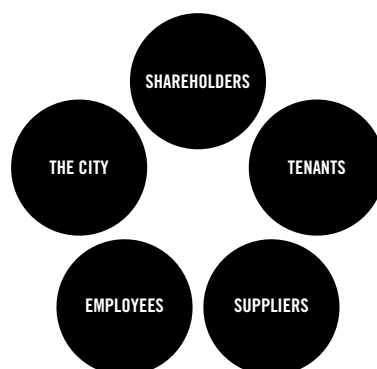
The proportion of properties heated by fossil fuel is marginal. There remain today only four properties which in some way use oil or gas as a supplement to more environmentally friendly heating. We are self-sufficient in renewable energy from our own wind farms and hydro stations, and we can also offer all of our tenants green electricity at advantageous prices.

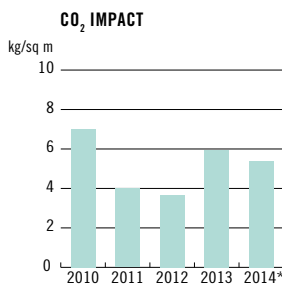
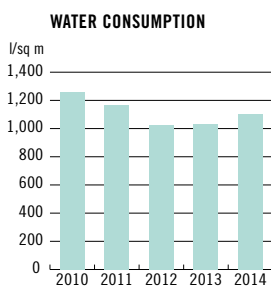
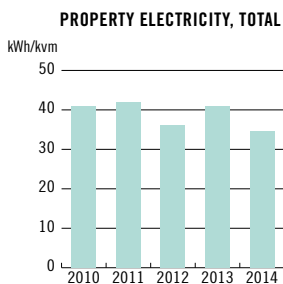
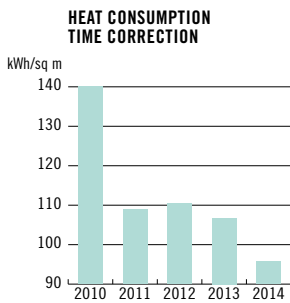
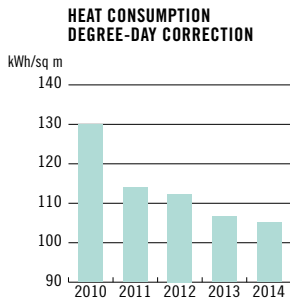
Active waste management

As far as possible, waste must be handled according to the ecocycle principle. Accordingly, reducing the amount of waste from our own operation and from our tenants, businesses and suppliers is an important matter. We have developed waste management and created more opportunities for tenants to recover and handle dangerous or bulky waste and confidential material, etc. – efforts that will continue in the years ahead.

Environmental risk management

In connection with acquisitions we analyse previous and current operations in the property from the standpoint





* Estimated value for actual impact.

of any environmental risks, and where necessary we investigate the occurrence of chemicals. Energy consumption is reviewed and an action plan drawn up to reduce environmental impact. In the case of new construction we carry out soil surveys and any soil decontamination necessary is performed very thoroughly. We systematically inspect our existing holding and draw up action plans based on any environmental risks in connection with conversion.

Environmental responsibility, new construction and reconstruction

Our new construction is under constant development to become more energy efficient. In the case of new construction we incorporate buildings with an energy consumption of around 60 kWh/sq m/year, which is lower than both National Board of Housing requirements and energy consumption for low energy buildings. We often add energy-smart technology to reduce energy consumption further. Individual electricity and water metering has been standard in our new constructions since 2006. Such metering contributes to a reduction in consumption of 10–25 per cent following a running-in period. When we renovate a property we investigate how it can be developed to become more eco-friendly.

Green programmes as control tool

There are a number of environmental programmes in the marketplace such as GreenBuilding and Miljöbyggnad. We use them as requirement specifications in new construction and reconstruction to achieve high quality and reduce environmental impact. During 2014, one

of our properties earned a GreenBuilding certificate and a further twelve properties in our commercial holding meet certification standards. The certification requirement for an existing property is that the building must consume 25 per cent less energy than before. In the case of new construction, the standard is 25 per cent lower than energy requirements in National Board of Housing building regulations.

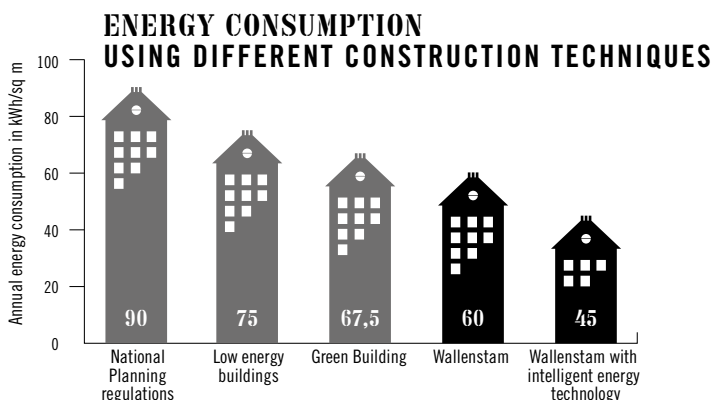
Miljöbyggnad is a certification system with three levels – bronze, silver and gold – that can be applied to both new production and existing buildings. Miljöbyggnad standards provide a testament to important qualities in the building in respect of energy, indoor environment and materials.

Surroundings and security for our tenants

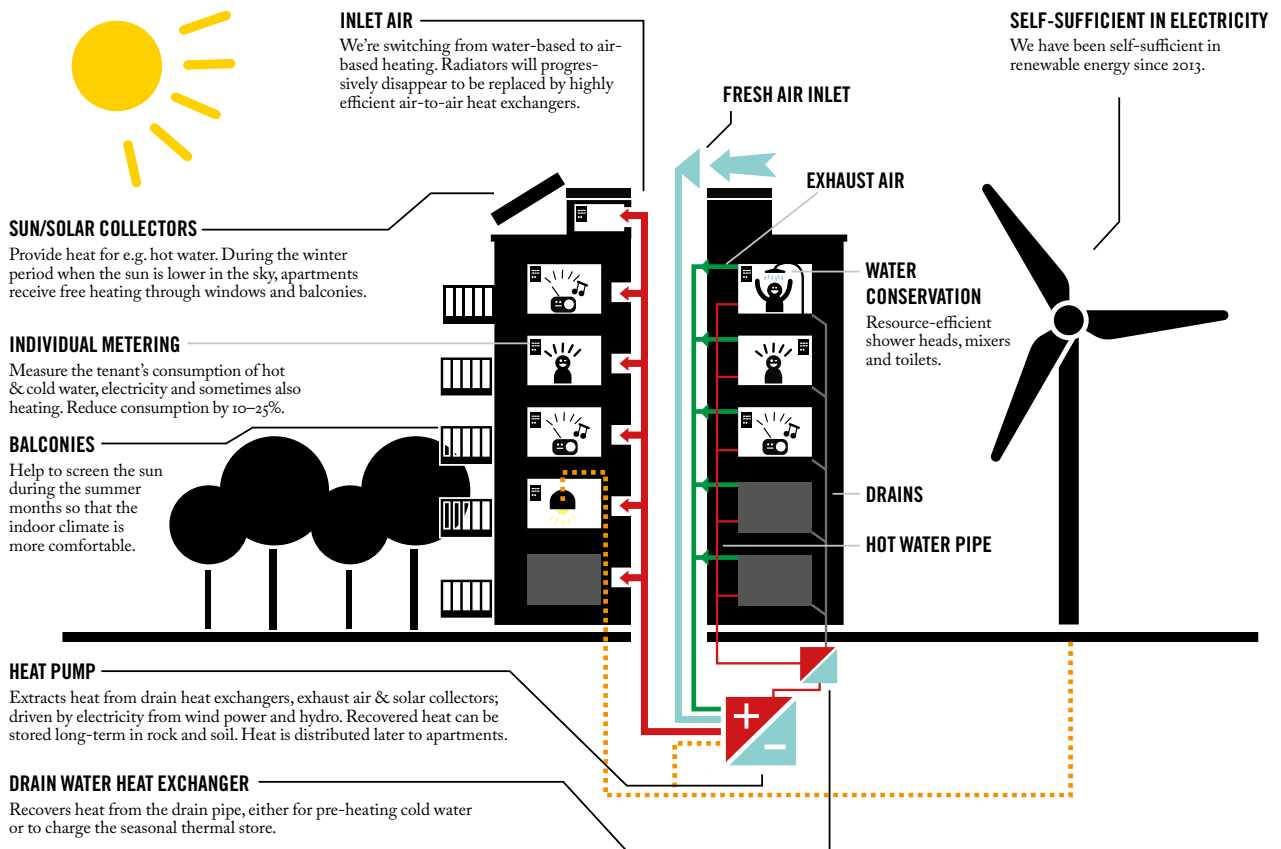
We continued modernization, improvement and security-enhancing renovation work on our properties in 2014, e.g. through new access control systems and better lighting. We also continued work on improving the outdoor environment with new play areas, BBQ grills and green spaces.

In the *Wallenstam Drive* project we offer our tenants, in collaboration with Hertz and Sunfleet, advantageous prices on rental cars and pool cars, something which benefits the environment and makes life easier for our tenants.

As a step towards improving peace of mind and security for our residential tenants, we have begun a collaboration with the Huskurage neighbourhood watch organization. It works proactively to prevent violence in close relationships through neighbourly cooperation.



HOW WE BUILD AND DEVELOP PROPERTIES WITH A FOCUS ON THE ENVIRONMENT



ENERGY-RELATED SAVINGS OF 57 PER CENT

In the Stampgatan 14 office building we have installed heat pumps instead of district heating and cooling, something which provides energy-related savings of 57 per cent compared to the previous year. The efficiency of this new energy equipment is higher and is powered by our own carbon-neutral electricity from wind turbines and hydro stations.

Taken together, this has resulted in reduced energy consumption, lower operating expenses and a smaller environmental footprint. The property also meets GreenBuilding certification standards.

MILJÖBYGGNAD SILVER LEVEL

We have installed heat pumps and waste-water heat exchangers to recover heat from waste pipes in our newly constructed apartment building Knölnaten in Kvillebäcken, which also houses a preschool and retail stores in addition to the 120 rental apartments. By using this technology we have halved the energy consumption in the building compared to National Board of Housing regulations.

What's more, the energy equipment is driven by carbon-neutral electricity from wind turbines and hydro stations. The building meets the City of Gothenburg's Miljöanpassat Byggnade environmental program whose standards not only concern the indoor environment and materials but also energy consumption. The building is also certified to silver level Miljöbyggnad standards.

Youth housing and homeless housing

We provided transitional accommodation in Stockholm during 2014 to help rehabilitate homeless people as part of our fight against homelessness. We also participate in projects such as Vägvalet Väst and Ungdomsstegen, which work in various ways to provide apartments for youths. At year-end we had just over 170 active contracts of a social or medical nature, or apartments earmarked for students.

Sponsorships and support

Our CSR (corporate social responsibility) is linked clearly to our core values – progress, respect, commitment – and governed by our sponsoring guidelines.

We focus our efforts primarily on the areas where we operate and the ambition here is also to create added value for our tenants.

We support several organizations that combat social exclusion, as well as organizations that help children who are vulnerable in various ways. Examples include Barn i Nöd (Swedish International Help for Children), Children's Rights in Society, Mitt Liv (My Life – diversity and integration), the Refugee Mission in Gothenburg, Gothenburg City Mission and Stockholm City Mission. What's more, we support a Pub Pastor who ministers to the Gothenburg nightlife.

Through our support to e.g. the Låxhjälp foundation, Barnens Ö and Majornas Samverkansförening, we contribute to pre-emptive social initiatives for children and youth. We offer summer employment to youths under the auspices of Majornas Samverkansförening, where they work together with our building caretakers.

We consider active, meaningful leisure activities to be very important, and we sponsor primarily popular sports, athletics and youth activities; among them are Frölunda Hockey, Älta IF, Nacka Wallenstam IBK and Pixbo Wallenstam.

We also support organizations and functions that contribute to urban development and R&D in sustainability. These include Julstaden Göteborg, Go To Sea, Gunnebo Slott & Trädgårdar, Universeum and Chalmers CMB – a social structure forum – and the institution of a professorial chair in property management at KTH Royal Institute of Technology.

A BETTER ENVIRONMENT FOR CHILDREN AND YOUTHS AT SUMMER CAMP

On Barnens Ö we renovate the old and build the new to create a wonderful, fun-filled environment for children attending summer camp on the island. Wallenstam is renovating a part of the island known as Östergården, and among other things we have washed façades, repaired roofs, painted buildings, built a volleyball court and cleared away brush from the surroundings.

During 2015, we will concentrate our efforts on the windows and the insides of the buildings. Barnens Ö is located in the Stockholm archipelago and summer camps are held there every year for children and youths between the ages of 9 and 16.



GINGERBREAD HOUSES FOR THE HOMELESS

The Refugee Mission in Gothenburg works with socially vulnerable people in many different areas. Wallenstam has been a support partner since the 1950s and participates in activities in various ways.

Just before Christmas 2014, around ten Wallenstam employees manned one of the mission's sales booths in Liseberg and sold gingerbread houses with the theme Houses for the Homeless.



CLOSER INTEGRATION IN THE LABOUR MARKET

Mitt Liv is a community company that works for increased diversity and integration in the Swedish labour market through mentoring, education and wider contact networks.

Wallenstam is in partnership with Mitt Liv and for several years some of our employees have acted as mentors for Mitt Liv participants. Wallenstam also offers work experience opportunities for Mitt Liv participants.





“

We're working together with builders and housing enterprises to develop attractive communities with more homes in various forms of tenure. This collaboration is important for achieving good results.”

**PER VORBERG,
CHAIR OF THE EXECUTIVE COMMITTEE,
HÄRRYDA MUNICIPALITY**

MARKET OUTLOOK

Growth in Sweden during 2014 was low with low interest rates as a result. However, the property market was characterized by a high level of activity in regard to transactions and there is a very large demand for our homes and commercial premises.

Market position

Our property holding is a well-balanced combination of apartment buildings and commercial properties in attractive locations. As can be seen in the chart below, our concentration strategy leads to a high level of geographic concentration. The mix of a well-located residential property holding mainly in Stockholm and Gothenburg and a commercial holding that is concentrated to central Gothenburg adds breadth to our range of properties.

We are working intensively to supply the market with new homes, both rental and co-op apartments. In our current business plan, we set our sights on becoming an even bigger urban developer with an annual production rate of an average 1,500 homes. Wallenstam is one of the largest private rental apartment producers in Stockholm and Gothenburg in respect of planning permission granted, according to Byggfakta, a Swedish construction industry periodical.

We are also self-sufficient in renewable energy from our own wind farms around the country.

Domestic demand all the more important

The global economy barely grew during 2014, and trends in Europe were especially weak. According to the National Institute of Economic Research, the demand for Swedish goods and services is especially low in the Euro region, and as a result Swedish growth has not picked up speed. In light of this, domestic demand has become all the more important. Consumers have good opportunities to increase their consumption further, as interest rates and inflation, among other things, are historically low.

The National Institute of Economic Research anticipates that Sweden's GNP growth will rise gradually as recovery in the world at large increases the demand for Swedish exports. The level of investments will remain low, which will affect productivity trends in the near and longer terms.

Inflation has continued to be weaker than expected, which has led the Swedish central bank to reduce the repo rate to -0.10 per cent. The National Institute of Economic Research does not foresee inflation reaching 2 per cent before 2018.

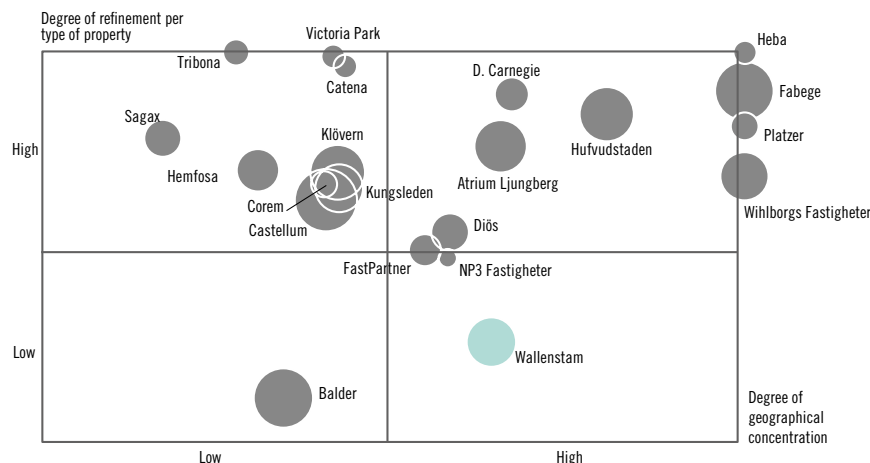
Property market trends

The full-year transaction volume for 2014 amounted to no less than SEK 151.5 billion, which should be compared to the SEK 89 billion reached during full year 2013, an increase of 71 per cent according to the JLL property consultancy. Of the total transaction volume, 38 per cent can be attributed to Stockholm and 9 per cent to Gothenburg. Foreign transactions for a total of SEK 50.1 billion were concluded during 2014, the equivalent to 33 per cent (49) of the total transaction volume in Sweden. Low interest rates had a positive effect on the year's transaction volume and investment appetite also increased among foreign investors.

Read more under Region Stockholm on page 52 and under Region Gothenburg on page 56.

Strong demand on the residential property market

Residential property growth in Sweden remained at a low level in Sweden during the year and the housing shortage in the areas where we operate is substantial. With just over 2 million inhabitants, the Stockholm region has a high rate of growth in both population and jobs. According to Statistics Sweden, the population in the region



Wallenstam's concentration strategy leads to a high level of geographic concentration. The mix of a well-located residential property holding in Stockholm and Gothenburg and a commercial holding that focuses on the Gothenburg market, means that the degree of property specialization is somewhat lower. Source: Leimdörfer

increased by about 35,000 individuals while construction began on only 11,000 apartments. Just over 480,000 people are registered with Bostadsförmedlingen in Stockholm.

Also in Greater Gothenburg, which constitutes the centre for both economic and population growth in western Sweden, the housing shortage is severe. During 2014, the population increased by about 7,800 inhabitants while only just under 2,000 apartments were begun. Just over 130,000 people are registered with Boplatz Göteborg in the search for homes.

Demand for our newly produced homes is enormous, both in respect of rental apartments and co-ops. For example, we not only note that our prospective tenant registers on the website are fully subscribed quickly, but also that many people apply for our apartments via Bostadsförmedlingen and Boplatz.

We believe in renting

We believe in renting as a form of tenure. It represents a flexible and convenient choice that requires no risk on the part of the tenant. It also acts as a lubricant in society, such as when someone needs to move home quickly for work or some other reason. We endeavour to achieve fair rents and

feel that rent must be linked to quality, service, location and content in the home. By setting prices individually, rental apartments can also develop in a more tenant-friendly direction with the possibility of individual influence on where and how the tenant will live.

There also continues to be great interest among our tenants to convert their homes into cooperative associations. We are in continuous negotiations with co-operative associations formed by tenants wishing to acquire their buildings.

Stable operator on the commercial property market in Gothenburg

There are many operators with comparatively small market shares on the commercial property market in Gothenburg. With around 419,000 sq m of commercial floor space in Gothenburg, Wallenstam is one of the major operators. Market development is related to the level of new construction, demand and rent trends. The volume of commercial new constructions in Gothenburg continues to be low and the demand for office and retail premises in our area is stable. During 2014, the total new construction volume amounted to 24,800 sq m (22,800), according to the JLL property consultancy. Prime rent – the highest rents in the most sought-after premises –

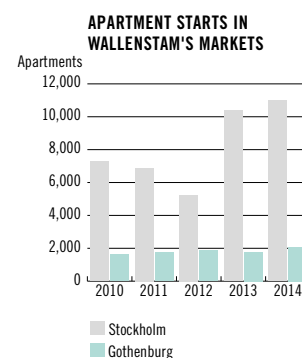
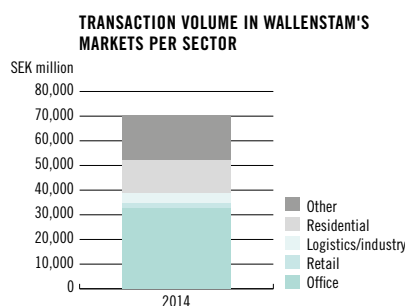
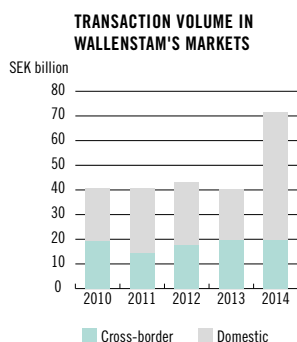
remains at SEK 2,600 per sq m/year from the previous year. The occupancy rate for commercial premises in Gothenburg overall is 94 per cent as regards the lettable area, which can be compared to Wallenstam's occupancy rate of 95 per cent for the commercial holding. JLL predicts continued positive rent trends especially in the most central districts during 2015.

Read more under Region Gothenburg on page 56.

Energy market

The proportion of electricity generated by wind power in Sweden has increased in recent years. In 2014 it was 8 per cent. During the year, 396 new wind turbines were installed contributing to the total of 3,048 wind turbines at year-end with a total output of 5,425 MW. In total, wind power generated 11.5 TWh (9.9) in Sweden during 2014.

Electricity prices are currently at historically low levels. A number of individual factors work together such as a warm year climatewise, low growth and low oil prices. The low consumption means there is a surplus of emission allowances. A rate of wind power construction that is faster than anticipated also means there is a surplus of renewable energy certificates.



Emissions allowances

Emissions trading is a control system in which major carbon dioxide emitters are obliged to purchase emission allowances equivalent to their own carbon dioxide discharge. Everyone is also free to purchase emission allowances for their own emissions.

Renewable energy certificates

A renewable energy certificates system was introduced into Sweden in 2003 to promote the spread of renewable energy. It is a market-based support system structured so that producers of renewable electricity receive a certificate for each MWh of electricity generated. In order to create demand for the certificates, it is obligatory for electricity suppliers and certain consumers to purchase a given quantity of certificates in relation to their

electricity supply/consumption (so called quota duty). The Swedish Energy Agency is currently investigating a proposal for new, higher quota duties. Overall, Svensk NaturEnergi generates a significant surplus of renewable energy certificates.

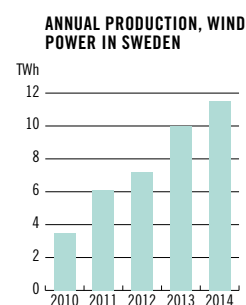
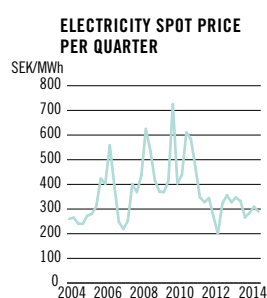
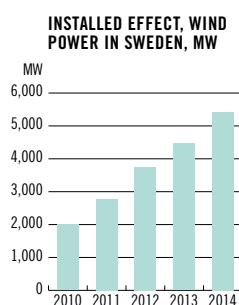
Swedish electricity producers

Svensk NaturEnergi is Sweden's 15th largest electricity producer in regard to Svensk Energi industry association membership. Many operators in Sweden have, or are building, wind farms with installed outputs above 10 MW according to the industry association, Svensk Vindenergi. These operators can be divided into three groups; wind power companies, energy companies and companies with other fundamental operations. Wallenstam, together with such operators as IKEA and SCA, belong to the last-named category.

Unified Nordic electricity market

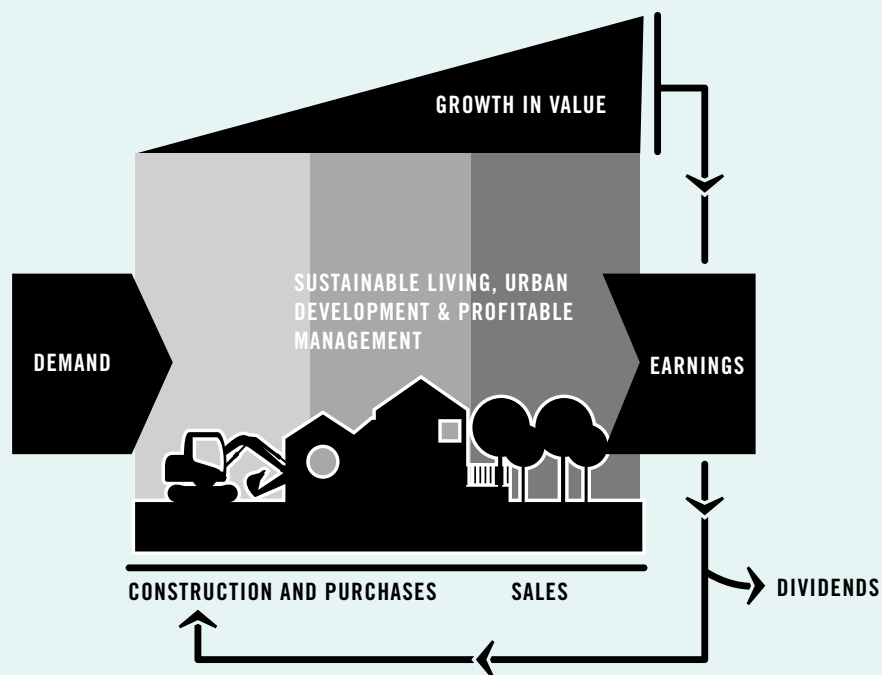
There are just over 130 electricity trading companies in Sweden. The Nordic electricity market is unified, and electricity trading takes place mostly via NordPool, the electricity exchange in Oslo. Grid fees and taxes are government regulated while the cost of the electricity itself is the part of the consumer price that is exposed to competition. Simply put, the price of electricity comprises two elements, the spot price and the price of renewable energy certificates.

In 2011, Sweden was divided into four electricity regions with the aim of steering the expansion of capacity to southern Sweden through prices anticipated to be periodically higher in the south than in the north. On the spot market, the system price (spot price) is set as the area price 24 hours in advance for each hour of the day.



OUR BUSINESS PROCESS

Based on its vision, business concept and goals, Wallenstam works to create value for the company, its owners, investors, tenants, employees and other stakeholders in a sustainable manner. The foundation for this operation is the business process, which is based on our business concept.



Business Process: Wallenstam builds, buys and develops properties for people and businesses based on the needs of its tenants, the community and shareholders. The properties are developed and managed sustainably and profitably to generate growth in value. Profits are re-invested and used to develop the business further. Shareholders receive a share of the profits in the form of dividends.

OUR PROPERTY HOLDING

At year-end, our approximately 220 properties had a property value totalling just over SEK 28 billion. Apartment buildings are concentrated primarily in Stockholm and Gothenburg. The commercial properties are concentrated in Gothenburg's inner city.

Property holding

Our property holding consists of investment properties, i.e. our rental properties. Properties built for sale as co-ops are not counted as investment properties.

We have a well-balanced combination of apartment buildings and commercial properties in good, attractive locations and built to good standards. Our apartment buildings are located mainly in the big city regions of Stockholm and Gothenburg where we manage around 4,200 and 3,200 apartments respectively. Apartment sizes correspond well to market

demand. Our typical apartment is a one-bedroom flat of around 56 sq m. Our commercial holding, which consists primarily of office and retail space, is concentrated in inner-city locations and attractive office locations in Gothenburg. In all, we have around 7,600 homes and 1,000 commercial tenants.

The total lettable area in our property holding amounts to just over 1 million sq m. During the year, we sold properties with a floor space of around 122,000 sq m for SEK 2.3 billion. The properties were sold at prices that on average exceeded the latest valuation by 14 per cent. This is an increase in value under our management of 67 per cent compared to costs, which corresponds to an average annual increase in value of 3.1 per cent. The sales include a number of commercial properties located in less central areas of Gothenburg, and also a number of apartment buildings in Stockholm and Gothenburg. The

sales form a part of our endeavours to rejuvenate our residential property holding, create conditions for increased new production and to centralize our commercial holding. This has entailed a net reduction of the property holding in terms of floor space, while also providing an additional opportunity for future new construction to add homes to the market.

No properties were purchased during the year, but we have acquired building land, development rights and obtained land allocations for upcoming new production.

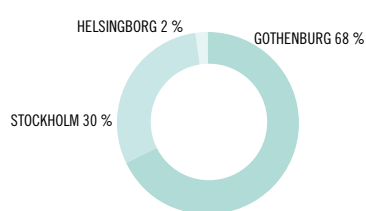
Occupancy rate and rental income

The occupancy rate in our properties is stable at 98 per cent in respect of floor space. Our homes are fully let and the occupancy rate for commercial properties amounts to 95 per cent in respect of floor space. The total rental value for

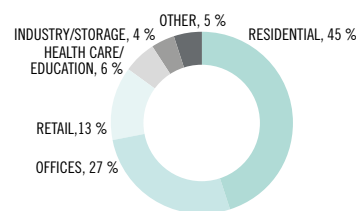
PROPERTY HOLDING, SQ M, THOUSANDS

Type of premises	31/12/2014	31/12/2013	Change
Homes	494	555	-61
Office	210	241	-31
Retail	105	108	-3
Industry/warehousing	81	87	-6
Education	35	35	0
Other	82	78	4
Total	1,007	1,104	-97

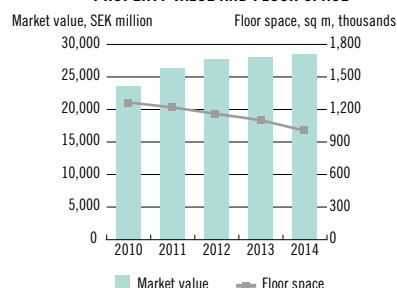
PROPORTION OF GROUP'S TOTAL FLOOR SPACE



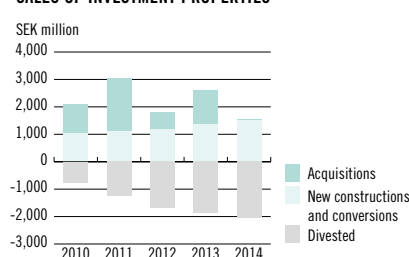
DISTRIBUTION OF RENTAL INCOME 2014 BY TYPE OF PREMISES



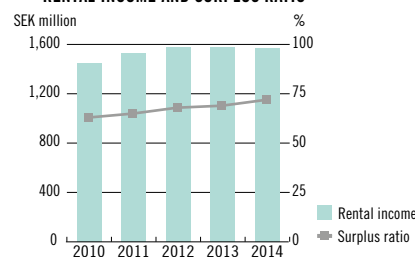
PROPERTY VALUE AND FLOOR SPACE



ACQUISITION, CONSTRUCTION AND SALES OF INVESTMENT PROPERTIES



RENTAL INCOME AND SURPLUS RATIO



vacant commercial floor space amounts to around SEK 63 million on an annual basis, among other things as a result of vacated space for reconstructions etc. A certain vacancy rate is necessary in our commercial properties in order to meet our tenants' changing needs.

As a rule, rents for apartments and parking spaces are renegotiated once a year. These agreements run for three months with automatic renewal. Rent rises for our apartments in 2014 amounted on average to 1.6 per cent in Stockholm, 1.7 per cent in Gothenburg and 0.9 per cent for our commercial holding in Gothenburg.

The average contract validity in our commercial holding is around 2.7 years (2.7). Contracts comprising 17 per cent of rental value may be renegotiated during 2015, but the business assessment is made prior to each agreement. Rental agreements above SEK 1 million constitute 65 per cent of the group's commercial rental income.

Apartment buildings make up around half of our property holding in terms of floor space – 45 per cent of the revenues are from the property holding, 52 per cent from our commercial properties and 3 per cent from garages and parking space contracts.

Rental property value

At year-end, investment property market value amounted to SEK 28,481 million (28,079) which is equivalent to around SEK 26,600/sq m (26,320), excluding construction in progress. The increase is an effect of a higher proportion of commercial properties and a rejuvenated property holding combined with ongoing investments to raise property standards. Purchases, new construction and property developments are important components in sustainable, profitable value growth.

During 2014, SEK 1,555 million were invested in investment properties and SEK 386 million in coopera-

tive apartment construction. Of these amounts, SEK 42 million (1,215) refers to acquisitions and SEK 1,899 million (1,374) new construction, extensions and reconstruction.

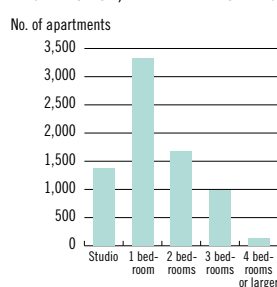
During the year, a project with 64 rental apartments was completed with an increase in value of 44 per cent compared to cost. The Segelflyget project in Barkarbystaden will be fully completed in 2015, but possession of 182 apartments out of a total of 247 has begun.

For further information on our new production, see page 50.

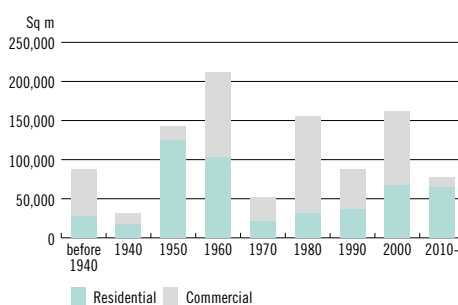
CHANGES IN VALUE

	SEK million
Income from sales	2,349
Carrying amount, properties sold	-2,066
Selling expenses	-18
Unrealized changes in value, investment properties	829
Changes in the value of investment properties	1,094

DISTRIBUTION, APARTMENT HOLDING



PROPERTY HOLDING AGE STRUCTURE

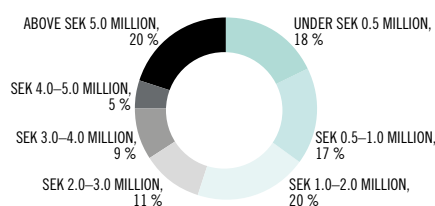


10 LARGEST BUSINESS TENANTS

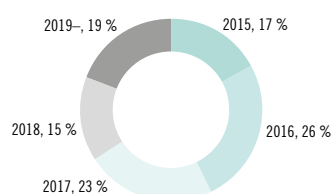
Tenant	Floor space, sq m
City of Gothenburg	21,013
SF Bio AB	13,365
Gothenburg Regional Archives	11,000
Swedish Social Insurance Agency	8,649
University of Gothenburg	8,125
SCA Hygiene Products AB	7,600
Vittraskolorna AB	6,374
Folkuniversitetet	6,270
County Administrative Board of Västra Götaland	5,615
Renew Group Sweden AB	5,434
Total	93,445

Our ten biggest tenants correspond to 9 per cent of our total rental value or 17 per cent of the rental value in the commercial holding.

RENTAL AGREEMENT SIZE, PREMISES



VALIDITY, RENTAL AGREEMENT PREMISES, RENTAL VALUE



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

Valuation

Wallenstam measures all of its investment properties internally at fair value. We enjoy good market and property intelligence through active property trading and have thus a firm basis for performing internal valuations of our property holding. We must however emphasize that a property's fair value does not become a reality until the property is sold, for which reason a valuation is always an estimation.

Every year we carry out a great number of valuations, some concern our own property holding and others are properties under consideration for acquisition. In evaluating properties, the following is taken into consideration:

- Analyses of concluded and non-concluded property transactions.
- An evaluation of the required rates of return in each market.
- An evaluation of each property's specific circumstances such as condition and location.
- An analysis of rental levels, contract lengths, vacancy and rental trends.
- An analysis of existing tenants.
- Credit market conditions.

Property values depend on market conditions, which change over time. In principle, required yields remained

unchanged during 2014. Required yields for our commercial properties average 5.6 per cent and 3.7 per cent for apartment buildings.

We have used different required yields in our assessments of property values. Required yields are differentiated based on where a property is located, and the type of property it is etc. A rate of return valuation means that each individual property's operating surplus is divided by the required yield for the property concerned. The rate of return value thus derived is then compared with current price statistics for similar projects. Location premiums are added in cases where the rate of return value deviates from prices for the area.

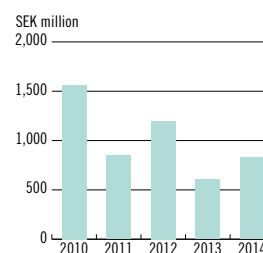
REQUIRED YIELDS INVESTMENT PROPERTIES

Place	Property type	%
Stockholm	Homes	3.25–4.25
Gothenburg	Homes	3.25–4.75
Gothenburg	Commercial premises	4.75–8.50

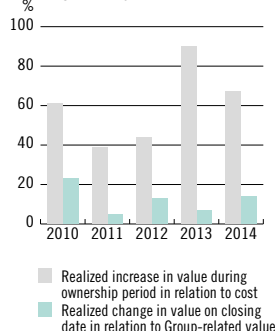
PROPERTY VALUES WITH OTHER REQUIRED YIELDS

	SEK million
0.5 % point lower	31,762
0.25 % point lower	30,015
Our estimate	28,481
0.25 % point higher	27,122
0.5 % point higher	25,908

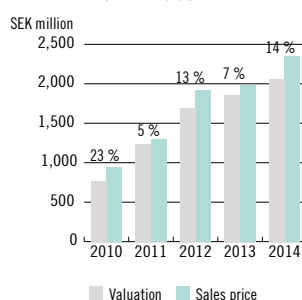
UNREALIZED CHANGES IN VALUE, INVESTMENT PROPERTIES/YEAR



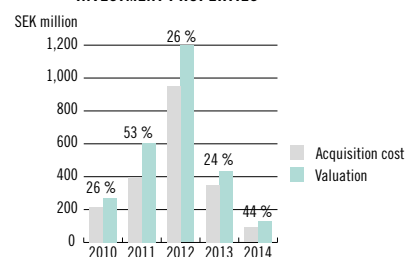
VALUE-CREATING PROPERTY TRANSACTIONS, INVESTMENT PROPERTIES



VALUATION/SALES PRICE, PROPERTIES SOLD



VALUE GROWTH, NEW CONSTRUCTION, INVESTMENT PROPERTIES



Value increase of new housing cooperative construction projects compared to cost. The graph shows outcomes for properties finished completely and per project in the year properties were completed, regardless of when the effect was reported in the income statement.

WALLENSTAM'S VALUATION MODEL

- + Rental value
- General vacancies of 3 per cent in the commercial holding.
- Operating costs including property tax, excluding administration
- = Operating surplus
- / Required yield for the property
- = The property's gross rate of return
- Two years' rent for vacant floor space
- Planned investments and significant repairs
- +/- Current value of temporary additions/deductions
- + Location adjustment
- = Estimated market value of property

Investment properties that undergo comprehensive reconstruction are measured at the value prior to reconstruction plus subsequent expenses incurred by the reconstruction project. The yield valuation model begins when the building is finished or when deciding factors such as rent levels have been determined with reasonable certainty.

Newly constructed rental apartments are measured at fair value. As of 2014, this is determined as cost with the addition of a share of the calculated surplus value on completion date in relation to the building's degree of completion, which in turn are based on incurred expenses. The estimated market value for new constructions is initially charged a risk surcharge of 0.25 percentage points on the required yield compared to investment properties in equivalent locations. After a period in operation, when actual conditions are known, the required yield is tested anew.

In the case of new construction of cooperative apartments, which for accounting purposes are separate from investment properties, ongoing reporting takes place at cost.

Profit/loss is reported when each co-op unit is completed, sold and conveyed to the tenant.

Land rights and development rights for land with planning permission are measured at market value.

Properties are evaluated and changes in value reported in profit and loss in each quarterly report. For a number of years, Wallenstam has achieved prices on a par with, or above, valuation in property sales. Properties that were sold and occupied after closing day but before report publication, are valued at the sales price.

“

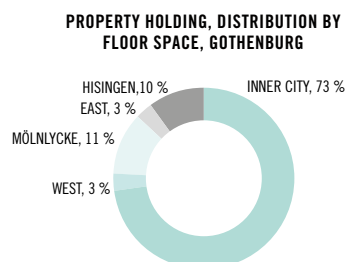
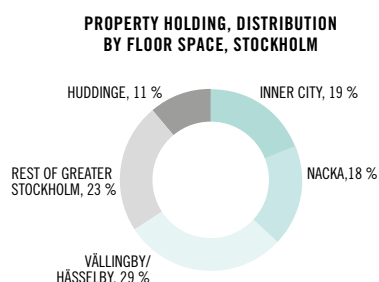
Build more – just what the doctor ordered! I want to create an attractive town in Nacka with loads of new buildings in welcoming surroundings. ”

**MATS GERDAU,
CHAIR OF THE EXECUTIVE COMMITTEE,
NACKA MUNICIPALITY**

PROPERTY OVERVIEW

	Region Stockholm	Region Gothenburg	Total 2015	Comparison	
				2014	2013
Homes					
Floor space, sq m x 1,000	265.7	228.0	493.8	554.9	619.0
Proportion of total floor space, %	87	33	49	50	53
Proportion of rent, %	85	27	44	44	47
Average rent, SEK/sq m	1,460	1,340	1,410	1,320	1,240
Office					
Floor space, sq m x 1,000	13.5	196.6	210.1	240.8	239.6
Proportion of total floor space, %	4	28	21	22	21
Proportion of rent, %	5	35	26	27	26
Average rent, SEK/sq m	1,790	2,010	1,990	1,860	1,790
Retail					
Floor space, sq m x 1,000	10.5	94.4	104.9	108.4	102.9
Proportion of total floor space, %	3	13	10	10	9
Proportion of rent, %	3	23	17	16	14
Average rent, SEK/sq m	1,370	2,710	2,580	2,370	2,320
Industry/warehousing					
Floor space, sq m x 1,000	9.7	70.8	80.5	86.0	88.2
Proportion of total floor space, %	3	10	8	8	8
Proportion of rent, %	1	4	3	3	3
Average rent, SEK/sq m	370	620	590	550	540
Education					
Floor space, sq m x 1,000	2.4	33.0	35.4	34.5	35.4
Proportion of total floor space, %	1	5	4	3	3
Proportion of rent, %	1	5	4	4	4
Average rent, SEK/sq m	1,190	1,800	1,760	1,820	1,670
Other*					
Floor space, sq m x 1,000	3.1	29.9	33.0	35.8	36.9
Proportion of total floor space, %	1	4	3	3	3
Proportion of rent, %	1	4	3	3	3
Average rent, SEK/sq m	1,350	1,460	1,450	1,510	1,470
Garage/parking spaces					
Garage space, sq m, x 1,000**	0.9	48.3	49.2	43.3	39.0
Proportion of total floor space, %	0	7	5	4	3
Proportion of rent, %	4	3	3	3	3
Total					
Floor space, sq m x 1,000	306	701	1,007	1,104	1,161
Average rent, SEK/sq m	1,490	1,620	1,580	1,500	1,420

* Includes e.g. healthcare space ** Heated garage space



A DESIRE TO DEVELOP

All of our construction is based on city and tenant requirements and a focus on security, sustainability, smart floor plans and reasonable monthly costs. By building in attractive locations and exercising good cost control, we create value growth for the company while adding homes to the market. During the period 2014–2018 we will start construction on at least 7,500 apartments.

With over 70 years' building experience, we offer a fund of expertise in the development and densification of our cities with energy-efficient buildings and vibrant areas that people love to live in, work in and visit.

We are primarily a rental apartment producer, but we adapt rental and letting arrangements to demand and what is possible in each individual project. Our ambition is to go on building regardless of the economic cycle. We are always looking for new opportunities to build, develop and work more sustainably and in doing so create value growth for the company. We safeguard the production rate in housing construction through foresight, good long-term planning and many parallel projects.

Eager to build

Our major efforts in acquiring land and land allocations for new production has led to a large number of housing projects in progress and at the planning stage. Investments are made primarily in selected markets and in areas where we already do business, via new constructions or acquisition of properties with good development potential.

Focusing on urban development

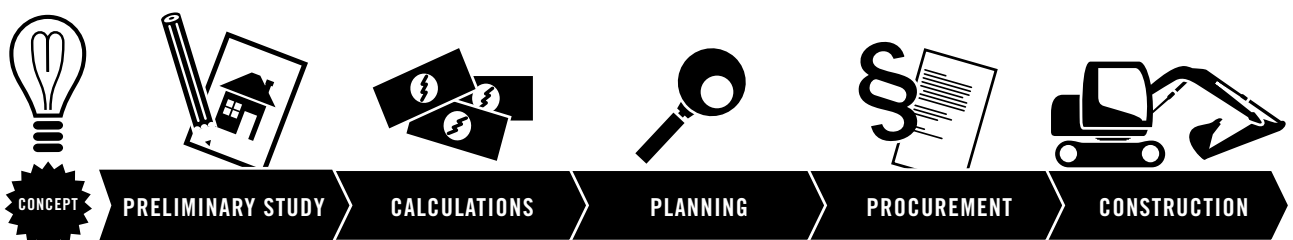
It is important for us to contribute to urban development in the cities we operate in. We don't just build properties, but places where people live and work, and we also take care of the surrounding areas. We work more and more often on developing entire city districts. This is where our ability to see the big picture is even more important – there must be a balance between homes and the provision of service necessary if a district is to come alive and work together with the rest of the city. It's about such things as communications and spaces for recreation; about planning for schools, preschools and other municipal services as well as retail stores and

offices. By building mixed-use districts with different activities, the city district enjoys the right conditions for a round-the-clock city pulse with meeting places and access to service for those who live and work in the area.

In Älta, where we already have a property holding of around 550 apartments, we are working together with Nacka municipality to develop the area with more housing, retail and service. We created the vision for Älta together with the municipality's civil servants, politicians, residents and associations. Norra Djurgårdsstaden and Solberga in Stockholm and Barkarbystaden in Järfälla are further examples of areas where we are participating in the development of major new residential areas.

We are also involved in a number of urban development projects in the Gothenburg area; Kvillebäcken and Kallebäck in Gothenburg, Forsäkerområdet and Stallbacken in Mölndal and Mölnlycke Fabriker in central Mölnlycke.

A project begins life as a concept that is evaluated in a preliminary study. Once floor plans are completed and the location's conditions have been investigated a cost estimate is made. Next an investment decision is made, financing secured and the project phase begun. When all of the drawings are ready contracts are negotiated and awarded and construction can begin. Upon completion a financial follow-up is carried out along with a project evaluation from a tenant perspective.



Densification

We work hard at finding different places to build more homes. Building apartments in lofts or adding additional floors above an existing property are two ways of doing this. Demolishing an old property that is in poor condition and building more homes on the same plot is another. We are

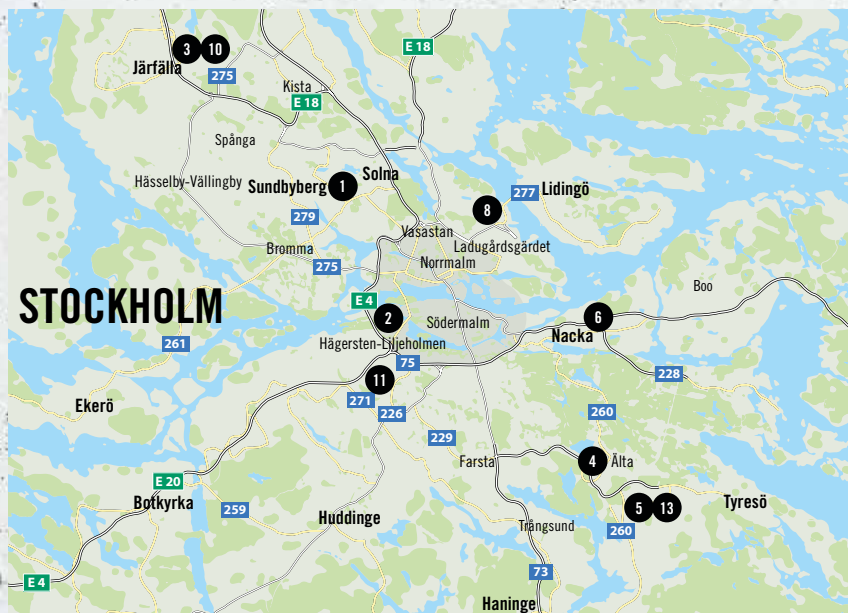
always looking for and evaluating ways to find undeveloped building plots on both our own and municipal land. A good example of our own land would be the 64 apartments completed during 2014 on part of the square between two existing buildings in our Vita Björn housing area in Majorna, Gothenburg.

Quality construction

We have drawn up clear processes and quality requirements – adapted to ensure sustainability – to reflect our ambition of always meeting customer demands. We control new construction costs and quality from day one. Every potential building project begins with a thorough review in which the project's

NEW CONSTRUCTION

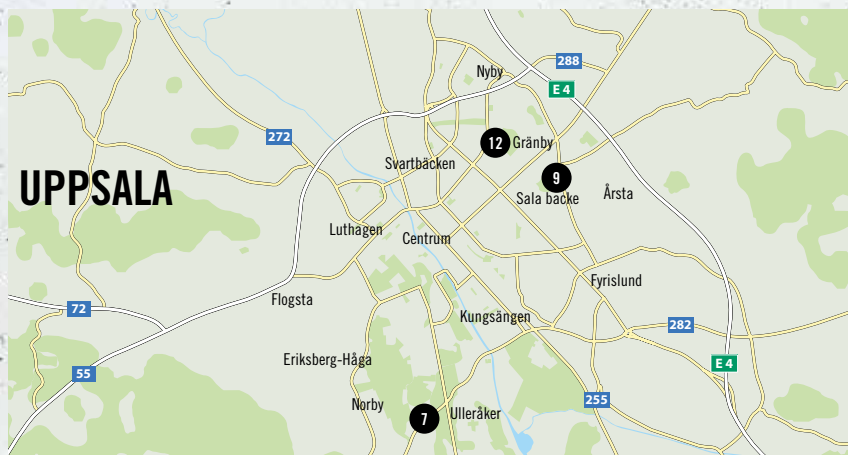
We began construction of 715 apartments during 2014. During 2015, we plan to start construction of around a further 950 apartments in Stockholm, Gothenburg, Uppsala and Helsingborg.



REGION STOCKHOLM New construction in progress 31/12/2014

Project	No. of apartments	Estimated complete
1. Tuletornen, Sundbyberg (co-op)	90	Q1 2015
2. Riggen, Gröndal (co-op)	42	Q2 2015
3. Segelflyget, Barkarbystaden, Järfälla	247	Q2 2015 *
4. Svanhöjden, Älta	129	Q2 2015
5. Tyresö Trädgårdar, Tyresö, phase 1 (co-op)	114	Q3 2015
6. Följa Berg, Nacka	122	Q4 2015
7. Fjärilen, Rosendal, Uppsala	137	2016
8. Månspinnaren, Norra Djurgårdsstaden	121	2016
9. Snickeriet, Östra Sala backe, Uppsala	137	2016
Total	1 139	

* Completion in phases. Possession will take place gradually from 1 June 2014.



Planned construction starts, 2015

Project	Estimated number of apartments
10. Barken, Barkarbystaden, Järfälla	200
11. Bergkristallen, Solberga	135
12. Symfonin, Gränby, Uppsala	110
13. Tyresö Trädgårdar, Tyresö, phase 2	125
Total	570

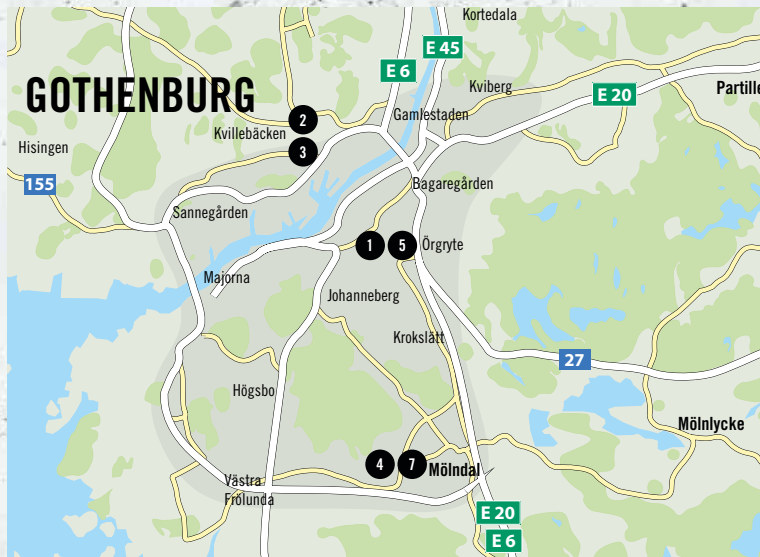
financial and future management expenses are calculated.

To minimize errors and shortcomings in the construction process, we always build a reference apartment that sets the standards for the entire property. Departures from designs or schedules are not accepted.

Leaseholder rights

When we build rental apartments, we build them on our own land or land with leaseholder rights. This means the municipality owns the land and we pay an annual fee for the use of the plot, known as ground rent. In Swedish law, such lease tenure rights have no hard and fast contractual term, but run indefinitely. The ground rent remains

unchanged for a given term – known as the lease period – which is usually ten years. Prior to a new period, either party may request changes to the terms and conditions. Thus far no ground rents have been adjusted to any great extent and we see no reason why this might occur in the future. During the year, ground rent and lease fees constituted 3 per cent of our total operating expenses.



REGION GOTHENBURG New construction in progress 31/12/2014

Project	No. of apartments	Estimated complete
1. Avenyn 31–35, Teatergatan 30–36	66	Q1 2015
2. Långängen, Kvillebäcken	115	Q1 2015
3. Vågmästaren, Kvillebäcken	112	2016
4. Stallbacken, Mölndal, phase 1	185	2016/2017
Total	478	

Planned construction starts, 2015

Project	Estimated number of apartments
5. Avenyn 21–23, Teatergatan 24–26	40
6. Mariastaden, Helsingborg*	130
7. Stallbacken, Mölndal, phase 2	160
8. Vildvinet, Helsingborg*	50
Total	380

* Not shown on map

“

Gothenburg is in the middle of an exciting period of city development where our vision of Älvstaden (the City by the River) and Gothenburg’s 4th Centenary in 2021 provide the theme. We’re creating attractive, sustainable city surroundings along the riverbanks as well as in places like Backa and Tynnered. This will boost the city’s appeal to residents, visitors and business alike.”

ANNELI HULTHÉN,
CHAIR OF THE EXECUTIVE COMMITTEE, CITY OF GOTHENBURG

REGION STOCKHOLM

Operations in Region Stockholm are characterized by a sharp focus on new construction and opportunities for new projects. The existing property holding with around 4,200 homes and approximately 39,000 sq m of commercial floor space is constantly being developed and upgraded, which leads to value growth and satisfied customers.

Property holding

We manage around 60 properties in the Stockholm region. The properties are located in attractive areas in Greater Stockholm from the central parts of town to inner suburbs such as Gröndal and Räcksta and neighbouring municipalities like Nacka, Sundbyberg and Huddinge. Region Stockholm also includes Uppsala, where we have

a contract with the municipality on the new construction of around 1,000 apartments over a 5-year period. Our commercial floor space totals around 39,000 sq m and comprises mainly retail and office space in apartment buildings.

Leasing and administration

Our residential holding in the region is fully let and only a small proportion of apartments become vacant during the year. The average relocation rate during the year was approximately 13 per cent. The majority of our vacant apartments are advertised via Bostadsförmedlingen in Stockholm. A proportion of our new production apartments are offered to current tenants in order to take special care of our customers.

We strive to continually evolve in our role as landlord and to meet our customers' expectations in the best possible way. We carry out regular surveys among our tenants in order to measure outcomes, the results of which provide valuable feedback and lead to operational action plans.

Renovations during the year

The major renovation projects during the year included work on upgrading Tuleorget and its commercial premises and the renovation in phases of the balconies on our approximately 550 apartments in Älta. Furthermore, in accordance with customer wishes expressed in surveys carried out, we have improved public spaces in and around properties in major parts of our holding.

“

Stockholm must be allowed to continue to grow. City planning must be based on an overall perspective with the objective of achieving a dense, sustainable city. We will build a Stockholm that is cohesive, with both new homes and premises for schools, sports and culture.”

**ROGER MOGERT,
CITY COMMISSIONER FOR ARCHITECTURE AND CULTURE, CITY OF STOCKHOLM**

Strong demand for new construction

Growth in both population and jobs in Stockholm and its surrounding area is high, and the lack of housing extensive.

We want to contribute to future development and growth in our own way, and we focus sharply on new construction in the region. As of 31 December 2014, we had just over 1,100 apartments under construction in the Stockholm region. We began construction of around 400 apartments during 2014, of which just over 270 are in Uppsala. During the year we completed three projects; the two housing projects Ture No8 and Tuletornen with sales continuing in the latter, and the first phase of Segelflyget in Barkarby-staden, Järfälla, 182 rental apartments.

A great deal of interest has been shown in the purchase of housing cooperative apartments, and in becoming one of our tenants in Barkarby-staden.

During 2015, we plan to start construction of around 570 homes, including additional apartments in Barkarby-staden and the Symfonin project in Uppsala. Read more about our new construction on page 50.

Opportunities for new projects

We make constant, intensive efforts to find new opportunities to build more homes in the region.

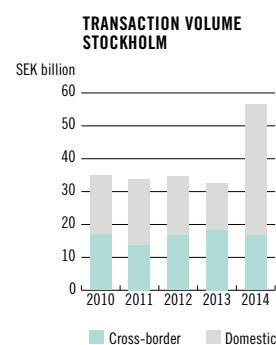
For example, during 2014 we acquired a plot in Tyresö with planning permission for the construction of 200 new apartments. We also won two land allocation competitions, one

in Vistaberg in Huddinge and the other in Rosendal, Uppsala. Furthermore, planning is in progress for more construction in several different urban development projects in such places as Barkarby-staden in Järfälla, Älta in Nacka and Norra Djurgårdsstaden in Stockholm. In the beginning of 2015, we signed an agreement for the acquisition of a property in Ekerö where we will build around 400 apartments for various forms of tenure, including retail space on the ground floor and a new bus terminal.

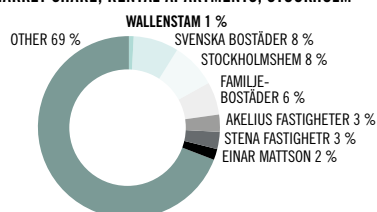
FACTS ABOUT THE STOCKHOLM REGION (Source: JLL)

	STOCKHOLM COUNTY		UPPSALA COUNTY	
	Outcome 2014	Trend 2015	Outcome 2014	Trend 2015
Number of inhabitants	2,198,044	↗	348,942	↗
Inward migration, number of inhabitants	20,843	↗	2,158	↗
Unemployment, %	6.4	→	5.4	→
In employment, %	78.5	→	76.9	→
Housing				
Rent level, new build, SEK/sq m/yr	1,700–2,200	↗	1,500–2,000	↗
Vacancy rate, %	0	↓	0	↓
Required rate of return, %	2.00–3.50	→	3.50–4.25	↓
Number of apartment starts	10,992	→	2,546	↗
Rental market size, SEK billion*	23.9	↗	3.4	↗

* Refers to 2013

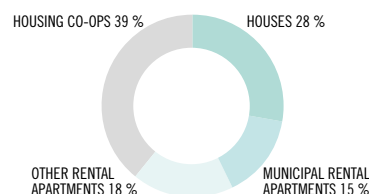


MARKET SHARE, RENTAL APARTMENTS, STOCKHOLM**



** Market share consists of the number of rental apartments in relation to the total number of rental apartments according to the City of Stockholm Statistics and Analysis Bureau.

HOUSING DISTRIBUTION BY TYPE IN STOCKHOLM***



*** Refers to 2013

PROJECTS, REGION STOCKHOLM

Some of the development projects we were busy with during the year.



BARKEN, JÄRFÄLLA

Location: Barkarbystaden

Construction period: 2015–2017

Number of properties: approx 200

Premises: Preschool and occasional premises on ground floor

Size: Studio, 1–3 bedrooms

Architect: Semrén och Månsson Arkitektkontor AB

During 2015, we will begin construction of around 200 new rental apartments in the Barken project. This is our second project in Barkarbystaden, which is one of the biggest expansion areas in the Stockholm region right now. An entirely new city district with housing, workplaces, schools, cultural facilities and services will emerge over a ten-year period. There are already good communications, something which will improve further with the extension of the Stockholm Metro Blue Line. Barkarbystaden will be a town that boasts low energy consumption and good conditions for sustainable development.



FÖLJA BERG, NACKA

Location: Jarlaberg, Nacka Strand

Construction period: 2013–2016

Number of homes: 122

Size: Studio, 1–3 bedrooms

Architect: Semrén och Månsson Arkitektkontor AB

“An extremely innovative proposal” was the pronouncement when we won the land allocation competition in Nacka municipality. During 2013, we began construction of 122 modern rental apartments to high standards using selected materials. In all, we are erecting five buildings which will ascend the slope of the rock and encompass a leafy residential square. As much of the original lot as possible will be preserved to retain the calm and peaceful atmosphere. The area will consist of two different types of building with four to six floors each, two extended high-rises and three blocks with entrance balconies. There are also many topographical advantages such as the proximity to the countryside and a range of services.



RIGGEN, STOCKHOLM

Location: Gröndal

Construction period: 2013–2015

Number of homes: 42

Size: Studio, 1 and 3 bedrooms

Architect: Krook & Tjäder AB

In April 2015, sales of 42 housing cooperative apartments will begin in this beautiful, functional high-rise building. The apartments are well-planned with excellent contact between the kitchen and living room and large glass partitions to each apartment's spacious gable balcony or patio. The balconies are located behind panels that act as screens to protect privacy and which impart a distinct, modern, changing character to the façade. A parking garage with space for 25 cars will be located under the building.



SEGELFLYGET, JÄRFÄLLA

Location: Barkarbystaden
Construction period: 2012–2015 (possession has begun)
Number of homes: 247
Size: Studio, 1–3 bedrooms
Architect: Argo Arkitekter AB

Our new city neighbourhood Segelflyget is emerging right next door to Stora Torget in Barkarbystaden. We are building 247 rental apartments here, all of which have a balcony or patio. They are designed to meet tomorrow's environmental and energy-related requirements. The building has a large courtyard with rolling green space and areas for socializing and communal activities, and there is a parking garage beneath the building. The ground floor of the property will include retail stores, cafés and restaurants – everything a living city district needs. The location of the Segelflyget city neighbourhood is optimal, especially since communications will improve significantly with the extension of the Stockholm Metro Blue Line.



SNICKERIET, UPPSALA

Location: Östra Sala backe
Construction period: 2014–2016
Number of homes: 137
Size: Studio, 1–3 bedrooms
Architect: Vera Arkitekter AB

The vision for Östra Sala Backe is to create a coherent city structure that links together Sala backe and Årsta. The new buildings will contribute to an all-round city with a mix of retail, workplaces, homes and services. The ambition is to develop a city life that extends the inner city's qualities to its outer districts. When we build these well-planned, light and airy apartments, all of which have a balcony or patio, the focus is on sustainability.



SVANHÖJDEN, NACKA

Location: Älta
Construction period: 2013–2015
Number of homes: 129
Size: Studio, 1–3 bedrooms
Architect: Sjögren Arkitekter AB

On the site of the old district heating boiler house next to Oxelvägen in Älta, we are building 129 rental apartments. Svanhöjden will consist of three buildings each with eight floors and erected on the rock only one minute away from Älta Centrum. The location with its high outlook provides fantastic views across the surroundings. Down the hill from the buildings and adjacent to the road that runs up the rock, we are building a large, three-story parking garage with 103 spaces. The building will also have a tasteful, artistically decorated façade.

REGION GOTHEMBURG

Region Gothenburg's approximately 160 properties are modernized and improved on an ongoing basis with a focus on value growth, sustainability and satisfied customers. Furthermore, the business area works intensively on new construction projects to meet the great demand for new homes.

Our residential properties

In Gothenburg we manage around 3,200 apartments of which the majority are located in the inner city, in Majorna, on Hisingen and the eastern parts of the centre, namely Lunden, Olskroken and Källtorp. We also have apartment buildings in the peripheral municipalities of Härryda, Partille and Mölndal. The business area also includes investment properties, with around 200 apartments in central Helsingborg.

Leasing and administration

Our residential holding is fully let and only a small proportion of apartments

become vacant during the year. The average relocation rate during 2014 was approximately 15 per cent. The majority of our vacant lets are filled in collaboration with Boplatz Göteborg. A proportion of our new production apartments are offered to current tenants in order to take special care of our customers.

We carry out ongoing surveys whose questions concern housing standards, property maintenance, security and service. The responses from our customers constitute an important basis for property management in that our customers' opinions and wishes influence housing development to an increasing extent. Examples of major renovation projects during 2014 are the façade renovations and window replacements in our holding on Dahlströmsgatan and the reconstruction of lifts in Vita Björn in Majorna. We have also improved public spaces in and around properties in major parts of our holding.

Strong demand for new construction

In addition to managing and developing our existing properties in the region, we are building new housing to meet the great demand.

As of 31 December 2014, we had around 500 apartments under construction in the region. We began construction on 320 apartments during the year, including the first phase of Stallbacken at Åby in Mölndal and an additional neighbourhood in Kvillebäcken on Hisingen. In our Vita Björn housing area in Majorna, 64 new rental apartments became ready for occupation. We note an extremely strong interest in our newly built apartments, which can be seen both in the interest shown in the projects by our own tenant base, and the number of applicants to our apartments via Boplatz Göteborg.

During 2015 we plan to begin construction of just over 380 homes, of which just under half are in Helsingborg. Read more about our new construction on page 51.

FACTS ABOUT REGION GOTHEMBURG (Source: JLL)

	GOTHEMBURG	
	Outcome 2014	Trend 2015
Number of inhabitants	541,145	↗
Inward migration, number of inhabitants	4,406	↗
Unemployment, %	5.1*	→
In employment, %	73.0	→

Housing

Rent level, new build, SEK/sq m/yr	1,500–1,800	→
Vacancy rate, %	0–1	→
Required rate of return, %	2.5–4.5	→
Number of apartment starts	1,957	↗
Rental market size, SEK billion	9.7	↗

Offices, central location

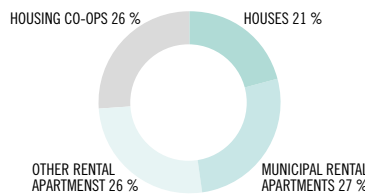
Rent level, 'A' location, SEK/sq m/yr	2,000–2,600	↗
Vacancy rate, %	2.9	→
Required rate of return, %	4.50–5.25	→

Retail, central location

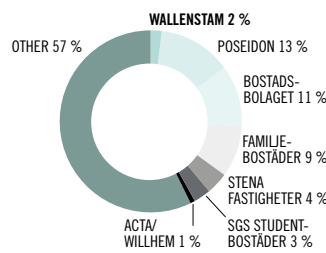
Rent level, 'A' location, SEK/sq m/yr	4,000–10,500	→
Vacancy rate, %	0–3	→
Required rate of return, %	4.75–5.25	→
Total local market size, (Gothenburg), SEK billion	7.8	↗

* 8.7 incl programme with activity support

HOUSING DISTRIBUTION BY TYPE IN GOTHEMBURG

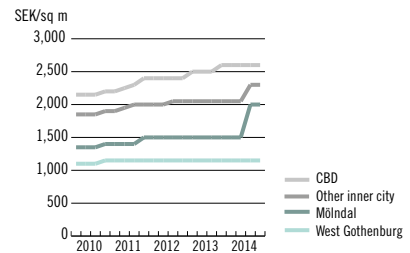


MARKET SHARE, RENTAL APARTMENTS, GOTHEMBURG**

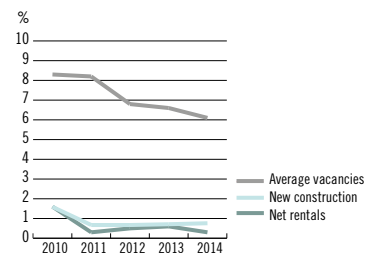


** Market share consists of the number of rental apartments in relation to the total number of rental apartments according to the City of Gothenburg municipal planning office.

RENT LEVELS COMMERCIAL MARKET



DEMAND/NEW CONSTRUCTIONS AND OFFICE VACANCY LEVELS, GOTHEMBURG



Net rentals shows changes in let premises at year-end expressed as a percentage of the total office space stock. New construction is also expressed as a percentage of the total office space stock.

Opportunities for new projects

We concentrate keenly on finding fresh opportunities for new construction projects. For example, planning is under way for additional construction in several different urban development projects in such places as Kallebäck in Gothenburg, Forsäker and Stallbacken in Mölndal's municipality, Aspedalen in Lerum and Mölnlycke Fabriker in central Mölnlycke.

Our commercial properties

Our commercial properties are concentrated in Gothenburg's inner city locations such as along Avenyn and Inom Vallgraven at the throbbing heart of city life. We are well able to offer our customers a wide range of premises that can be adapted to suit their needs.

With around 419,000 sq m of commercial floor space, we are one of the biggest operators on the local Gothenburg market, with a market share of just over 8 per cent. The major part of our commercial floor space – 47 per cent – consists of office space.

During 2014, we sold commercial properties with a floor space of 36,000 sq m as part of our strategy to centralize the commercial holding. We have not built any commercial properties during the year, something which otherwise requires the majority of the floor space to be under contract before production commences. However, we are adding floor space through reconstructions in our existing holding, for example space is being added in connection with the reconstruction of Kopparhuset at Avenyn 31–35.

Stable, high occupancy rates

The occupancy rate in regard to commercial property floor space amounted to 95 per cent at the end of the year, which can be compared to the occupancy rate for office space in Gothenburg of 94 per cent (JLL). A certain vacancy rate is necessary in the commercial holding in order to meet our customers' changing needs.

In all, we have around 900 commercial customers in Gothenburg. Our customer structure is differentiated, which means a good spread of risks. The value of our ten biggest commercial tenants corresponds to around 17 per cent of the total commercial rental value, and their floor space is equivalent to just over 20 per cent of the total commercial holding in Gothenburg.

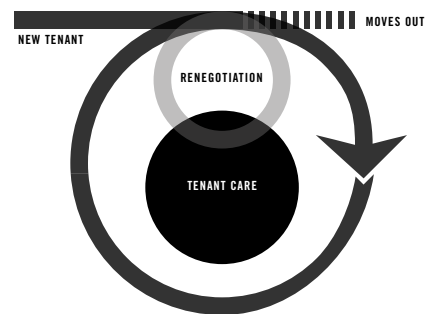
During the year we signed around 150 new agreements comprising approx 33,000 sq m. Examples of new tenancy contracts are Västra Götalandsregionen VGR, SF Bio and Boulebar Sverige.

Collaborative development

We endeavour to continually evolve in our role as landlord and to meet our customers' expectations in the best possible way. We work proactively in developing relations with our commercial customers based on an effective sales and customer care process. Our properties are continually modernized based on maintenance plans, our customers' current wishes and their businesses. Examples of major projects during 2014 are the renovation of roofs and façades, and new windows and heating systems in properties on

Första and Andra Långgatan, garage renovations on Stampgatan and the replacement of ventilation units in the property on Södra Gubberogatan.

Regular surveys are carried out among our tenants to measure the outcomes of our initiatives. The results provide valuable feedback and lead to operational action plans. The survey carried out during 2014 shows a major improvement in respect of customer satisfaction; above all our approach, accessibility and service were boosted and our customers' wishes resulted in a sharper focus on such things as improved environmental stations, refuse rooms and refuse handling. In order to create added value for our tenants, we offer security packages and the opportunity to buy renewable energy through Svensk NaturEnergi at advantageous prices. We also organize many customer care activities as part of our commitment to the community.



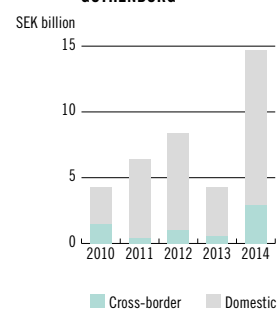
COMPETITION ANALYSIS COMMERCIAL MARKET, GOTHENBURG (Source: JLL)

Property company	Floor space, sq m	Market share, %*	Rental income, SEK million	Vacancy rate, %
Ekländia (Castellum)	535,000	10.5	558	6.5
Harry-Sjögren (Castellum)	286,000	5.6	250	6.9
Wallenstam	419,000	8.2	778	4.7
Vasakronan	418,000	8.2	1,113	3.0
Bygg-Göta	300,000	5.9	**	**
Platzer	375,000	7.4	531	7.0
Balder Göteborg/Väst	310,000	6.1	624	**
Other	-	48.2	-	-

* 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 (~5,100,000 sq m).

** Not reported

TRANSACTION VOLUME GOTHENBURG



PROJECTS, REGION GOTHENBURG

Some of the development projects we were busy with during the year.



GÖTAPLATSEN, GOTHENBURG

Location: Aveny area

Construction period: 2014–2015

Floor space: Approx 1,500 sq m cinema and restaurant/café

Architect: Semrén & Månsson Arkitektkontor AB

Tenant: SF Bio AB

SF Bio will open a new, modern cinema with the latest technology at Götaplatsen at the top of Kungssportsavenyen during 2015. The cinema will have four auditoriums with a total of 257 seats and will show primarily quality films. The pedestrian area around Götaplatsen already has a focus on art and culture, and the cinema will make an excellent addition to the current mix. Detailed plans are also in hand to allow an extension of the building's ground-floor to create space for a restaurant and café to complement the cinema.



KOPPARHUSET, AVENYN 31–35/ TEATERGATAN, GOTHENBURG

Location: Aveny area

Construction period: 2013–2015

Retail space: Around 3,400 sq m

Office space: Around 3,800 sq m

Number of homes: 66 apartments

Size: Studio, 1–2 bedrooms

Architect: Wingårdh Arkitektkontor AB

Reconstruction allowed the addition of more restaurant and retail space with two-story display windows facing Avenyn, and small shops along Teatergatan. The offices are open, light, airy and ultra-modern. We are building 66 apartments along Teatergatan, all with open floor plans and excellent natural lighting from windows and bay windows. The balconies face a courtyard with decorative flower beds and greenery. The building is heated by geothermal energy and supplied with wind power from Wallenstam's Svensk NaturEnergi electricity company.



KVARTERET VÅGMÄSTAREN, GOTHENBURG

Location: Kvillebäcken, central Hisingen

Construction period: 2014–2016

Number of homes: 112

Size: Studio, 1–2 bedrooms

Architect: KUB Arkitekter AB

Kvarteret Vågmästaren is our fourth project in Kvillebäcken and comprises 112 modern, light and airy rental apartments. Kvillebäcken focuses on ecological and social sustainability. We seek to create an environment where people can meet and socialize and which has everything necessary for aware, eco-smart living. The mix of housing and businesses also means there will be people in the area around the clock, contributing to a safe, secure environment.



ROSENLUNDSGATAN, GOTHENBURG

Location: The Rosenlund area, Inom Vallgraven
Construction period: 2013–2014

Rosenlundsgatan is located in central Gothenburg by Vallgraven and historic Feskekôrka. Thanks to an extensive city development project in collaboration with the city and other property owners, what was once considered an unsafe office district is now full of life and activity. Today the area is an attractive part of the city with retail stores and restaurants. Detailed plans are in hand to add floors with new homes to properties, and together with investments already completed, this will lead to more people using the area also during the evenings.



STALLBACKEN, MÖLNDAL

Location: Central Mölndal
Construction period: 2014–2016, phase 1
Number of homes: 185, in phase 1
Size: Studio, 1–2 bedrooms
Architect: Arkitekthuset Jönköping AB

We plan to build 185 apartments in the first phase of the Stallbacken project, a new, verdant city park at Åby racetrack. The six buildings are built to different heights and designs. In all, we will build around 550 apartments in the neighbourhood, which will be a modern, exciting residential area in a park-like environment close to amenities including an indoor pool and ice rink. A tree-lined avenue will screen the racetrack from the homes. It is within walking distance of the centre of Mölndal with good communications and every imaginable service.



VITA BJÖRN, GOTHENBURG

Location: Majorna
Construction period: 2013–2014
Number of homes: 64
Size: Studio, 1 bedroom
Architect: Sjögren Arkitekter AB

We have erected an eight-story building with 64 rental apartments in the Vita Björn neighbourhood in a densification project. All of the rooms in the apartments have oak parquet floors and walls painted in light colours. Unique balconies with glass balustrades jut from the building's walls lending it its own special character. The upper floors offer magnificent views across Gothenburg's harbour entrance. Majorna is a child-friendly, charming area close to both the sea and natural green space such as the Slottsskogen woods. The city district consists largely of residential areas, but close to the harbour and its surroundings there are a number of typical office and commercial areas.

SVENSK NATURENERGI

“

Our self-sufficiency in electricity is fantastic. Every month we produce more electricity than we and our tenants consume.”

HANS WALLENSTAM, CEO



Thanks to our three hydro power stations and 64 wind turbines from Jämtland in the north to Skåne in the south, we have been self-sufficient in renewable energy since 2013.

Our investments in renewable energy were made to increase the company's control of its own electricity expenses and climate impact. Today, our Svensk NaturEnergi subsidiary supplies our properties with all their electricity. Not only is our managed property less sensitive to changes in electricity prices, we are also able to provide

ourselves and our customers with green electricity at good prices. The initiative has also had a positive effect on collaboration with the municipalities we operate in.

Installed output and production

The installed output is 139 MW (118). We completed our final project during the year and we will now focus on operations in our wind farms to increase electricity production. Because 2014 was a good year for wind we enjoyed high productivity. The Svensk NaturEnergi business area produced

321.2 GWh (281.5) during 2014, and the values of electrical production and sales amounted to SEK 237 million (219) combined.

Naturally, wind farm output depends above all on how windy it is. With good winds and a normal annual wind distribution, turbines produce electricity for around 90 per cent of a year's hours. When wind is weak or does not blow at all, the wind turbines remain on standby. If 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 maximum output. In strong winds with speeds above 25 m/s, loads are so great that the turbines are stopped so as not to cause them unnecessary wear.

Projects and transactions

Net investments during the year amounted to SEK 229 million (326). The two wind farms Rigmor Sköld (Tommared) in Skåne and Gun Karlsson (Nyckeltorp) in Västra Götaland were completed and commissioned during 2014. As a sign of our appreciation, we name our wind farms after the people who have worked the longest in the company. We currently have no projects in progress.

During the year we sold four wind turbines with a total output of 3.2 MW and we purchased two wind turbines with a total output of 4 MW.

Load balancing responsibility

As an electricity company we have load balancing responsibility. This means we must produce or purchase electricity in amounts equivalent to those our customers consume on an hour-by-hour basis. We ensure balance between supply and consumption through careful planning and monitoring of our own production and by buying electricity on the NordPool electricity futures market.

Sales of surplus electricity

Electricity is sold both to Wallenstam tenants and so-called external customers at either fixed or variable prices. In addition to our efforts to optimize operations in our wind farms, the business area concentrates on streamlining sales. Our customer base increased during 2014 by twenty-seven per cent compared to the previous year. Examples of major customers with whom we signed contracts during 2014 are Friskis & Sveltis and D. Carnegie & Co AB.

The remaining surplus electricity is sold on NordPool. In order to safeguard revenues from variations in the spot price, the electricity price is hedged on the financial market. This takes place through financial instruments – electricity derivatives – with different maturities. Overall, Svensk NaturEnergi generates a significant surplus of renewable energy certificates, which can be sold to generate additional revenues.

Low electricity prices

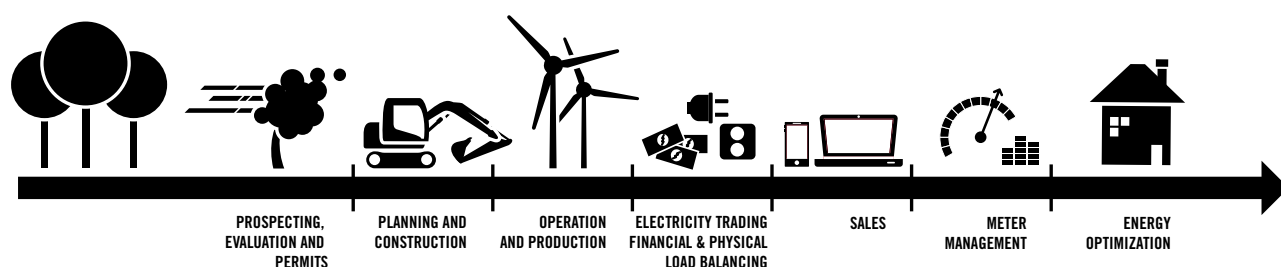
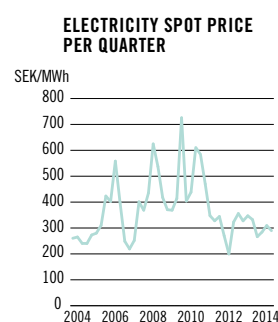
Many individual factors contribute to the historically low electricity price levels – a warm year climate wise, low growth with resulting low electricity consumption within e.g. industry and a low oil price which over time also

exerts downward pressure on the price of wind power. Low consumption together with a rate of wind power construction that is faster than expected have also led to a surplus of renewable energy certificates.

As a result of the electricity price levels and how these are estimated to develop moving forward, we entered an impairment loss for the year of SEK 350 million in respect of wind turbines. The depreciation period for our wind turbines is twenty-five years.

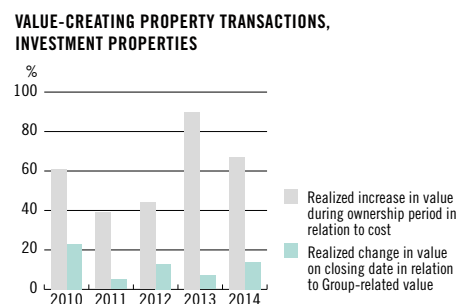
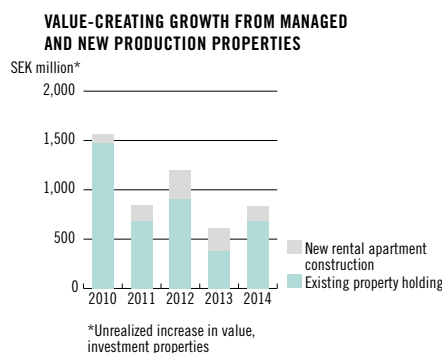
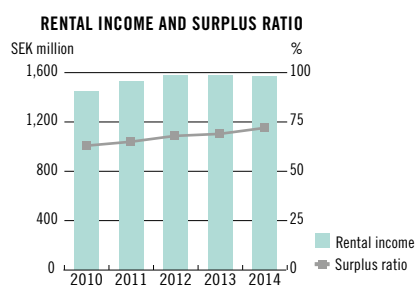
Other green electricity methods

Currently, Wallenstam's investment in renewable energy concerns mainly wind power, but other production methods and possibilities are under constant review. An example is Wallenstam's investment in Exeger Sweden AB, a company that is developing industrial production of the next generation of solar cells.



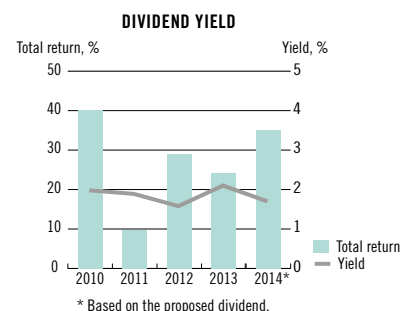
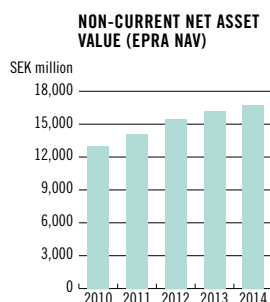
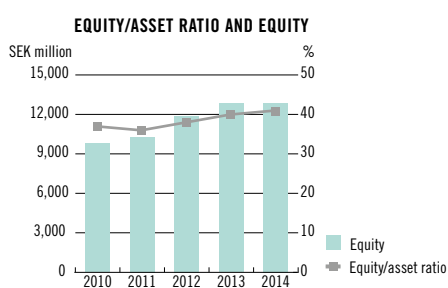
FIVE-YEAR SUMMARY

SEK million	2014	2013	2012	2011	2010
INCOME STATEMENT SUMMARY					
Rental income	1,566	1,578	1,576	1,532	1,450
Operating expenses	-439	-483	-503	-529	-532
Operating surplus, management operations	1,127	1,095	1,073	1,003	918
Management costs and administration expenses	-187	-199	-172	-163	-152
Financial income	17	45	41	37	28
Financial expenses	-365	-468	-488	-470	-411
Income from management operations	592	473	454	407	383
Profit/loss from natural energy management operations	-25	-8	-34	-50	-35
Capital gains, wind power assets	0	3	10	0	0
Profit from the sale of co-op apartments	226	4	8	22	37
Realized changes in value, investment properties	232	67	180	35	134
Profit/loss before unrealized changes in value and impairment charges	1,025	539	618	414	519
Unrealized change in value, investment properties	829	605	1,198	849	1,565
Unrealized change in value, financial instruments	-854	328	-94	-337	79
Unrealized changes in value, synthetic options	-20	-23	-20	-3	-14
Impairment losses on fixed assets	-350	-150	-100	0	0
Profit/loss before tax	630	1,299	1,601	923	2,149
Taxes	-45	-23	326	-187	-577
Profit after tax	585	1,276	1,927	736	1,572
BALANCE SHEET SUMMARY					
Investment properties	28,481	28,079	27,680	26,296	23,637
Wind and hydro power incl. new construction in progress	1,770	1,982	1,906	1,548	1,179
Financial derivative instruments	27	75	851	659	419
Other fixed assets	600	551	2	3	76
Work in progress, co-op apartments	601	970	-	-	-
Other current assets	278	780	774	461	839
Total assets	31,757	32,437	31,213	28,967	26,150
Equity	12,883	12,840	11,893	10,295	9,783
Deferred tax	2,063	2,014	2,006	2,327	2,135
Interest-bearing liabilities	15,078	16,704	16,042	15,293	13,460
Financial derivative instruments	1,047	248	501	437	153
Non-interest-bearing liabilities	686	631	771	615	619
Total equity and liabilities	31,757	32,437	31,213	28,967	26,150
STATEMENT OF CASH FLOWS IN SUMMARY					
Cash flow from operating activities	626	510	276	312	405
Cash flow from investing activities	1,053	-939	-639	-2,162	-1,648
Cash flow from financing	-2,007	619	471	1,286	1,176
Change in cash and cash equivalents	-328	190	108	-563	-68
Available liquid assets	639	784	594	435	1,049



SEK million	2014	2013	2012	2011	2010
KEY RATIOS					
Rental income, SEK million	1,566	1,578	1,576	1,532	1,450
Operating surplus, management operations, SEK million	1,127	1,095	1,073	1,003	918
Surplus ratio, property operations, %	72	69	68	65	63
Income from management operations, SEK million	592	473	454	407	383
Profit/loss from natural energy management operations, SEK million	-25	-8	-34	-50	-35
Profit before unrealized changes in value, SEK million	1,025	539	618	414	519
Profit after tax, SEK million	585	1,276	1,927	736	1,572
Comprehensive income, SEK million	583	1,267	1,930	742	1,634
Return on equity, %	4.6	10.3	17.6	7.0	17.0
Return on total capital, %	3.2	5.7	7.0	5.0	11.0
Value of investment properties, SEK million	28,481	28,079	27,680	26,296	23,637
Work in progress, co-op apartments, net, SEK million	601	970	-	-	-
Yield, investment properties, %	4.4	4.4	4.6	4.6	4.1
Total return, investment properties, %	8.5	7.1	10.5	8.7	11.1
Interest coverage ratio, realized, times	5.3	4.0	3.3	2.5	2.7
Interest coverage ratio, times	3.7	2.2	2.2	1.9	2.2
Loan to value ratio, %	48	51	52	53	51
Average interest as of closing date, %	2.56	3.11	3.51	3.92	3.81
Average fixed-interest term, months	43	38	34	33	28
Equity/assets ratio, %	41	40	38	36	37
Equity, SEK million	12,883	12,840	11,893	10,295	9,783
Net asset value, SEK million	15,964	16,027	15,027	13,708	12,935
Non-current net asset value (EPRA NAV), SEK million	16,760	16,162	15,419	14,139	13,013
Market capitalization, SEK million	22,049	16,533	13,648	10,922	10,443
Dividend, SEK million	337	212	206	200	207
Area, sq m (thousand)	1,007	1,104	1,161	1,221	1,267
Occupancy rate – lettable area, %	98	98	98	98	98
Average number of employees	203	196	187	194	184
Per-share data, SEK					
Profit after tax	3.5	7.5	11.3	4.3	9.0
P/E ratio, times	37.1	13.0	7.1	14.8	6.5
Cash flow from operating activities	3.7	3.0	1.6	1.8	2.3
Equity	77	76	70	60	57
Share price	129.70	97.25	79.35	63.50	59.00
Share price in relation to equity, %	168	128	114	106	104
Dividends	2.00	1.25	1.20	1.17	1.08
Shares outstanding at end of period, thousands	167,000	168,800	170,000	171,800	172,284
Shares outstanding, average, thousands	168,200	169,533	171,084	171,908	173,313

Earnings-based key figures are calculated on the average number of outstanding shares; yield figures are calculated on rolling twelve-month profit or loss.



ADMINISTRATION REPORT

The Board of Directors and the Chief Executive Officer of Wallenstam AB (publ), Swedish company registration number 556072-1523, hereby submit the annual accounts and consolidated financial statements for 2014. The previous year's figures are shown in parentheses.

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. Wallenstam also invests in renewable energy and since the beginning of 2013 has been self-sufficient in renewable energy, meeting both its own and its tenants' requirements on a monthly basis. 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 that are sustainable in business and human terms in selected big city regions.

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 an average increase in net asset value, excluding dividends and repurchases, of at least 10 per cent per year during the period.

OPERATIONS AND ORGANIZATION

The Board of Directors has its registered office in Gothenburg, and the head office street address is Kungssportsavenyen 2. A total of 205 individuals (197) were employed by the Group as of 31/12/2014. Operations were run in three business areas: properties in the Gothenburg and Stockholm regions, and renewable energy through Svensk NaturEnergi. The administrative support functions provide the business areas with skills and expertise in accounting, finance, IT, law, PR, customer service, HR and taxes. The two property business areas also include responsibility for leasing and management of residential and commercial premises together with planning and construction work. The Group's commercial properties are located primarily in Gothenburg where Wallenstam manages around 200,000 sq m of centrally located floor space at an occupancy rate of 95 per cent.

The property holding comprises a total of 1,006,980 sq m distributed over approximately 220 properties, primarily in Stockholm and Gothenburg. In all, Wallenstam has around 7,600 apartments and 1,000 commercial tenants. The value of the investment properties is around SEK 28 billion, with residential properties making up around 49 per cent of the lettable area; the remainder is made up of commercial properties and parking. The residential property holding of just over 7,600 apartments is fully let. In addition to investment properties, Wallenstam has new co-op apartment projects under construction with a total net value of SEK 601 million, taking the total value of properties to SEK 29 billion.

Svensk NaturEnergi's primary task is to ensure Wallenstam produces sufficient energy from renewable sources to meet our own and our tenants' needs calculated in kWh per month. At year-end our installed output was 139 MW (118).

RESPONSIBLE ENTERPRISE

Wallenstam's sustainability initiatives are based on a common Group policy and are reported according to the Global Report-

ing Initiative's Sustainability Reporting Guidelines (GRI index) and Hållbart värdeskapande (Sustainable Value Creation). Our sustainability efforts focus on:

- Taking active social responsibility.
- Helping to reduce energy consumption.
- Investing in renewable energy sources and energy-efficient construction.
- Continual improvements in the performance of our properties.

As part of our active responsibility for communities we also work on security-enhancing initiatives for our tenants; we contribute toward accommodation for the young and homeless, we support organizations that provide free activities such as school homework clubs and football training, and we support organizations that work with drug problems and 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.

Among the guiding principles in our current business plan is to reduce the carbon load in the property holding by 15 per cent per sq m by the end of 2018. In owning and operating wind farms, the Group conducts operations that both require permits and must be notified under Miljöbalken, the Swedish Environmental Code. Wind power generation has effects on nature and communities on account of where the turbines are located. One advantage of wind power as an energy source is that Wallenstam is helping to reduce emissions of carbon dioxide. Wind power is also a renewable form of energy, which means that we are not dependent on fossil fuels in our production. The Group holds all the permits required to conduct its existing operations.

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

Wallenstam had an extremely busy 2014. We completed a number of good transactions and continued to grow our property holding through new construction and conversions.

During the year we sold 16 properties and one piece of land for a total of SEK 2,349 million (1,986) at prices that together exceeded valuations by 14 per cent. The divested properties comprised four commercial properties and two residential properties in Gothenburg as well as ten residential properties in Stockholm. The only acquisitions during the year were some small purchases of land for a total of SEK 42 million (1,215). In addition to sales completed, contracts were signed for future sales including that of Kungsholmporten, two properties that Wallenstam built in 2009–2012 at Essingeleden, Stockholm. The buyer is AFA, a strong and long-term rental management company.

The investment offensive in new construction continues. Investments focused on our own new construction – mainly rental apartments, but also co-op apartments. At year-end around 1,600 apartments were under construction, of which 1,140 were in Stockholm and 490 in Gothenburg. The year's investments in new construction and conversions of rental apartments and co-op apartments amounted to SEK 1,899 million (1,374) in total.

Wallenstam looks after and builds rental properties. The construction process is demanding and calls for great care and planning if it is to be feasible from a financial perspective. One precondition is access to land on which to build the properties. This is obtained through land allocations in cooperation with municipalities or through acquisitions. In total, we started construction of 715 rental apartments during the year and completed a total of 246, with tenants moving into 182 of these as phases were completed in ongoing projects. In 2014 we also completed the construction of new co-op apartment properties.

Summer 2014 saw the sale of units in our newly constructed co-op apartment property Ture No. 8, located on Grev Turegatan in the Östermalm district of Stockholm. The project, which is of a unique type for Wallenstam, encompassed 61 exclusive co-op apartments and received a great deal of media attention. This project was followed in the autumn by a further noted co-op apartment project, known as Tuletornen in Sundbyberg, with a total of 180 apartments split between two buildings. Contracts of sale have been concluded for the majority of the apartments and in December 2014 residents began moving into the first of the two buildings, Kristallen.

As of 31 December 2014 the business area Svensk Natur-Energi had 64 wind turbines and three hydroelectric stations in operation, with a total installed output of 139 MW compared with 118 MW at the beginning of 2014. The price of electricity has been at a historical low, which affected not only earnings but also the assessment of the present value of the wind turbines. In autumn 2014 the value of a number of wind turbines was adjusted downwards by SEK 350 million (150) in total. Valuation is based on assumptions concerning the future and reflects an estimate of value at a particular point in time. The main influence is the current low prices for electricity. The impairment loss will be reversed as soon as conditions allow.

During the year Wallenstam received a number of awards:

- The Kundkristallen (Customer Crystal) in the “biggest boost in the service index” category, a prize in which private and municipal property companies compete on service and quality.
- The 2014 Fastigo prize for strategic work on equality and well-developed efforts in this regard.
- Svensk Betong awarded its architecture prize to Vera Arkitekter AB for Wallenstam's project Ture No. 8.

GROUP RESULT

The Group's rental income amounted to SEK 1,566 million, a slight decrease on the previous year when income amounted to SEK 1,578 million. The change is mainly a consequence of property sales completed during the year, which also reduced operating expenses for the same reason. Rental negotiations had a good outcome. In addition, newly constructed rental properties were added, which is why the decrease in income is only SEK –12 million net despite the high level of sales. As regards operating expenses, in addition to the effect of changes in the property holding these also decreased as a result of lower energy costs and more efficient operation of the properties compared with the previous year. In total, operating expenses for the year were SEK 439 million, which is SEK 44 million lower than in 2013. The operating surplus was SEK 1,127 million (1,095), making a surplus ratio of 72 per cent (69) for the year, which is a strong improvement on the previous year.

Earnings from property management operations amounted to SEK 592 million (473), an improvement of 25 per cent compared with the previous year. The improvement is due to the improved operating surplus combined with lower interest expenses. The decrease in net financial items is a result of our decision to pay off debt during the year as well as a lower average interest rate. The repayments were able to be made as a result of positive cash flow from operating activities combined with the cash flow from the sales of properties and co-op apartments that took place during the year. Interest-bearing liabilities at year-end were SEK 1.6 billion lower than in 2013. The average interest rate on the closing day was 2.56 per cent, which is a 0.55 percentage point reduction compared with 3.11 per cent at year-end 2013.

Properties were sold to a property value of SEK 2,349 million and co-op apartments for SEK 1,055 million. The earnings from these sales together total SEK 458 million (71) after taking into account selling expenses.

The change in the value of investment properties was also positive and amounted to SEK 829 million (605). The positive change in value is a result of good demand for properties, well-conducted rent negotiations and efficiency improvements in property operation, as well as good value growth in the Group's newly constructed rental properties.

Falling market interest rates are also contributing to increased demand for properties and low borrowing costs, but also contributed to deficits arising in the Group's interest derivatives portfolio. The expense resulting from recognition of the change in the value of derivatives has no effect on cash flow; nor does it affect the Group's average interest rate, since this calculation takes into account the effect of interest derivative contracts entered into. Given that the derivatives are not realized, the liability will thus be dissolved during the term of the derivatives when there will be a corresponding positive effect on profit.

Profit after tax in 2014 totalled SEK 585 million (1,276), equivalent to earnings per share of SEK 3.50 (7.50).

Rental income

The Group's rental income totalled SEK 1,566 million (1,578), of which SEK 1,100 million (1,056) consisted of rental income from Gothenburg and SEK 457 million (513) from Stockholm. All in all, rental income was affected by completed negotiations, new rentals, property sales, acquisitions and finished projects. Wallenstam's residential property holding is fully let. The year's rent negotiations resulted in an average rise of 1.7 per cent in Gothenburg and 1.6 per cent in Stockholm. Rent levels for Wallenstam's commercial premises rose by 0.9 per cent compared to the previous year for comparable holdings. We are experiencing stable demand for commercial properties, especially in central locations where the majority of our holding is situated. Rent levels are stable and the occupancy rate for commercial properties in terms of lettable area amounted to 95 per cent on closing day.

Operating expenses and operating surplus, investment properties

Operating expenses decreased by 9 per cent and amounted to SEK 439 million (483). Efficient management, optimized energy consumption and a changed property holding with newer buildings contributed to reduced operating expenses, as did milder weather – particularly at the beginning of 2014. The operating surplus increased to SEK 1,127 million (1,095), an improvement of 3 per cent over the previous year. Seasonal effects at Wallenstam consist mainly of variable operating expenses. These are usually greatest during quarters one and four when expenses for heating and property maintenance are generally higher. The surplus ratio is 72 per cent (69).

Management costs and administration expenses

Management costs and administration expenses refer mainly to personnel expenses and can be broken down into SEK 187 million (199) for property management, SEK 35 million (24) for energy management and SEK 33 million (31) for property transactions. There were non-recurring expenses of SEK 10 million (3). Unrealized expenses for Wallenstam's new synthetic options scheme are reported as a line item in the income statement, and for 2014 amount to SEK 20 million (23). In addition to unrealized expenses, in 2013 Wallenstam had realized expenses of SEK 18 million for the completion of an earlier options scheme and the commencement of a new scheme. In 2013 these were included in property management expenses.

The current synthetic options scheme runs from 01/10/2014 to 31/05/2019. Important input data includes the share price on closing day of SEK 129.70, an exercise price of SEK 105 with a ceiling of SEK 160, an anticipated share price volatility of 22 per

cent, the options' duration until midnight 31/05/2019, an anticipated dividend of SEK 2.25 and an annual risk-free interest rate of 0.12 per cent. The maximum payout for this scheme is SEK 250 million. For more detailed information, refer to Note 7.

Financial income and expenses

Income from financial items amounted to SEK 17 million (45) and financial expenses to SEK 403 million (503). The decrease in interest expenses is a result of both our decision to pay off debt during the year and a lower average interest rate. Financial income comprises interest income and other financial income, and decreased by SEK 28 million. In addition to the impact of lower average interest rates in 2014, the income was also affected by the fact that contracts with a high return expired at the beginning of the year while at the same time the previous year's income included SEK 18 million in profit from the sale of securities held and dividends, for which there was no equivalent this year.

Financial expenses break down into property management expenses of SEK 365 million (468) and natural energy management expenses of SEK 38 million (35).

Result from natural energy management operations

Profit or loss from natural energy management operations means revenues less expenses including depreciation, administration expenses and interest expenses attributable to electricity trading and electricity generation. During 2014 a total of 321.2 GWh (281.5) was produced, an increase of 14 per cent compared to 2013. This increased production is not reflected to the same extent in sales, since electricity prices were substantially lower compared to the previous year. Revenues and expenses from the generation and sale of electricity and renewable energy certificates amounted net to SEK 48 million (51). Following deductions for interest as well as for management costs and administration expenses totalling SEK -73 million (-59), the loss from natural energy management operations for the year was SEK -25 million (-8). Energy expenses for the year include wind turbine depreciation of SEK 91 million (79) that does not affect cash flow.

Result from the sale of co-op apartments

During the year Wallenstam completed the construction of two major new co-op apartment properties, Ture No. 8 on Grev Turegatan in Stockholm and one of two buildings at Tuletorget in Sundbyberg. Revenue and expenses from the sale of co-op apartments are recognised when the buyer occupies the housing and consist of compensation from the sale and the cost respectively of the co-op apartment units sold. The expenses include selling and marketing expenses for co-op apartments, which are recognised as they arise. Profit for the year from the sale of co-op apartments amounted to SEK 226 million (4) net.

Change in value, investment properties

Realized changes in value, investment properties

The change in the value of investment properties consists partly of unrealized changes in value and partly of profits realized through property sales. During the period Wallenstam sold properties for a total of SEK 2,349 million (1,986). The sales were concluded at prices that on average exceeded the latest valuation by around 14 per cent (7), producing a realized profit for the Group of SEK 265 million (98) including selling expenses but before internally distributed administration. This means that in relation to the amount invested, which totalled SEK 1,413 million (1,033), and taking into account direct selling expenses, Wallenstam will realize a profit in connection with the sales of SEK 916 million (929), or 66 per cent (89).

Since the divested properties were held for an average of nearly 17 years, this corresponds to average annual value growth of 3.1 per cent. The major part of this growth was reported on an ongoing basis in the consolidated income statement throughout the period of ownership as a component of the item "Unrealized changes in value, investment properties".

Unrealized changes in value, investment properties

The year showed stable levels in terms of property values. High demand for properties tends to lead to reduced required rates of return. Wallenstam made no general change to the properties' required rate of return during the year. However, the required rate of return for a small number of commercial properties in central Gothenburg was adjusted in summer 2014. As shown in Note 17, unrealized value growth was primarily generated through improved operating surpluses as a result of the year's rental negotiations and more efficient property operation, as well as conversion and new construction projects which added new properties that are operated efficiently. Our deliberate strategy of concentrating on attractive properties in popular locations with long-term value growth is also considered to be a factor. Estimated market values for new construction projects are charged initially with a risk supplement on the required rate of return of 0.25 percentage points compared to an investment property in the same location. This is because of the uncertainty that exists in regard to budgeted expenditures, e.g. for final production expenses and initial operations in these properties. After a period in operation when actual conditions are known the required rate of return is tested anew.

Total changes in value for Wallenstam's property holding as of 31 December 2014 amounted to SEK 1,094 million (703), of which realized profits amount to SEK 265 million (98) and unrealized changes in value SEK 829 million (605).

Unrealized changes in value, financial derivative instruments

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

In 2014 the deficit on the company's interest derivatives portfolio increased to SEK 1,003 million (158), which negatively impacted profit by SEK 845 million (positive 337). The negative change in the value of interest derivatives is an effect of the expectation that market interest rates will continue to fall. Falling interest levels have some benefits. New financing can be obtained at lower levels of interest, which strengthens management earnings. Falling interest rates can also increase demand for properties on the market and thus also the value of the properties.

In addition to interest derivatives, earnings were also affected by expenses for electricity futures of SEK 7 million (13) and a negative change in value for other financial assets of SEK 2 million (-4).

Impairment losses applied to assets

As a result of the assessment that the energy market will remain weak for a while, wind turbines were charged with an impairment loss totalling SEK 350 million (150) during the third quarter. The value of the wind turbines following the impairment charge reflects prevailing market conditions in the industry on the closing day. It is mainly falling electricity prices that weigh down the valuation. The impairment losses will be reversed as soon as conditions allow.

Taxes

Reported tax expense for the year amounts net to SEK 45 million (23), of which deferred tax constitutes SEK 44 million (21)

and current tax SEK –1 million (–2). The tax expense for other comprehensive income is SEK 0 million (3). Where properties were sold through the sale of shares in subsidiaries, the provisions for tax liabilities for the properties sold were reversed. In the case of this year's property divestments via subsidiaries, previous provisions of SEK 197 million (117) for tax liabilities were reversed.

In addition to income tax expenses, the Group is also affected by other tax expenses, the greatest of which are VAT expenses – as a property company, our rights of deduction are limited – and taxes such as property tax, energy and stamp duty and personnel-related taxes and charges. Wallenstam's expenses for these taxes in 2014 amounted to around SEK 520 million (475); they are reported under operating expenses within property management earnings and investments in construction operations respectively.

Specification of taxes paid

SEK million	2014	2013
Income tax	1	2
VAT	392	338
Property tax, energy tax and stamp duty	86	90
Social security contributions for employees	41	45
Total taxes paid	520	475

WALLENSTAM'S BUSINESS AREAS

Gothenburg and Stockholm

All of the cities in which Wallenstam operates are characterized by extensive demand for rental properties and low rates of construction. Only a small proportion of apartments become vacant as a result of relocations. Our property holding in Gothenburg consists of around 3,200 apartments and around 900 commercial customers who rent office space and retail stores mostly in inner city locations. The residential property holding in Helsingborg of around 200 apartments is centrally located. In Stockholm Wallenstam manages around 4,200 apartments and the major part of our new construction is currently in this area.

Svensk NaturEnergi

Operations within Svensk NaturEnergi consist of both the generation of and trade in renewable energy. At the end of December the installed output totalled 139 MW (118). During 2014 a total of 321.2 GWh (281.5) was generated. Electricity is sold both to Wallenstam tenants and to external customers at either fixed or variable prices.

CONSOLIDATED BALANCE SHEET

Investment properties

The estimated market value of properties amounts to SEK 28,481 million (28,079); refer also to Note 17. All Wallenstam's properties are valued quarterly by an internal valuation team. In evaluating the properties the following are taken into consideration:

- An analysis of concluded and non-concluded property transactions.
- An evaluation of the required rates of return in each market.
- An evaluation of each property's specific circumstances regarding e.g. condition and location.
- An analysis of rent levels, contract lengths, and vacancy and rental trends.
- An analysis of existing tenants.
- Credit market conditions.

During the year we invested SEK 1,555 million (2,254) in investment properties, of which acquisitions amounted to SEK 42 million (1,215), while new construction and conversions totalled

SEK 1,513 million (1,039). By year-end 2014 we had begun new construction of around 715 rental apartments under the current business plan, making a total of around 1,380 rental apartments under construction. Examples of major new construction and conversion projects currently in progress include Segelflyget and Svanhöjden in the Stockholm region, and Kvillebäcken and Stallbacken in the Gothenburg region.

Co-op apartment construction projects

During the year we invested SEK 386 million (335) in the construction of new co-op apartments. Wallenstam has new co-op apartment projects in progress amounting to SEK 601 million (970) on the closing day. Current major projects in progress include Riggen in Gröndal, Tuletornen in Sundbyberg (partly complete) and Tyresö Trädgårdar in Tyresö. These projects correspond to around 250 apartment under construction.

Svensk NaturEnergi

We invested SEK 229 million (326) net in wind and hydro-electric power during 2014. Net investments for finished turbines and new turbines under construction after depreciation and impairment charges amounted to SEK 1,770 million (1,982) at year-end. When preparing the accounts to 31 September, an impairment loss totalling SEK 350 million (150) was applied to the value of wind farms. If market conditions change, this impairment loss may be reversed.

Equity and net asset value

Shareholders' equity amounts to SEK 12,883 million (12,840), equivalent to SEK 77 per share (76). The equity/assets ratio stands at 41 per cent (40). Shareholders' equity was influenced by comprehensive income for the year, dividends and repurchases. Net asset value, which includes equity and deferred tax liability, totalled SEK 15,964 million (16,027). Additions for deferred tax liability are made to better reflect the net asset value as the effective tax rate is significantly lower than the nominal rate.

Net tax liability

The Group reports a net tax liability of SEK 2,063 million (2,014), made up of a deferred tax asset of SEK 1,018 million (1,173) and a deferred tax liability of SEK 3,081 million (3,187). The deferred tax asset refers primarily to the value of loss carry-forwards in Group companies. Deferred tax liability consists mainly of differences between carrying amounts and fiscal residual values for Group properties.

Interest-bearing liabilities

Wallenstam's loan portfolio amounts to SEK 15,078 million (16,704). The loans are primarily secured against traditional mortgage deeds in properties and collateral security in wind turbines. The loan-to-value ratio is 48 per cent (51). Significant repayments mean that the loan portfolio has reduced despite maintaining the pace of investment. This was made possible by positive cash flows from both management operations and transactions. Of the loans, 53 per cent (49) have fixed-interest terms longer than one year. The average remaining fixed-interest term is 43 months (38). The average effective interest rate at year-end was 2.56 per cent (3.11). Of interest-bearing liabilities, loans with capital tied up for long terms are calculated to be in the region of 8 per cent (6) of the total portfolio.

Available liquid assets

Available liquid assets, including unutilized bank overdraft facilities, amounted to SEK 639 million (784) on the closing day. There

is an additional approved building credit of SEK 887 million (1,725) not yet utilized, of which SEK 792 million (835) constitutes funds available but not utilized as of closing day.

OPPORTUNITIES AND RISKS

Wallenstam has defined risks and uncertainties in the following areas: operations, the business environment and financing. In accordance with IFRS, management makes assumptions, estimates and assessments that affect the content of financial statements. Actual outcomes may differ from these estimates and assessments, as is made clear in the accounting principles.

Operations

Operational risks are those related to our core activities, business development and property management. When we build new residential properties we do so in good locations where demand is high, which provide good rates of return and excellent value growth. Cash flow is strong, which combined with properties in prime locations, a high occupancy rate, excellent tenants and a good rental agreement structure in the commercial holding means the risk of major future vacancies is considered to be low. Residential rental income is comparatively secure and predictable.

Heating is a major expense for property companies that is affected by seasonal effects such as the climate and weather conditions. We build and renovate with a focus on energy efficiency and are self-sufficient in renewable energy, making us less sensitive to changes in electricity prices.

Our production of wind power is weather dependent. In the case of electricity trading, supply and demand are the most important factors as they determine price. Demand is affected chiefly by market conditions, weather and temperature trends. We follow-up expenses proactively and do not envisage any risk of major declines in cash flow or in securing the relevant portion of our production and sales.

Business environment

External risks are chiefly those that lie outside our scope of operations, such as changing market conditions. Property values are affected by our own property management activities and general market conditions. Small changes in the required rate of return can result in major changes in value. Wallenstam operates in areas where there are significant housing shortages. Commercial properties are located chiefly in central Gothenburg. A change of +/-0.25 percentage points in required rates of return is equivalent to approximately +/- SEK 9.00 per share. As of 31 December 2014, the estimated market value amounted to around SEK 28 billion. A change in value of +/- 10 per cent is equivalent to a change in value of around SEK 2.8 billion and a change in net asset value of around SEK 16.00 per share. The structure of the property holding, attractive locations and a high occupancy rate add up to a low overall risk profile.

Wallenstam is affected by political decisions associated with tax legislation and its interpretation, such as the level of corporate tax or property tax. A change in tax legislation or practice – resulting, for example, in changes to allowable tax deductions or rules on utilizing tax loss carryforwards – could change Wallenstam's future tax situation and thereby impact profits.

External risks in the Svensk NaturEnergi business area are primarily connected with political decisions and general business cycle conditions, including supply and demand for electricity.

Financing

Financial risks refer to an inability to satisfy demand for the necessary amount of capital, which is an essential operational resource. Our finance policy regulates the company's actions on

the credit market, loan portfolio structure and distribution between the number of lenders. We work chiefly with conventional loans and mortgages secured against property. The financing of wind farms is secured through the transfer of leases and the pledging of shares in wind-power companies and their assets.

WORK OF THE BOARD OF DIRECTORS DURING THE YEAR

Wallenstam's Board of Directors has five members. During 2014 the Board held six minuted 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 principal matters during the year were strategic company decisions regarding investment in new construction and renewable energy, property transactions and so forth. The work of the Board is detailed in the corporate governance report, which is separate to the administration report and can be read on page 109.

GUIDELINES FOR DETERMINING SALARIES 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 2014 AGM and the conclusion of the 2015 AGM. The guidelines shall apply to the Chief Executive Officer and other members of the company's management.

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

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

Non-monetary benefits – Senior executives must be offered customary non-monetary benefits such as cars, mobile phones and company health care, to facilitate the performance of their work. Additionally, benefits in the form of accommodation may also be offered in exceptional cases.

Variable remuneration – In addition to fixed salaries, variable remuneration that rewards predetermined, measurable performance may also be offered. Such variable remuneration must 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 Deputy Chief Executive Officers as recompense for the extraordinary work performed during the implementation of the business plan.

Variable remuneration must be paid in the form of salary and may not exceed the fixed remuneration for the position concerned for the current year. Payments in respect of the above incentive programme are not pensionable.

Share-based payment – Senior executives may be offered incentives in the form of so-called synthetic options if such an offer is available to all personnel employed indefinitely in the company.

Period of notice and severance pay – A reciprocal period of notice of six months shall apply to senior executives. Severance pay, 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 individual cases.

PARENT COMPANY

The parent company's primary operations are the performance of Group-wide services, in addition to which the parent company

owns a small number of properties. Total sales for the year amounted to SEK 255 million (254), of which rental income constituted SEK 57 million (60). During the year, long-term market interest rates in particular have fallen, which has had a negative effect on the value of interest derivatives. In total, earnings were negatively affected by value changes of SEK 845 million (positive 337) relating to interest derivative instruments. Profit/loss after tax amounted to SEK -687 million (2,649), as did comprehensive income. The result for the period include dividends from subsidiaries of SEK 221 million (2,712). Investments in fixed assets during the period amounted to SEK 243 million (91). Parent company external loans amounted to SEK 7,689 million (7,995) as of closing day. A total of 202 individuals (195) were employed by the parent company as of 31 December 2014.

THE WALLENSTAM SHARE

The share capital in Wallenstam AB consists of 17,250,000 A shares, each with ten votes, and 152,750,000 B shares with one vote each. The Wallenstam B share is listed on Nasdaq Stockholm, Large Cap. The number of shares registered totalled 170,000,000 and the registered share capital is 170,000,000 Swedish kronor, corresponding to a quota value of SEK 1.00 per share.

During 2014, the Wallenstam share price rose by 33 per cent. The property indices OMX Stockholm Real Estate and OMX Stockholm PI climbed by 35 per cent and 12 per cent respectively during the same period. At the end of the period the Wallenstam share price was SEK 129.70 (97.25) and the market capitalization was SEK 22,049 million (16,533) based on the number of registered shares. Equity per share amounted to SEK 77 (76). The share's highest price during the year was SEK 131.90 and its lowest SEK 94.30. A total of 26.4 million (24.8) Wallenstam shares changed hands on the Nasdaq Stockholm at a total value of SEK 2,882 million (2,186). Average daily turnover totalled around 106,200 shares (99,300). Wallenstam has a mandate from the AGM to repurchase shares. During 2014 a total of 1,800,000 shares were repurchased at an average price of SEK 113.40 per share. The company holds 3,000,000 treasury shares, corresponding to 1.8 per cent of the share capital.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Together with Carlshofs Fastighetsholding AB, Wallenstam signed an agreement to acquire, via a joint company, the property in Ekerö town centre which houses the SL bus depot. The bus depot will be moved and Wallenstam plans to build around 400 apartments on the site for various forms of tenure, including retail on the ground floor and a new, adjacent, bus terminal. Construction is scheduled to start in 2017.

THE FUTURE

Wallenstam conducts operations based on business plans, the current plan covering the years 2014 to 2018 inclusive. The plan involves an aggressive tempo for new construction and a focus on efficient management, summarized in an overall target to achieve average growth in net asset value, excluding dividends and repurchases, of at least 10 per cent per year over the period.

An ambitious new residential construction programme, an efficient construction process and well-chosen locations all contribute to good value growth. We will continue our aggressive tempo during 2015 and plan to invest the equivalent of SEK 2-3 billion, of which the majority is for new construction. We plan to start construction of around 950 apartments in addition to conversions and renovations in the existing property holding. The chosen strategy of an attractive property holding concentrated in Stockholm and Gothenburg provides a stable foundation for future growth.

DIVIDEND POLICY

Reported earnings must in the first instance be reinvested in 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 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 ALLOCATION OF PROFIT

The following earnings are at the disposal of the Annual General Meeting:

Profit brought forward	6,773,369,088
Profit for the year	-686,725,897
SEK	6,086,643,191

Shareholder dividend SEK 2.25 per share	375,750,000
To be carried forward	5,710,893,191
SEK	6,086,643,191

The Board of Directors proposes that a dividend of SEK 2.25 per share be distributed. The number of shares with dividend rights may be lower by the time of the AGM due to an increase in the company's holding of repurchased shares.

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

Group equity has been calculated in accordance with the IFRS standards adopted by the EU and their interpretations (IFRIC), and in accordance with Swedish legislation, in part through the implementation of Swedish Financial Accounting Standards Council recommendation RFR 1. Parent company equity has been calculated in accordance with Swedish legislation and applying the Swedish Financial Reporting Board's recommendation RFR 2.

The proposed dividend is in line with the dividend policy established by the Board in that the distributed amount does not exceed profit before unrealized changes in value and impairment charges after the standard tax rate. When determining the size of the dividend, the Board also considered 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 proposed dividend to shareholders reduces the company's equity/assets ratio from 34 per cent to 32 per cent. The Group's equity/assets ratio falls by 1 percentage point, from 41 to 40 per cent, as a result of the proposed dividend. The equity/assets ratio is adequate considering that the company's and the Group's operations continue to be run profitably. Liquidity in the company and Group are considered sustainable at a similarly adequate level.

Derivative instruments and other financial instruments have been measured at fair value according to Chapter 4, Section 14a of the Swedish Annual Accounts Act (1995:1554). In doing so a deficit of SEK 796 million after tax became evident, which has 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, or 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 INCOME STATEMENT

SEK million	Note	2014	2013
Rental income	2, 5	1,566	1,578
Operating expenses	6	-439	-483
Operating surplus, properties		1,127	1,095
Management costs and administration expenses	6, 7, 10	-187	-199
Financial income	11	17	45
Financial expenses	11	-365	-468
Result from property management operations		592	473
Result from natural energy management operations	12	-25	-8
Capital gains, wind power assets	12	0	3
Revenue, co-op apartment sales	13	1,055	28
Expenses, co-op apartment sales	13	-829	-24
Realized changes in value, investment properties	14	232	67
Profit before unrealized changes in value and impairment charges		1,025	539
Unrealized changes in value, investment properties	14	829	605
New construction		146	225
Other		683	380
Unrealized changes in value, financial instruments	11	-854	328
Unrealized changes in value, synthetic options	7	-20	-23
Impairment losses on fixed assets	18	-350	-150
Profit before tax		630	1,299
Current tax	15	-1	-2
Deferred tax	15	-44	-21
Profit for the year, after tax		585	1,276
Other comprehensive income			
<i>Items that may be reclassified to profit or loss for the period</i>			
Translation difference		-2	-12
Tax attributable to other comprehensive income	15	0	3
Comprehensive income		583	1,267
Distribution of earnings for the year			
Attributable to non-controlling interests		0	-1
Attributable to parent company shareholders		585	1,277
Per share data			
Profit after tax, SEK (there are no dilution effects)		3.5	7.5
Dividend, SEK (proposed for 2014)		2.25	2.00
Average number of shares outstanding at year-end, thousand		168,200	169,533

COMMENTS ON GROUP RESULT

Rental income, operating expenses and operating surplus, property management operations

Rental income is somewhat lower than in the previous year since property transactions completed reduced income by SEK 83 million in total. Completed new construction and rent negotiations in 2014 contributed to increased income, which is why the net decrease is only SEK 12 million.

Operating expenses decreased by 9 per cent. Efficient management, optimized energy consumption and a changed property holding with newer buildings contributed to reduced operating expenses, along with milder weather particularly at the beginning of 2014. The operating surplus increased to SEK 1,127 million (1,095), an improvement of 3 per cent over the previous year.

Result from property management operations

Management costs and administration expenses were SEK 12 million lower than in the previous year. Net financial items were also strengthened and ended the year SEK 75 million lower than in the previous year. The decrease in net financial items is a result of lower debt levels combined with a lower average interest rate of 2.82 per cent (3.34). In total, debt on the closing day was SEK 1.6 billion lower than at year-end 2013. Earnings from property management operations amounted to SEK 592 million (473), an improvement of 25 per cent compared with the same period the previous year.

Result from natural energy management operations

Profit or loss from natural energy management operations means revenues less expenses including depreciation, administration expenses and interest expenses attributable to electricity trading and electricity generation. In 2014 electricity generated increased by 14 per cent. Since electricity prices were significantly lower than in the previous year, the increased

output generated is not reflected to the same extent in sales. Revenues and expenses from the generation and sale of electricity and renewable energy certificates amounted net to SEK 48 million (51). Following deductions for interest as well as for management costs and administration expenses totalling SEK -73 million (-59), the loss from natural energy management operations for the year was SEK -25 million (-8).

Result from co-op apartment production

During the year Wallenstam completed the construction of two major new co-op apartment properties, Ture No. 8 in Stockholm and one of two buildings at Tuletorget in Sundbyberg. Revenue and expenses from the sale of co-op apartments are recognised when the buyer occupies the apartment and comprise the compensation from the sale and the cost respectively of the co-op apartments sold. The expenses include selling and marketing expenses for co-op apartments, which are recognised as they arise. Profit for the year from the sale of co-op apartments amounted to SEK 226 million (4) net.

Changes in value, investment properties

Realized changes in value, investment properties – As shown below, properties were sold for a total of SEK 2,349 million, which is an increase of 18 per cent compared with 2013. This means that in relation to the amount invested totalling SEK 1,413 million, Wallenstam will realize a profit of SEK 936 million or 66 per cent through these sales. The divested properties were held for nearly 17 years, corresponding to average annual value growth of 3.1 per cent. The major part of this growth was reported on an ongoing basis in the consolidated income statement throughout the period of ownership as a component of the item “Unrealized changes in value, investment properties”. The sales were completed at 14 per cent above current valuation.

Unrealized changes in value, investment properties are positive and total

SEK 829 million (605) for the year.

Newly constructed properties account for SEK 146 million (225) and existing other holdings for SEK 683 million (380).

For newly constructed property fully completed in 2014 the value growth in relation to investment amounts to 44 per cent in total. Growth in the value of the existing holding was mainly generated by improved operating surpluses as a result of the year's rental negotiations, in which our conscious strategy to concentrate on attractive properties in popular locations is judged to have played a part, and by more efficient property operation. High demand for properties is also a factor, since it lowers the market's required rate of return. Unrealized growth in value for existing properties is also affected by contracts of sale for the year and for the future.

Unrealized changes in value, financial instruments

Wallenstam uses interest derivatives to extend credit with a short fixed interest period and obtain the desired interest maturity profile. If the contracted price deviates from the market price for derivatives, this difference in value is recognised in profit or loss. One of the benefits of falling interest rates is that new financing can be obtained at lower interest levels, which has a positive effect on management earnings. Falling interest rates can also increase demand for properties on the market and thus also have a positive effect on the value of the properties. Combined with the expectation that low interest rates will continue, falling interest rates generated deficits in the Group's interest derivatives portfolio on the closing day, and this had a negative effect on profit for the year of SEK 845 million (positive 337). As the contracts expire this deficit will be realized, and profit and thus net asset value will be affected by a corresponding positive change in value.

Impairment of fixed assets

As a result of the assessment that the energy market will continue to be weak for a while, wind turbines have been charged with an impairment loss for the year totalling SEK 350 million (150). The value of the wind turbines subsequently reflects prevailing market conditions in the industry on the closing day. It is mainly falling electricity prices that weigh down the valuation. The impairment losses will be reversed as soon as conditions allow.

REALIZED PROFIT FROM THE SALE OF INVESTMENT PROPERTIES

SEK million	2014	2013
Income from sales	2,349	1,986
Cost and investments	-1,413	-1,033
Previously reported changes in value	-653	-831
Selling and administration expenses	-51	-55
Realized changes in value, investment properties	232	67

CONSOLIDATED BALANCE SHEET

SEK million	Note	31/12/2014	31/12/2013
ASSETS			
FIXED ASSETS			
Intangible assets			
Capitalized expenses, computer software	16	7	7
Total intangible assets		7	7
Property, plant and equipment			
Investment properties	14, 17	28,481	28,079
Wind and hydroelectric power	18	1,770	1,982
Equipment	19	50	44
Total property, plant and equipment		30,301	30,105
Financial fixed assets			
Other securities held as fixed assets	3, 20	103	101
Non-current receivables	3, 20	440	399
Financial derivative instruments	3	27	75
Total financial fixed assets		570	575
Total fixed assets		30,878	30,687
CURRENT ASSETS			
Intangible assets	21	69	58
Work in progress, co-op apartments	22	601	970
Trade receivables	2, 3, 23	19	18
Other receivables	3, 24	19	192
Prepaid expenses and accrued income	3, 25	90	80
Financial derivative instruments	3	-	1
Participations	3, 26	25	47
Cash and cash equivalents	3, 27	56	384
Total current assets		879	1,750
TOTAL ASSETS		31,757	32,437
EQUITY AND LIABILITIES			
EQUITY			
	28		
Share capital		170	170
Other capital contributed		359	359
Other reserves		-14	-12
Profit brought forward		12,368	12,323
Total equity		12,883	12,840
NON-CURRENT LIABILITIES			
Provisions for deferred tax	29	2,063	2,014
Other provisions	30	36	30
Interest-bearing liabilities	3	1,228	1,064
Financial derivative instruments	3	993	236
Other liabilities	3	54	40
Total non-current liabilities		4,374	3,384
CURRENT LIABILITIES			
Interest-bearing liabilities	3	13,850	15,640
Financial derivative instruments	3	54	12
Trade payables	3	152	179
Other liabilities	3	107	37
Accrued expenses and prepaid income	31	337	345
Total current liabilities		14,500	16,213
TOTAL EQUITY AND LIABILITIES		31,757	32,437
PLEGGED ASSETS	32	15,185	17,900
CONTINGENT LIABILITIES	33	31	2

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Investment properties

Investment properties are properties held with the objective of generating rental income or an increase in value or both; in other words, rental properties. If an investment is begun in a new or existing investment property, the property is also reported as an investment property during its construction or conversion phase. During the year the property holding changed as follows:

Changes in property holding, investment properties	Book value, SEK million
Property holding, 1 Jan 2014	29,049
– Reclassified as co-op	-894
+ Acquisitions	42
+ Construction	1,513
– Sales	-2,059
+ Unrealized changes in value, net	829
Property holding, 31 Dec 2014	28,481

During the year SEK 1,555 million (2,254) was invested in investment properties, of which acquisitions amounted to SEK 42 million (1,215), while investment in new construction and conversions totalled SEK 1,513 million (1,039). Wallenstam determines property value through internal valuations based on a cash flow model with individual assessment of each property. The assessment considers both future earnings potential and required market rates of return. Changes in rent levels, occupancy rates and property operating expenses are included when assessing a property's future earnings potential. Required rates of return differ between properties depending on the market and the type of property. Analyses and comparisons are made with current price statistics for similar objects. Wallenstam carries out a significant number of property transactions every year which provides for a good feel for the market. The estimated rate of return value is reduced by anticipated future investment requirements and two years' rent for vacant floor space. Land rights and development rights for land are measured at market value.

Wind power and hydroelectric power

Wind turbines and hydroelectric stations are reported at cost less accumulated depreciation and any impairment charges. Depreciation is applied according to plan over the equipment's useful life, estimated at 25 years from the date of completion. In 2014 two projects were completed and no new projects were started. The closing value after depreciation and impairment charges for the 64 wind turbines and the three hydroelectric stations amounted to SEK 1,770 million (1,982). The combined installed output is 139 MW (118).

Work in progress, co-op apartments

Work in progress, co-op apartments covers the Group's investments in construction of co-op apartment projects. These are measured in the balance sheet at cost and recognised as an expense in the income statement when the customer occupies the apartment.

EQUITY AND LIABILITIES

Equity

Shareholders' equity amounted to SEK 12,883 million (12,840), equivalent to SEK 77 per share (76). The equity/assets ratio stands at 41 per cent (40). Shareholders' equity was influenced by comprehensive income, dividends and repurchases.

Interest-bearing liabilities

Wallenstam's financing consists of conventional bank loans including overdraft facilities, commercial papers with a limit of SEK 2 billion and bonds totalling SEK 600 million. At year-end 2014 the liability for these loans was SEK 1.6 billion lower than the same liability at the end of 2013; SEK 15,078 million compared with SEK 16,704 million. The decrease results from our decision to repay debt at the end of 2014, which was made possible by positive cash flow from operating activities and the year's sales. The loan-to-value ratio has reduced from 51 per cent to 48 per cent.

The loans are primarily secured against traditional mortgage deeds in properties and collateral security in wind turbines. No collateral is given for bonds or commercial paper programmes. Of the loans, 49 per cent (46) have interest fixed for longer than one year. The average remaining fixed-interest term is 43 months (38). The average effective interest rate on closing day, taking into account the effects of derivative contracts entered into, was 2.56 per cent (3.11). Of interest-bearing liabilities, loans with capital tied up for long terms are calculated to be in the region of 8 per cent (6) of the total portfolio.

Financial derivative instruments

Wallenstam's financial derivative instruments consist mainly of interest derivatives and electricity derivatives. During the year value growth for derivative contracts entered into was negative, primarily as a result of falling interest rates – a circumstance that is expected to continue – and, in the case of electricity derivatives, as a result of falling electricity prices. The total net deficit from derivative instruments on the closing day was SEK 1,020 million (172).

Provisions for deferred tax

A net tax liability of SEK 2,063 million (2,014) is reported in the balance sheet. This consists of a deferred tax liability of SEK 3,081 million (3,187) and a deferred tax asset of SEK 1,018 million (1,173). 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 carry-forwards that are expected to be used against future tax surpluses.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

— Attributable to parent company shareholders —

SEK million	Note 28	Share capital	Other capital contributed	Other reserves	Profit brought forward	Non-controlling interests	Total equity
Opening balance 01/01/2013		172	357	-3	11,364	3	11,893
Profit for the year		-	-	-	1,277	-1	1,276
Other comprehensive income							
<i>Items that may be reclassified to profit or loss for the period</i>							
Translation difference		-	-	-13	-	-	-13
Change in value of derivative instruments reported as hedges		-	-	1	-	-	1
Tax attributable to other comprehensive income		-	-	3	-	-	3
Transactions with shareholders							
Dividends to shareholders		-	-	-	-212	-	-212
Reduction, share capital		-2	2	-	-	-	-
Repurchase/sale of own shares (incl. expenses)		-	-	-	-108	-	-108
Closing balance 31/12/2013		170	359	-12	12,321	2	12,840
Opening balance 01/01/2014		170	359	-12	12,321	2	12,840
Profit for the year		-	-	-	585	-	585
Other comprehensive income							
<i>Items that may be reclassified to profit or loss for the period</i>							
Translation difference		-	-	-2	-	-	-2
Tax attributable to other comprehensive income		-	-	0	-	-	0
Transactions with shareholders							
Dividends to shareholders		-	-	-	-337	-	-337
Transfer within equity		-	-	-	2	-2	0
Repurchase/sale of own shares (incl. expenses)		-	-	-	-204	-	-204
Closing balance 31/12/2014		170	359	-14	12,368	0	12,883

CLASSIFICATION OF EQUITY

Share capital

The item share capital comprises the registered share capital of the parent company. Share capital consists of 17,250,000 A shares (quota value SEK 1.00) and 152,750,000 B shares (quota value SEK 1.00).

Other capital contributed

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

OTHER RESERVES

Other reserves consist solely of changes in the value of hedge-accounted financial derivative instruments along with translation differences.

PROFIT BROUGHT FORWARD

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

CAPITAL MANAGEMENT

Group equity amounted to SEK 12,883 million (12,840) at year-end. The return on equity was 4.6 per cent (10.3). The Group's financial strategy is based on the creation of satisfactory financial conditions for operations and development. At the end of 2014 the equity/assets ratio was 41 per cent (40).

Wallenstam's basic principle for dividends prescribes that reported profit in the first instance be reinvested in the company for continued development of the property holding and increased growth in value. However, the distributable amount must never exceed realized profit after the standard tax rate. The Board of Directors proposes a dividend for 2014 of SEK 2.25 per share (2.00). Calculated on 167,000,000 outstanding shares, the proposed dividend amounts to approximately SEK 376 million. Wallenstam is implementing share repurchasing as a way to modify the company's capital structure. No changes to the Group's principles for capital management took place during the year.

The consolidated balance sheet contains no interest-bearing liabilities equivalent to equity. For this reason, the net asset value can be calculated in different ways. Wallenstam's goal has been to achieve an average rate of net asset value growth, excluding dividends and repurchases, of 10 per cent per year in the period up until the end of 2014. Net asset value includes equity and deferred tax liability. Deferred tax liability refers mainly to differences between carrying amounts and fiscal values for Group properties.

CONSOLIDATED STATEMENT OF CASH FLOW

SEK million	Note	2014	2013
Cash flow from operating activities			
Profit before unrealized changes in value		1,025	539
Adjustment for items not included in cash flow	34	-417	-34
Taxes paid		-	-2
Cash flow before change in working capital		608	503
Change in working capital			
Current receivables		8	114
Current liabilities		10	-107
Change in working capital		18	7
Cash flow from operating activities		626	510
Cash flow from investing activities			
Investments in properties		-1,940	-2,601
Acquisitions of equipment, wind turbines and intangible assets		-241	-299
Investments in financial fixed assets		-12	-12
Divestment of properties, co-op shares and property, plant & equipment		3,246	1,973
Cash flow from investing activities		1,053	-939
Cash flow from financing activities			
Interest-bearing liabilities raised		5,464	2,461
Interest-bearing liabilities repaid		-7,096	-1,845
Dividends paid		-337	-212
Repurchase of own shares		-204	-108
Divestment and repayment of financial fixed assets		166	323
Cash flow from financing activities		-2,007	619
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year		384	194
Cash flow for the year		-328	190
Cash and cash equivalents at year-end		56	384
Unutilized credit at year-end		583	400
Available liquid assets	27	639	784

ACCOUNTING PRINCIPLES AND NOTES, CONSOLIDATED ACCOUNTS

NOTE 1. Accounting principles for the Group

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. The parent company is Wallenstam AB (publ), company registration number 556072-1523. The company's address is SE-401 84 Gothenburg, and its street address Kungssportsavenyen 2.

Group operations are run through subsidiaries. Operations are described in the administration report. The consolidated accounts and annual report for Wallenstam AB (publ) for the financial year ending 31 December 2014 were approved by the Board of Directors and the Chief Executive Officer on 12 March 2015 and will be presented to the Annual General Meeting (AGM) on 28 April 2015 for approval.

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 31 December 2014. In addition, the Group applies the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary rules for consolidated financial statements.

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, Reporting for legal entities. This means that IFRS is applied with the exceptions described below in the section entitled "Accounting principles and notes, parent company" on page 100.

The most important accounting principles applied by the Group are described below along with a summary of future accounting principles that are expected to have an effect on reporting.

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

The functional currency used by the parent company and as the Group's reporting currency is the Swedish krona (SEK). All amounts are in millions of Swedish kronor (SEK million) unless otherwise indicated.

The financial reports for the Group have been prepared based on historical cost, which means that assets and liabilities are reported at these values with the exception of properties and certain financial instruments and renewable energy certificates, which are measured at fair value.

Judgements made by company management when applying IFRS that have a significant impact on the financial reports and estimates made and may entail significant adjustments to the following year's financial reports are described in more detail below.

Changed accounting principles

No new or revised IFRS for application from 1 January 2014 have had any material impact on the consolidated financial statements. With effect from January 2014 Wallenstam is applying IFRIC 21, Levies. IFRIC 21 specifies that state levies are to be reported in full as liabilities when the obligation arises, which takes place on 1 January. In Wallenstam's case, this refers to property tax levies. The change has had no effect on the full-year reporting for the Group, but had a marginal effect on the Group's first three interim reports in that total assets in these increased. Costs are recognized in the income statement as the obligation to settle the debt arises.

For information on new standards, refer to the final paragraph of the accounting principles.

ASSESSMENTS AND ESTIMATES

In order to prepare the report in accordance with IFRS and good accounting practice, company management must make various assumptions, assessments and estimates that affect assets and liabilities, revenues and expenses, contingent assets and liabilities and other information reported 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 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 only that period, or in the period in which they are made and future periods if the change affects both current and future periods.

Investment properties

Assessments and estimates may especially have a significant impact on the Group's earnings and position within the field of investment property valuation. Valuations of investment properties, which are internal, require assessments of, and assumptions about, future cash flows and the determination of required rates of return (discount factor) for each individual property. Assessments made affect the carrying amount of the item "Investment properties" in the balance sheet, and the item "Unrealized changes in value, investment properties" is reported in the income statement. When a transaction is completed a cross-check is made of the assumptions made. Wallenstam also monitors relevant completed property transactions.

Wallenstam carries out quarterly internal valuations of its entire property holding. To reflect the uncertainty of assumptions, assessments and estimates made, a so-called valuation range of +/- 5 to 10 per cent is specified. Information on uncertainties and on significant assumptions and assessments made for the internal valuation is given in Note 17.

Asset acquisition versus business combination

Acquisitions may be classified as either business combinations or asset acquisitions. This is an assessment that must be made in each individual case. In cases where the primary purpose is to acquire a company's real estate and where the acquired property lacks a property management organization and administration or where this is of minor importance to the acquisition, the acquisition is classified as an asset acquisition. Other company acquisitions that therefore usually include an independent operation are classified as business combinations.

In the case of asset acquisitions, no deferred tax is reported attributable to the property acquisition, but instead 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. In the case of business combinations, the acquisition of a subsidiary is reported according to the purchase method and deferred tax is reported at the nominal applicable tax rate without discount.

Wind power and hydroelectric power

Property, plant and equipment are depreciated over the period during which they will generate revenues, i.e. their useful life. If there is an indication that an asset has fallen in value the asset's recoverable value is calculated, which is the higher of the asset's fair value less selling expenses and its value in use. An impairment loss is reported when the asset's recoverable value is lower than its carrying amount. Recoverable value is determined based on management estimates of e.g. future cash flow. Value in use is assessed from the starting point of expected future production, which is dependent above all on the weather. In addition, anticipated price levels and demand levels are estimated in respect of electricity and renewable energy certificates. Because all trade in electricity also takes place in EUR, an estimation of the anticipated exchange rate trend for the euro is included. The useful life of a wind turbine is estimated to be 25 years, which forms the basis of the investment calculation. Assumptions made with regard to impairment testing are described in Note 18.

Deferred tax

According to reporting regulations, deferred tax must be reported at nominal value without discount at the prevailing tax rate, currently 22 per cent. Wallenstam mainly has three items where temporary differences occur that constitute a basis for reporting deferred tax: properties, changes in value of derivative instruments and loss carryforwards. When measuring loss carryforwards an assessment is made of the probability that the loss can be utilized in the future. Confirmed losses where there is a high degree of certainty that these can be used against future profits form the basis for calculating deferred tax assets. Considering current tax regulations, Wallenstam is of the opinion that all Swedish loss carryforwards can be used against future profits. Refer also to Note 29, Deferred tax. In the case of asset acquisitions, no deferred tax is reported attributable to the acquisition.

Other items

Other items that include critical estimates include assessments made in connection with the realization of investment properties, where primarily rent guarantees and promissory notes are to be considered as significant. In the case of rent guarantees an assessment is made of the probability of disbursements and possible investment expenses for the completion of areas for letting during the remaining guarantee period. In the case of promissory notes an assessment is made of the amount that is expected to be received.

NOTE 1. Accounting principles for the Group, cont.

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 per cent of the voting rights or a controlling influence through other means. A controlling influence 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 there may be a controlling interest 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 subsidiaries as of 31 December 2014. Consolidated equity thus includes only the portion of a subsidiary's equity earned since the acquisition. Profit/loss from companies acquired or disposed of during the year are included in the consolidated financial statements at amounts corresponding to the period of possession. 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 exchange rate on the closing day (current rate method), except for equity, which is translated at the historical exchange rate at the time of acquisition. Revenue and expense items are translated at the average exchange rate for the period. The translation differences that arise are reported under other comprehensive income. The accumulated translation differences form part of the Group's equity among other reserves and are transferred and reported as a component of capital gains or losses when a foreign subsidiary is divested. Financial assets and liabilities in foreign currency are translated to the closing day exchange rate, at which time realized and unrealized exchange rate differences are reported in the income statement. Exchange gains/losses related to operations are reported under operating income and operating expenses respectively. Financial exchange gain/losses are reported as financial income and expenses.

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

Participations in associated companies

A company is reported as an associated company when Wallenstam holds at least 20 per cent of the votes and a maximum of 50 per cent, or has a controlling influence over operational and financial governance through other means. Associated companies are reported in the consolidated financial statements according to the equity method.

Participations in associated companies are reported in the balance sheet at cost adjusted for changes in the Group's share of the associated companies' net assets, less any reductions in fair value. In the case of transactions between Group companies and associated companies, the proportion of the unrealized gains and losses corresponding to the Group's participation is eliminated.

Segment reporting

Operating segments are reported in a manner that corresponds to the internal reporting to the highest executive decision-maker, Wallenstam's CEO. Operations are run and followed-up in the Group's three reporting business areas: properties in the Gothenburg region, properties in the Stockholm region and renewable energy through Svensk NaturEnergi. The reporting principles applied in segment reporting (Note 4) accord in all material respects with the Group's accounting principles. For the Svensk NaturEnergi business area, however, derivative instruments are presented differently in the income statement and in the segment information, since in internal reporting (which is reflected in the segment information) these instruments are treated as hedge-accounted. An expense that is reported under changes 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 are presented net and the hedged expense, i.e. the corresponding cash flow effect, as an operating expense. For this reason, profit/loss from management operations is presented differently in the consolidated income statement and in the segment information. There is a corresponding difference in presentation for changes in the value of renewable energy certificates after initial recognition.

Statement of cash flows

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

- Operating activities: revenues and expenses included in operating profit/loss, interest received and paid, taxes paid and change in working capital.
- Investing activities: acquisitions of assets and other types of investments.
- Financing activities: loans raised and repaid, dividends, the repurchase of shares and any new share issues.

Classification

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

INCOME STATEMENT AND BALANCE SHEET

Rental income

Income is measured at the fair value of what was received or will be received. The Group reports income when the amount can be measured reliably and it is probable that future economic benefits will flow 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. Reported 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 reported net of VAT and with deductions for 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 reported as prepaid rental income.

Rebates provided in the case of infringements on rights of use, e.g. during conversions and/or in connection with taking possession, are reported in the period they concern. Compensation in connection with the early termination of rental agreements is recognized as income if no obligations toward the tenant remain.

Operating expenses

Wallenstam's operating expenses consist of expenses incurred in connection with property management such as property upkeep, electricity and fuel expenses, maintenance, leaseholds/tenancies, property tax and other operating expenses. Operating expenses are reported in the period they concern.

Management costs and administration expenses

Wallenstam's management costs and administration expenses consist of the Group's administration expenses such as expenses for personnel, offices, premises, consultants, marketing, depreciation of fixtures and fittings and expenses for the employees' synthetic options scheme, where this is a realized cost. Expenses are reported in the period they concern.

Remuneration to employees is reported as services are rendered. Pensions and other compensation following the cessation of employment consist mainly of defined contribution plans which are met by ongoing payments to independent authorities or bodies that administer the plans. These are reported in the income statement as the liabilities arise. Additionally, a number of people have defined benefits ITP policies with Alecta to the extent that they are covered by ITP 2. These are reported according to the regulations for defined contribution plans as Alecta is unable to provide the information necessary for reporting the policy as a defined benefits plan.

Expenses related to the synthetic options scheme are also reported as employee benefits. The change in value of these is reported as a line item in the income statement. The options are valued according to Black & Scholes. For further information and conditions regarding personnel-related commitments, see below under "Employee benefits" and Note 7.

Financial income

Financial income refers to interest income from bank deposits, receivables, financial investments, dividend income, interest subsidies and positive exchange rate differences for financial items. Financial income is reported in the period it concerns. Dividends are reported when the shareholder's right to receive payment has been established.

NOTE 1. Accounting principles for the Group, cont.

Financial expenses

Financial expenses refer to interest and other expenses arising in connection with borrowing and are reported in the income statement for the period they concern. The cost of taking out mortgages is not considered a financial expense but is capitalized as a property investment. Financial expenses include interest expenses for interest rate derivative contracts. Payment streams from interest rate derivative contracts are reported in the income statement as interest expenses in the period they concern. Net financial items are not affected by market valuations of concluded interest rate derivative contracts, which are instead reported as changes in value under their own heading. Average interest for a reporting period comprises the corresponding actual interest to pay both as a result of agreed interest rates and as an effect of derivative contracts entered into.

The financial expenses component that refers to major new production, additions or conversions is capitalized. The capitalized interest is calculated on the basis of the average weighted borrowing cost for the Group.

Result from natural energy management operations

Profit or loss from natural energy management operations consists of revenues less expenses including depreciation, administration expenses and interest expenses attributable to electricity trading and electricity generation.

Renewable energy certificates are classified as current intangible assets and are measured according to IAS 38 initially at cost. Following an current intangible asset's initial recognition it must be reported on an ongoing basis at a remeasured amount equivalent to the fair value at the time of remeasurement, identified as the closing day spot price. All changes in value resulting from these valuations are reported in the income statement as profit or loss from natural energy management operations. The same applies to revenues from the sale of surplus renewable energy certificates generated by Wallenstam's energy production.

For further information and conditions regarding renewable energy certificates, see below under current intangible assets.

Result from sales of co-op apartments

Revenues from the sale of co-op apartments refers to compensation from the sale of co-op apartment projects and co-op apartment units. The cost of sold co-op apartment projects and co-op apartment units are reported as expenses. These also include direct marketing and selling expenses for co-op apartments. Newly constructed co-op apartments are reported according to IFRIC 15, Agreements for the Construction of Real Estate. For Wallenstam, this means that IAS 18, Revenues, is applied. In the balance sheet investments are reported at cost on an ongoing basis on the line "Work in progress, co-op apartments". In conjunction with sale, the compensation received is reported as revenue and the apartment's estimated share of production costs is reported as an expense, or in the case of co-op apartments acquired from an external party, the cost of the apartment. Revenue and expenses are reported in the income statement when the purchaser takes possession of the property, while marketing expenses are reported on an ongoing basis.

Realized changes in value, investment properties

Realized changes in value refers to gains or losses from the sale of investment properties. A sale is reported 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. On the sale of properties via companies the transaction is reported gross as regards property price and deferred tax. Gains or losses on the sale of property comprise the difference between the agreed purchase price and the estimated market value on the previous reporting date. Direct selling expenses and a share of internally distributed administration expenses are deducted.

Unrealized changes in value, investment properties

Investment properties are valued on an ongoing basis in accordance with IAS 40 at an estimated fair value. The valuation is internal and is made in conjunction with each quarterly close. The difference between the valuation as of the closing date and the valuation as of the previous reporting date is recognized as unrealized changes in value in the income statement. Properties that are contracted for sale with occupation after the closing day are valued at the selling price on the reporting date with due consideration for any remaining uncertainty. Since it is the day of taking possession that decides when a sale is realized, unrealized changes in value for investment properties may thus include changes in value as a result of contracted sales where contracts were signed in a reporting period which precedes that in which the transaction is realized.

Changes in value, derivative instruments

Wallenstam's financial derivative instruments consist mainly of interest rate derivatives and electricity derivatives. 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 reported in the income statement. The changes in value may be realized or unrealized. Realized changes in value refer to settled interest rate derivative contracts and constitute the difference between the latest carrying amount and the price attached at redemption. Unrealized changes in value refer to the change in value that has arisen for Wallenstam's interest rate derivative contracts since the previous year, or compared to cost if the contracts were concluded during the year. Both realized and unrealized changes in value are reported in the income statement. Interest rate derivatives are measured by discounting future cash flows based on external observable market data and are classified at level 2.

In order to secure electricity generation expenses and revenues from electricity sales and reduce the impact of movements in the market, Wallenstam hedges parts of the electricity price on the financial market. Electricity derivatives are measured at market value based on market data and are classified at level 2.

Refer also to Notes 2 and 3 for details.

Income tax

Income taxes in the income statement comprise current tax and deferred tax.

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

Deferred tax is calculated in accordance with the balance sheet method on the basis of the nominal amount of temporary differences between the carrying amounts and fiscal values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be realized and applying the tax rates and regulations adopted or announced by the closing day. However, exceptions are made for temporary differences that arise on initial recognition of assets and liabilities that constitute asset acquisitions. No deferred tax is reported for these.

In Wallenstam there are mainly four items where temporary differences occur that constitute a basis for reporting 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. Deferred tax assets attributable to loss carryforwards are reported based on the assumption that there will be future tax surpluses that they may be used against. A deferred tax asset or deferred tax liability is reported 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 aforementioned balance sheet items occur, the deferred tax liability/asset is also changed, and this is reported in the income statement as deferred tax.

Tax is reported in the income statement except where it refers to items that are reported in other comprehensive income or directly in equity. In such cases the tax is also reported in other comprehensive income or equity respectively.

Leases

Leases in which all risks and benefits associated with ownership remain in all material respects with the lessor are classified as operating leases. All current rental agreements attributable to Wallenstam's investment properties are considered operating leases from a reporting perspective. Such leases are reported as described by the principle for revenues and in Note 5.

Site leasehold agreements must also be considered operating leases from a reporting perspective. Site leasehold rents are reported as expenses for 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 refer primarily to photocopiers and company cars. Payments made during the leasing period are expensed on a straight-line basis in the income statement over the leasing period.

Property, plant and equipment

Property, plant and equipment is reported at cost less accumulated depreciation and impairment losses, except in the case of investment property, which is reported at fair value in accordance with IAS 40, and works of art, which are reported at cost with no deduction for depreciation. Depreciation is applied on a straight-line basis over the period of use.

NOTE 1. Accounting principles for the Group, cont.

Assets covered by impairment testing as described in IAS 36 are Intangible assets, Wind turbines and Equipment. 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 calculated recoverable value the asset is written down to its recoverable value. Impairment losses are reported in the income statement. Previous impairment losses are reversed if the conditions for an impairment loss no longer exist. The maximum amount of the reversal is the asset's cost less estimated depreciation according to plan up until closing day. Reversals are reported in the income statement.

Investment properties

Investment properties refers to properties that are held with the objective of generating rental income or an increase in value or both. Investment properties, which are initially measured at cost including expenditures directly attributable to the acquisition, are reported at fair value according to IAS 40 with changes in value in the income statement. Fair value corresponds to the estimated market value and is determined by an internal valuation model described in more detail in Note 17, where the assumptions that form the basis for the valuation are also described. The model is based on an evaluation of future payment streams with differentiated required rates of return per property on market terms. This means that the market's required rate of return is set in relation to the operating surplus of the property concerned. The value of investment properties held on closing day is thus affected by changes in required rates of return, operating surplus and investment requirements. The estimated market value of vacant building lots and land development rights is added to this. As described above, changes in value from the valuation of investment properties are reported at fair value in the income statement.

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

All of Wallenstam's properties are classified as investment properties except where they are part of a co-op apartment project and are reported in the balance sheet as work in progress. If an investment is begun in a new or existing investment property that is intended for continued use as an investment property within the Group, the property is also reported as an investment property during its construction or conversion phase. During the construction phase of a rental property, fair value is deemed to correspond to the Group's investment on the closing day concerned plus a share of the estimated surplus on completion relative to the degree of completion of the build. The latter is based on costs incurred. Estimated market values for recently completed new investment properties are initially charged with a risk supplement on the required rate of return of 0.25 percentage points compared to a established investment property in the same location. This is done because of the uncertainty that exists in regard to budgeted expenditures for final production expenses and operation. After a period in operation when actual conditions are known the required rate of return is tested anew. In the case of conversions of investment properties, the fair value during the conversion period is generally considered to be the market value the investment property had at the beginning of the project with additions for subsequently implemented investments.

Additional expenditures are added to the carrying amount only if it is probable that future economic benefits associated with the asset will accrue to the Group. In the case of large new constructions and conversions, interest expenses are capitalized during the project period up until the property is taken into use. Expenditures in respect of running maintenance and repairs are expensed in the period when they arise.

Valuations of investment properties require assumptions, estimates and assessments concerning future cash flows and the determination of required rates of return for each individual property. Information about uncertainties and assessments made during the internal valuation is given in the section on assessments and estimates, and a description of the valuation model and a sensitivity analysis is given in Note 17.

Wind power and hydroelectric power

Wind turbines and hydroelectric stations are reported at cost less accumulated depreciation and any impairment charges. Depreciation is according to plan at 4 per cent of cost over the equipment's useful life. Useful life, the depreciation method and residual value are assessed on an ongoing basis according to the principles described above under "Assessments and estimates". Depreciation in respect of wind power and hydroelectric power is included in the income statement under "Loss from natural energy management operations".

Equipment

Equipment is reported at cost less accumulated depreciation and any impairment losses. Depreciation of the cost is applied according to plan over the equipment's useful life. Depreciation rates are 33 per cent for computers, 10 per cent for furniture and 20 per cent for other equipment. The useful life of equipment, the depreciation method and residual value are assessed on a continuous basis.

Works of art are not depreciated. Depreciation of equipment is included in the income statement item "Management costs and administration expenses".

Intangible fixed assets

Expenditure for software developed and adapted for the Group is reported under intangible assets if it will provide probable economic benefits in coming years. Capitalized expenditures for acquired software are written down according to plan over the period of use by 20 per cent of cost. The useful life of the assets, the depreciation method and residual value are assessed on a continuous basis. Depreciation is included in the income statement item "Management costs and administration expenses". Standard software and annual licences are carried as expenses.

Financial instruments

Financial instruments reported in the balance sheet include:

- Financial assets and financial liabilities measured at fair value in profit or loss.
- Loans and trade 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 with supplements for transaction expenses, with the exception of the categories financial assets or financial liabilities measured at fair value in profit or loss, which are reported at fair value exclusive of transaction expenses. A financial asset or liability is shown in the balance sheet when the company becomes party to contractual conditions. Trade receivables are entered in the balance sheet as invoices are sent. Payables are recognized when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not yet been received. A financial asset (or part thereof) is removed from the balance sheet when the obligations of the agreement are fulfilled, lapse or the company transfers in all material respects the risks and benefits associated with ownership. A financial liability (or part thereof) is removed from the balance sheet when the obligation in the agreement is fulfilled or is otherwise terminated. A financial asset and a financial liability are offset and reported 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 reports its financial contracts at gross value for financial instruments such as interest rate swaps and forward exchange rate contracts as no legally binding agreements on netting exist. Wallenstam has not identified any embedded derivatives that are to be separated from their host contracts and reported individually.

In accordance with IFRS 13, the fair value of certain assets and liabilities must 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 hold at the most 50 per cent of financing to safeguard the spread of risks in relation to the financiers. Wallenstam's capital tied up at year-end 2014 was around seven months. Wallenstam has a diversified property holding with approximately equal proportions of residential and commercial space. This, combined with the company's stable development over time, means no immediate substantial changes in counterparty risk are anticipated, nor thus to the Wallenstam Group's cost of borrowing. The fair value of the Group's credit liabilities are considered in all material respects to correspond to reported liabilities.

The Group assesses on an ongoing basis whether there are objective grounds for recognizing impairment of a financial asset. When there is a need to recognize an impairment, the size of the reservation 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.

NOTE 1. Accounting principles for the Group, cont.

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

This category consists of two 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, and other financial assets and liabilities which the company initially chose to include in the Fair Value Option category. 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 recognised in profit or loss. This category includes primarily interest rate derivatives, electricity derivatives and forward exchange rate contracts, as well as small holdings in listed companies.

The value of investments in listed shares is calculated using quoted market prices. Derivative instruments are reported in the balance sheet on the date of contract at fair value, both initially and at subsequent remeasurement. The Group uses interest rate derivatives to reduce interest rate risk. Borrowing at variable interest rates is switched to fixed rate loans through interest swap contracts. The Group reports interest derivatives as financial instruments at fair value through profit or loss. Electricity derivatives, forward exchange rate contracts used for electricity trading and renewable energy certificates are reported in the same way.

Participations

Participations are reported under current assets and consist of externally acquired shares in cooperative associations. These have been measured at fair value, where fair value comprises estimated sales value less deductions for calculated selling expenses. Since these participations are generally held for only a short period, the market value is usually equal to cost. When co-op apartment units are sold the income is reported as "Revenue, co-op apartment sales" and the sold unit's carrying amount as "Expenses, co-op apartment sales".

Loans and trade receivables

This category includes rents and trade receivables, cash and cash equivalents, loans and other receivables. These are measured at amortized cost. Amortized cost is determined based on the effective rate of interest calculated at the time of acquisition. The anticipated duration of trade receivables is short, for which reason they are reported at nominal amounts without discounts. Trade receivables and loans are reported at the amounts expected to be received, i.e. less doubtful receivables. Cash and cash equivalents are reported at nominal value.

Trade receivables consist chiefly of rent receivables and trade receivables in respect of the sale of electricity. Other receivables consist principally of promissory notes related to property transactions.

Held-to-maturity investments

Financial assets with fixed payment streams or payment streams that can be determined in advance with a fixed duration and which the company has an express intent and ability to hold until maturity are reported as held-to-maturity investments. Assets in this category are measured at amortized cost.

Available-for-sale financial assets

Available-for-sale financial assets comprise non-derivative assets that are available for sale. Measurement is initially at fair value, usually cost. Changes in value are recognized in other comprehensive income. Adjustment to the fair value of these instruments is reported in the income statement and in the balance sheet as other securities held as fixed assets.

Financial liabilities 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 duration of more than 12 months are reported as non-current, others as current. The majority of Wallenstam's liabilities are tied up for less than 12 months and are reported as current. Overdraft facilities refer to loans under current liabilities. Loans are entered into in Swedish kronor and reported in the balance sheet on settlement day at cost.

Current assets

Assets with an estimated holding period is less than 12 months are reported as current assets.

Current intangible assets

Current intangible assets consist of renewable energy certificates, which according to IAS 38, are initially reported at cost. Following an current intangible asset's initial recognition it must be reported on an ongoing basis at a remeasured value corresponding to fair value at the time of remeasurement.

In its capacity as a generator of electricity from renewable energy sources, Wallenstam receives renewable energy certificates from Svenska Kraftnät (the Swedish national grid). Renewable energy certificates are obtained free of charge as eligible electricity is generated. Certificates created are measured at fair value at the time of acquisition and are then remeasured at market value at the closing day spot price. The price is set through bids from market players via Svensk Kraftmäklning (Swedish Energy Broking). Purchased certificates are initially reported at cost and are then remeasured quarterly. Wallenstam's power generation produces a surplus of renewable energy certificates. Renewable energy certificates created are reported as revenue under "Loss from natural energy management operations". 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 reported 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.

Cash and cash equivalents

Wallenstam's cash and cash equivalents consist of cash and bank balances and short-term investments 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 reported as borrowing under current liabilities.

Equity

Equity in the Group is distributed as follows. Share capital corresponds to the parent company's share capital. Other capital contributed comprises capital contributed by shareholders in addition to share capital. This includes the reported statutory reserve contributed by the shareholders to the parent company. Other reserves consist of amounts that must be reported in other comprehensive income as a result of IFRS regulations. Profit brought forward consists of accumulated profits from the Group's operations plus profit for the year, less dividends to shareholders. This category includes the amount carried forward from the profit for the year in the parent company's reported statutory reserve.

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

Liabilities and financial liabilities

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 liability is removed from the balance sheet when the agreement has been fulfilled or otherwise terminated. The classification determines how the liability is measured, i.e. whether the liability is measured at fair value or at amortized cost. Financial liabilities are classified as follows:

- Financial liabilities measured at fair value through profit or loss. Group derivatives with negative fair value for which hedge accounting is not applied are reported here. Their fair value has been set at level 2 according to IFRS 7. Changes in fair value are recognized in profit or loss.
- Other financial liabilities, loans from credit institutions and suppliers and other liabilities are measured at amortized cost. The majority of Wallenstam's liabilities are tied up for less than 12 months and are reported as current.

For further information, refer to Financial instruments above.

Provisions

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 reported as a provision. Reported provisions consist of those for deferred tax, pensions, severance pay, warranty commitments in connection with conversion work in sold properties and, where appropriate, estimated amounts for risks in disputes.

Provision for deferred tax

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

NOTE 1. Accounting principles for the Group, cont.

tax liabilities are valued at their nominal amounts in the balance sheet in accordance with the prevailing tax regulations and tax rates. This means that a tax liability exists that will fall due for payment on the day the asset or liability is realized. Deferred tax liabilities in the Group refer principally to the difference between fair value and fiscal value of properties and the difference between fair value and the cost of financial instruments in cases where surpluses exist. No deferred tax liability is reported for asset acquisitions at the time of acquisition, which means that deferred tax prevailing at the time of acquisition is not reported in the balance sheet.

Deferred tax assets in respect of deductible temporary differences and tax loss carryforwards are recognized to the extent that it is probable they may be used against future profits and thus lead to lower tax expenditures. There are no time limitations in respect of the Group's losses and practically all loss carryforwards in the Group are measured.

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

Employee benefits

Employee benefits are recognized as and when employees have performed services in exchange for the benefits.

Pension provision

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 benefits 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 in which the company's obligations are limited to the premiums the company has undertaken to pay are classified as defined contribution pension 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 provide. Consequently it is the employee who bears the actuarial risk (that the benefit will be lower than expected) and the investment risk (that the invested assets will be insufficient to provide the benefits expected). The company's obligations in respect of premiums for defined contribution plans are reported as a consolidated expense as they are earned.

Wallenstam's pension commitments comprise defined contribution pension plans, with the company having no commitments 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 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. Annual premiums for pensions with Alecta amount to SEK 6 million (7). Alecta's surplus can be divided between the policy-holders or the insured individuals. Alecta's surplus in the form of the latest provisional official consolidation level was 144 per cent. The collective funding ratio is based on the market value of Alecta's assets as a percentage of insurance commitments calculated using Alecta's actuarial assumptions, which do not conform to IAS 19. The contributions are recognized as personnel expenses as they are earned.

Share-based payment

Share-based payment is reported according to IFRS 2. During 2013 a synthetic options scheme aimed at Wallenstam's personnel was concluded. In autumn the same year a new options scheme with the same basic conditions was begun. Synthetic options to employees are valued according to the Black & Scholes model on the closing day. Important closing day input data per share in the model for the programme begun during the autumn of 2013 are: share price SEK 129.70, exercise price SEK 105 with a ceiling of SEK 160, an anticipated share price volatility of 22 per cent, the options' duration until midnight 31/05/2019, an anticipated dividend of SEK 2.25 and an annual risk-free interest rate of 0.12 per cent. Volatility is calculated as the estimated future volatility for the remainder of the options' duration. Changes in value are reported under "Unrealized changes in value, synthetic options". Tax on initially identified assessed benefit values is recognized when the option is signed, as "Management costs and administration expenses". For further details see also Note 7.

Termination benefits

A provision is reported 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 reported for the period during which the company does not receive any service in return.

Pledged assets

Securities, primarily in the form of mortgage deeds for properties, are pledged against the Group's financial commitments. The financing of wind farms is secured through the transfer of leases and the pledging of shares in wind power companies. No collateral is given for bonds or commercial paper programmes.

Contingent liabilities

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

Changes to accounting principles and disclosures

New and revised standards approved by the EU

New standards which entered into force in 2014

No new standards which entered into force in 2014 had any impact on Wallenstam's financial reporting. The most significant of these, and the standards that may potentially affect Wallenstam's future financial reporting, are IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. IFRS 10 determines when a controlling interest exists and thus consolidation is to take place, while IFRS 11 regulates the reporting of non-controlling interests. IFRS 12 lays down disclosure requirements for companies with participations that are not consolidated.

Revisions of existing standards which entered into force in 2014

As a result of the introduction of the above recommendations, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures have been updated. Again, these revisions have not brought about any change in Wallenstam's reporting.

New standards and interpretations which enter into force in 2015

On 13 June 2014 the EU approved IFRIC 21 Levies, which states that government levies – in Wallenstam's case, property tax – are to be expensed in full when the obligation arises, which takes place on 1 January each year. Wallenstam is applying IFRIC 21 in advance, with effect from 2014. The new interpretation has a small effect on the balance sheet during the year, but does not change the position at year-end. The interpretation has no effect on the income statement.

NOTE 2. Financing and financial risks

To optimize the terms of the loan portfolio the Group's borrowing is generally guaranteed by the parent company. We chiefly have conventional loans and mortgages secured against property. The financing of wind farms is secured through the transfer of leases and the pledging of shares in wind power companies. No collateral is provided for outstanding bonds or the commercial paper programme.

Interest-bearing liabilities, which mainly comprise conventional bank loans combined with interest rate derivatives, amounted to SEK 15,078 million (16,704), of which SEK 1,228 million (1,064) is non-current. The current portion includes a commercial paper programme with a limit of SEK 2 billion (2).

At year-end 2014 the liability for commercial papers amounted to SEK 1,441 million (1,379). In addition to bank loans and commercial papers, Wallenstam has also borrowed capital on the bond market to partly finance the wind power companies. In June Wallenstam AB issued two bonds with a maturity of three years. One bond is for SEK 400 million with variable interest (STIBOR 3M +110 points) and the other is for SEK 200 million with interest fixed at 2.125 per cent. There are covenants associated with the bonds; refer to the section on financing risk.

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.

NOTE 2. Financing and financial risks, cont.

FINANCIAL RISK MANAGEMENT

To minimize risk Wallenstam works actively to manage risks. Risk management is taken care of by the finance department in accordance with the finance policy that is reviewed annually and approved by the Board. The policy describes the purpose, organization and distribution of duties for financing activities, along with rules for financial risk management. The overall aims of the finance policy are based on its task of:

- Securing the Group's supply of capital in the short and long term.
- Adapting the financial strategy to the Group's operations so as to achieve an optimal capital structure.
- Working actively to achieve a low level of refinancing risk and high flexibility in respect of fixed interest periods and collateral.
- Achieving the best possible level of net financial items within a given risk framework.

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. Our finance policy is laid down by the Board of Directors and reviewed annually. It seeks to limit the company's financial risks, which consist chiefly of interest rate risk, refinancing risk and liquidity risk. The finance department has instructions, systems and a division of duties that seek to achieve good internal control and follow-up of operations. Major financing solutions must be approved by the Board of Directors; the Board is informed about financial matters at every Board meeting.

In accordance with IFRS 13, the fair value of certain assets and liabilities must 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 hold at the most 50 per cent of financing to safeguard the spread of risks in relation to the financiers. Wallenstam's capital tied up at year-end 2014 was around 7 months (7). Wallenstam has a diversified property holding with approximately equal proportions of residential and commercial space. This, combined with the company's stable development over time, means no immediate substantial changes in counterparty risk are anticipated, nor thus to the Wallenstam Group's cost of borrowing. The fair value of the Group's credit liabilities are considered in all material respects to correspond to reported liabilities.

LIQUIDITY RISK

A liquidity risk involves a situation where cash and cash equivalents for payment of commitments cannot be secured. We have prioritized a high level of liquidity for the company, providing great freedom of action for its new construction projects, major conversions and the construction of wind farms, which may not commence until financing is ensured. Wallenstam's liquidity reserve must therefore provide the freedom to implement approved investments and fulfil payment obligations. Liquidity forecasts are updated on an ongoing basis. Short-term investments and unutilized credit are defined as cash and cash equivalents. The Group's liquidity risk is limited by holding liquidity corresponding to at least three months of known net payments at any given time.

As of 31/12/2014 the Group had long-term unutilized loan facilities of SEK 887 million (1,725) in the form of building credit, plus unutilized overdraft facilities amounting to SEK 583 million (400).

FINANCING RISK

Financing risk corresponds to difficulties in obtaining financing for operations at a given time. Wallenstam works actively to achieve low refinancing risk in relation to market pricing, i.e. the best possible net financial items within a given risk framework. The Group has a long-term cooperative relationship with the major Swedish commercial 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 durations relevant to pricing. The Group must limit refinancing risk by always planning refinancing negotiations in advance. Wallenstam holds loan commitments for all major investments in order to minimize financing risk.

The Board of Directors sets the level of capital tied up in the loan portfolio on a continuous basis. Management makes forecasts on an ongoing basis regarding Group liquidity based on anticipated cash flows. The Group strives to achieve a loan portfolio with a spread of loan maturities and which allows repayments to be made.

Where there are interest-bearing liabilities in the form of conventional bank loans, these are primarily secured against mortgages. The bonds have associated covenants stating that the Group's loan-to-value ratio must not exceed 75 per cent, that the interest coverage ratio for a rolling 12-month period must be no less than 1.5 times and that the principle shareholder is unchanged. No collateral is provided for the bonds or commercial paper programmes.

Loan agreement maturity profiles

	31/12/2014		31/12/2013	
	Amount, SEK million	Particip., %	Amount, SEK million	Particip., %
0–3 mo.	4,799	32	5,467	33
3 mo.–1 year	9,006	60	10,172	60
1–2 years	175	1	454	3
2–3 years	931	6	390	2
3–4 years	-	-	-	-
4–5 years	97	1	-	-
5–6 years	-	-	105	1
6–7 years	-	-	-	-
> 7 years	70	-	116	1
	15,078	100	16,704	100

In addition to the above there are other liabilities that also include trade payables, which are usually due in 30 days, and interest rate derivatives with a negative value of SEK 1,003 million (158).

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 as market rates change. Wallenstam's loan portfolio consists of loans of different durations 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 in achieving stable interest expense development. Based on its finance policy, Wallenstam actively manages fixed-interest terms to achieve good average interest rates over time.

The Group's average fixed-interest term must fall within the 24–48 month range. The Group aims for loan conversions to be evenly distributed across the year.

Interest rate derivatives are used to spread risk and with the aim of protecting the underlying portfolio. We use financial instruments (interest rate swaps) to limit interest risks in the loan portfolio and to allow a flexible influence over the fixed interest period in the loan portfolio. 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 must be associated with an underlying exposure. The Group currently has derivative instruments reported in the category financial assets and liabilities at fair value through profit or loss. The corresponding interest paid is reported under interest expenses and the net change in the value of outstanding derivative liabilities for the year is reported as changes in value, derivative instruments. Interest rate derivatives are measured by discounting future cash flows based on observable market interest rates.

The average interest rate on closing day, which takes into account the effects of swaps entered into, was 2.56 per cent (3.11). The average effective interest rate for the financial year was 2.82 per cent (3.34) and the loan-to-value ratio on the closing day was 48 per cent (51).

The average fixed-interest term was 43 months (38). With the distribution of fixed-term loans existing at the beginning of 2015 a change in the interest rate of one percentage point at the beginning of the year would affect Wallenstam's interest expense by around SEK 65 million (61), equivalent to around 11 per cent (12) of Wallenstam's cash flow from operating activities before changes in working capital.

Interest maturity profile

	31/12/2014		31/12/2013	
	Amount, SEK million	Average interest, %	Amount, SEK million	Average interest, %
0–3 mo.	6,135	2.39*	7,177	3.50*
3 mo.–1 year	888	1.27	1,292	2.71
1–2 years	300	3.21	980	2.07
2–3 years	800	2.79	850	3.56
3–4 years	500	2.99	600	3.02
4–5 years	530	3.05	500	2.99
5–6 years	1,000	2.66	530	3.05
6–7 years	1,100	3.10	800	2.98
7–8 years	1,500	2.48	1,000	3.26
8–9 years	1,475	2.71	1,400	2.53
> 9 years	850	3.20	1,575	2.69
	15,078	2.56	16,704	3.11

* Loans with an interest maturity within three months have an average interest rate of 1.16 per cent (2.16), or 2.39 per cent (3.50) including the effect of swap agreements and fixed-interest loans that mature within the three-month period.

NOTE 2. Financing and financial risks, cont.

Weighted average interest rates on loans taking into account effects of derivatives amounted to:

%	2014	2013
Loans	2.82	3.34
Overdraft facilities	1.81	2.10

Interest expenses on liabilities to credit institutions is estimated to be in the region of SEK 461 million (547) for 2015.

CREDIT RISK

Wallenstam's credit risk primarily relates to rent receivable and promissory notes. Credit risk is the risk of loss if the Group's counterparties do not fulfil their contractual obligations, and any collateral does not cover the Group's receivables. The goal is to minimize credit risk through advance payment of rents and by effecting credit transactions primarily with major financing institutions. Credit risk can mainly be attributed to outstanding rent and trade receivables, promissory notes, cash and cash equivalents and financial derivatives.

Losses from rents receivable, trade receivables and promissory notes occur when customers are declared bankrupt or are unable to fulfil their payment obligations for other reasons. The risks are limited in that Wallenstam works chiefly with established customers who have competitive operations and a documented ability to pay. To limit risks, Group customers and their financial positions are subjected to credit checks, e.g. by obtaining information from credit reporting agencies.

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 lease for commercial premises, rent in advance.

The Group's exposure to credit risk from individual customers is limited considering the duration of rental agreements and the relative importance of customers.

Wallenstam's ten biggest commercial property tenants represent approximately 9 per cent (8) of Wallenstam's assessed full-year value. The table below shows rental agreement durations and the size of commercial tenancy contracts together with residential agreements as a proportion of total contracts, and the significance of the revenues.

The maximum credit risk corresponds to the book value of promissory notes, trade receivables and other current receivables, amounting in total to SEK 618 million (830), with assets having been pledged for promissory notes of SEK 441 million (390).

Rental contract durations

	Number of contracts	SEK million, assessed full-year value	Total, %
2015	634	132	8
2016	434	204	13
2017	387	179	11
2018	187	113	7
2019–	87	147	9
Total commercial premises	1,729	775	49
Vacant property	420	71	4
Residential and parking	12,539	744	47
Total	14,688	1,590	100

Rental contract sizes

	Number of contracts	SEK million, assessed full-year value	Total, %
Above SEK 5 million	18	156	10
SEK 4.0–5.0 million	8	37	2
SEK 3.0–4.0 million	19	66	4
SEK 2.0–3.0 million	36	88	6
SEK 1.0–2.0 million	115	159	10
SEK 0.5–1.0 million	187	131	8
Under SEK 0.5 million	1,346	138	9
Total commercial premises	1,729	775	49
Vacant property	420	71	4
Residential and parking	12,539	744	47
Total	14,688	1,590	100

Promissory notes amount to SEK 420 million (390), of which SEK - million (2) mature within three months, SEK - million (-) within 3–12 months, SEK 243 million (228) within 1–5 years and SEK 177 million (130) after five years. Other financial instruments such as trade receivables and current receivables are mainly due within three months of closing day.

OTHER FINANCIAL RISKS

ELECTRICITY PRICE RISK

Electricity prices have an impact on the business's earnings. Since Wallenstam 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 makes use of forward contracts in order to hedge income from future electricity sales and electricity production in accordance with the energy policy adopted by the Board of Directors. The policy means that purchasing may be carried out for a maximum period of five years ahead. Renewable energy certificates sales are also hedged by means of forward contracts in accordance with this policy.

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. The Group holds no loans in foreign currency and is therefore not exposed to any currency risk in connection with borrowing. Wallenstam is exposed to currency risks both through changes in foreign exchange rates 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 arises partly when purchasing wind turbines and partly through trade on the Nord Pool Spot and through Nasdaq OMX commodities, as these transactions take place in EUR. To minimize the economic impact of currency market fluctuations on its earnings the Group makes use of forward exchange rate contracts to hedge these flows in accordance with the foreign currency policy adopted by the Board of Directors.

TRANSLATION EXPOSURE

The Wallenstam Group is subject to limited translation exposure from the consolidation of its Norwegian subsidiaries. These report 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 exchange rate while items belonging to the income statement are translated at the average exchange rate for the year.

FINANCIAL DERIVATIVE INSTRUMENTS

Financial derivative instruments are reported at fair value in accordance with IAS 39.

	31/12/2014		31/12/2013	
	Assets	Liabilities	Assets	Liabilities
Non-current derivative instruments				
Interest swap contracts – cash flow hedges	27	-986	75	-229
Electricity derivatives and forward exchange rate contracts – cash flow hedges	-	-7	-	-7
Total	27	-993	75	-236
Current derivative instruments				
Interest swap contracts – cash flow hedges	-	-44	1	-4
Electricity derivatives and forward exchange rate contracts – cash flow hedges	-	-10	-	-8
Total	-	-54	1	-12
Total derivative instruments	27	-1,047	76	-247

Maturity profile, financial derivative instruments

	31/12/2014	31/12/2013
0–3 mo.	-23	-3
3 mo.–1 year	-31	-7
1–5 years	-173	-110
> 5 years	-793	-52
Total	-1,020	-172

NOTE 2. Financing and financial risks, cont.

The total change in value of derivatives during the year amounted to SEK 854 million (328). All interest swap contracts and electricity derivatives are measured at fair value and reported in the income statement. Where applicable, the effective portion of forward exchange rate contracts treated as hedge accounting in accordance with IAS 39, totalling SEK 0 million (0) for the year, is reported in other comprehensive income.

A financial asset and a financial liability are offset and reported 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 forward exchange rate contracts are reported at gross value, as no legally binding agreements on netting exist. Wallenstam has not identified any embedded derivatives that are to be separated from their host contracts and reported individually.

INTEREST RATE SWAPS

The nominal amount of the Group's outstanding interest rate swaps as of 31 December 2014 amounted to SEK 8,355 million (8,555). On 31 December the fixed swap interest rates payable to banks varied from 0.330–4.6875 (0.330–4.960). The variable swap interest rates obtained from the banks correspond to STIBOR 3 M. As at year-end 2014, a parallel shift in the yield curve by +/- 0.5 per cent would change the market value of the derivative portfolio by +/- SEK 275 million.

The interest derivatives portfolio includes interest rate derivatives with option features amounting to SEK 900 million (1,100). Upon maturity these may, on the initiative of the lender, be converted to interest rate swaps in the interest rate range 1.49–2.50 per cent (1.49–2.60).

Sensitivity analysis, cash flow, before tax*

SEK million	2014	2013
1 percentage point change in loan interest rate (annual)	65	61
EUR/SEK 50 öre	1	1
El. price 5 öre	6	4

*After taking into account the outcome of derivative contracts entered into

NOTE 3. Classification of financial instruments

SEK million	Financial assets at fair value through profit or loss				Held-to-maturity investments		Loans and trade receivables		Available-for-sale financial assets		Total	Income statement	
	Fair value		Derivatives used for hedge accounting		31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13			
	31/12/14	31/12/13	31/12/14	31/12/13									
Financial assets													
Promissory notes	-	-	-	-	420	390	-	-	-	-	420	390	Interest income
Participations	25	47	-	-	-	-	-	-	-	-	25	47	Expenses, co-op apartment sales
Other securities held	9	18	-	-	-	-	21	-	59	62	89	80	Net financial items
Interest derivatives	27	76	-	-	-	-	-	-	-	-	27	76	Changes in value, derivatives
Trade receivables	-	-	-	-	-	-	19	18	-	-	19	18	Rental income
Other current receivables	-	-	-	-	-	175	38	219	-	-	38	394	-
Cash and cash equivalents	-	-	-	-	-	-	56	384	-	-	56	384	-
Total financial assets	61	141	-	-	420	565	134	621	59	62	674	1,389	

SEK million	Financial liabilities at fair value through profit or loss				Financial liabilities at amortized cost		Total	Income statement	
	Fair value		Derivatives used for hedge accounting		31/12/14	31/12/13			
	31/12/14	31/12/13	31/12/14	31/12/13					
Financial liabilities									
Other non-current liabilities	43	23	-	-	11	-	54	23	Administration expenses
Interest derivatives	1,030	233	-	-	-	-	1,030	233	Changes in value, derivatives
Electricity derivatives	17	15	-	-	-	-	17	15	Changes in value, derivatives
Interest-bearing liabilities	-	-	-	-	15,078	16,704	15,078	16,704	Interest expenses
Trade payables	-	-	-	-	152	179	152	179	Operation and administration
Accrued expenses	-	-	-	-	195	185	195	185	Operation and administration
Other current liabilities	-	-	-	-	107	37	107	37	Operation and administration
Total financial liabilities	1,090	271	-	-	15,543	17,105	16,633	17,376	

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 three different value categories. The three different valuation levels are defined as follows:

- Quoted prices (unadjusted) on active markets for identical assets or liabilities (level 1).
- Observable data for the assets or liabilities other than prices quoted included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Data for the assets or liabilities that is not based on observable market data (non-observable input data) (level 3).

All derivative instruments measured at fair value in the balance sheet are attributable to level 2 in IFRS 13. Holdings in listed companies measured at fair value are attributable to level 1. Participations relating to externally acquired shares in cooperative associations are measured at fair value and are attributable to level 3. Holdings in unlisted companies are measured at cost. Interest-bearing liabilities, suppliers and other liabilities are measured at amortized cost. These are also classified at level 2.

No change or transfer of any instruments between the different value levels took place during 2014.

DESCRIPTION OF MEASUREMENT TECHNIQUES, LEVELS 2 AND 3

Measurement of liabilities to credit institutions and derivative instruments specified within level 2 are based on information from the banks concerned. The same applies to held-to-maturity investments. For information concerning electricity derivatives, market information is obtained from Nord Pool and classified as level 2. Other liabilities are valued at amortized cost, which corresponds to nominal value with additions for additional or outgoing value items.

NOTE 4. Segment information

Wallenstam's properties are owned and managed by wholly owned subsidiaries and are concentrated on the cities of Gothenburg and Stockholm. Wallenstam is also a producer and supplier of renewable energy through Svensk NaturEnergi.

Operations are conducted in the business areas Region Gothenburg, Region Stockholm and Svensk NaturEnergi. Administrative support function operations are reported under Other and intra-Group transactions are eliminated in the Eliminations column.

Operating segments are reported in a manner that corresponds to the internal reporting to the highest executive decision-maker, Wallenstam's CEO.

SEK million	2014						2013					
	Region Gothenburg	Region Stockholm	Svensk NaturEnergi	Other	Eliminations	Total	Region Gothenburg	Region Stockholm	Svensk NaturEnergi	Other	Eliminations	Total
Income statement												
Rental income	1,100	457	-	17	-8	1,566	1,056	513	-	17	-8	1,578
Operating expenses	-275	-155	-	-9	-	-439	-290	-182	-	-11	-	-483
Electricity income	-	-	237	-	-237	-	-	-	219	-	-219	-
Electricity expenses	-	-	-194	-	194	-	-	-	-161	-	161	-
Operating surplus	825	302	43	8	-51	1,127	766	331	58	6	-66	1,095
Management costs and administration expenses	-112	-80	-35	-2	42	-187	-122	-83	-24	-2	32	-199
Net financial items	-218	-14	-38	-116	38	-348	-250	-54	-35	-119	35	-423
Profit/loss from management operations	495	208	-30	-110	29	592	394	194	-1	-115	1	473
Profit from sale of co-op apartments	4	222	-	-	-	226	10	-6	-	-	-	4
Result from natural energy management operations	-	-	-	-	-25	-25	-	-	-	-	-8	-8
Capital gains, wind power assets	-	-	0	-	-	0	-	-	3	-	-	3
Realized changes in value, investment properties	56	176	-	-	-	232	39	28	-	-	-	67
Profit before unrealized changes in value and impairment losses	555	606	-30	-110	4	1,025	443	216	2	-115	-7	539
Unrealized changes in value, investment properties	664	165	-	-	-	829	394	211	-	-	-	605
Unrealized changes in value, financial instruments and renewable energy certificates	-	-	-3	-847	-4	-854	-	-	-21	342	7	328
Unrealized changes in value, synthetic options	-	-	-	-20	-	-20	-	-	-	-23	-	-23
Impairment losses on fixed assets	-	-	-350	-	-	-350	-	-	-150	-	-	-150
Profit/loss before tax	1,219	771	-383	-977	-	630	837	427	-169	204	-	1,299
Balance sheet												
Investment properties	19,328	8,590	-	563	-	28,481	18,407	9,107	-	565	-	28,079
Wind turbines	-	-	1,770	-	-	1,770	-	-	1,982	-	-	1,982
Work in progress, co-op apartments	-	601	-	-	-	601	-	970	-	-	-	970
Unapportioned assets	-	-	-	-	-	905	-	-	-	-	-	1,406
Total assets	19,328	9,191	1,770	563	-	31,757	18,407	10,077	1,982	565	-	32,437
Equity	-	-	-	-	-	12,883	-	-	-	-	-	12,840
Loans	8,014	1,497	1,280	4,287	-	15,078	8,062	2,586	1,124	4,932	-	16,704
Unapportioned liabilities	-	-	-	-	-	3,796	-	-	-	-	-	2,893
Total equity and liabilities	8,014	1,497	1,280	4,287	-	31,757	8,062	2,586	1,124	4,932	-	32,437
Investments	895	1,004	250	-	-	2,149	736	638	337	-	-	1,711

NOTE 5. Rental income

SEK million	2014	2013
Residential, parking	745	790
Commercial premises	821	788
Total rental income	1,566	1,578
Change in rental income from 2013 to 2014		
Rental income according to income statement	1,578	1,576
Change in rental income, existing properties	39	17
New production	32	29
Properties acquired	41	42
Properties sold	-124	-86
Rental income according to income statement	1,566	1,578
Adjustment to current full-year value		
Vacancies and vacated properties	63	75
Rental value, 31 December	1,629	1,653

Also refer to Note 2 for further information regarding rental agreements.

NOTE 6. Operating, management and administration expenses

Operating expenses include expenses for e.g. electricity, water, heating, property maintenance, cleaning, repairs, site leasehold rents and property tax.

Part of the operating expenses are passed to tenants in the form of rent supplements.

NOTE 6. Operating, management and administration expenses, cont

SEK million	2014	2013
Operating expenses		
Fuel expenses	80	100
Other operating expenses	165	179
Maintenance costs	116	123
Site leasehold/rent	13	15
Property tax	65	66
Total	439	483
Operating expense, SEK/sq m		
Fuel expenses	75	88
Other operating expenses	154	157
Maintenance costs	108	107
Site leasehold/rent	13	13
Property tax	61	58
Total	411	423
Management costs and administration expenses		
Depreciation, equipment and capitalized software expenses	7	7
Marketing expenses	25	20
Other external services and expenses	24	30
Personnel expenses*	173	174
Cost of premises, rent for property, plant & equipment, office supplies	31	32
Other expenses	15	14
Total	275	277
*Includes cost of synthetic options scheme	20	41

NOTE 7. Wages and salaries, other remuneration and social security costs

SEK million	2014					2013				
	Basic salary	Benefits	Variable pay	Social sec. costs	Pension expenses	Basic salary	Benefits	Variable pay	Social sec. costs	Pension expenses
Chairman of the Board	0.7	-	-	0.2	-	0.6	-	-	0.2	-
Board members	0.6	-	-	0.2	-	0.6	-	-	0.2	-
Total directors' remuneration	1.3	-	-	0.4	-	1.2	-	-	0.4	-
CEO, parent company	4.3	0.5	1.0	2.6	1.6	4.0	0.9	-	2.3	1.6
Deputy CEOs, 3 persons (3)	9.2	0.6	3.0	5.0	3.2	9.2	1.6	-	4.4	3.2
Other senior executives, 3 persons (2)	3.1	0.1	-	1.4	1.5	2.1	0.6	-	1.1	1.1
Other employees	100.2	3.4	-	33.1	13.6	96.0	18.1	-	36.5	12.3
Total	118.1	4.6	4.0	42.5	19.9	112.5	21.2	-	44.7	18.2

Remuneration

The CEO received a salary along with the use of a car and a residence, totalling SEK 5.8 million (4.9). Variable remuneration totalling SEK 1 million (-) was paid for the 2014 financial year.

Senior executives are offered fixed salaries at prevailing market levels. In addition to fixed salaries, variable remuneration may be offered. The principles for these are approved by the AGM. The salaries of the CEO and Deputy CEOs 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 is paid fees of SEK 1,290,000 (1,250,000) for the period from April 2014 until the AGM in 2015, of which SEK 650,000 (630,000) is paid to the Chairman of the Board Christer Villard, SEK 235,000 (230,000) to Deputy Chairman Ulrica Jansson Messing and SEK 135,000 (130,000) to each of the other Board members (Anders Berntsson, Agneta Wallenstam and Erik Åsbrink). No additional remuneration other than the fees decided on by the AGM was paid to the Board.

Pensions and severance pay

The company has taken out a pension insurance policy for the CEO with an annual premium amounting to 35 per cent of gross salary including benefits, and a life insurance policy to provide a survivor's pension in the event of death in service. The latter is provided through payment into a defined premium insurance policy for which the costs in 2014 amounted to SEK 104,000 in total.

If the CEO resigns his position, six months' notice must be given. Termination of the CEO's employment on the part of 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 tied accommodation for 1.33 times the taxable value at the time of sale.

Other senior executives comprise three Deputy CEOs, the CFO & IR Manager, the PR and HR Director and the Finance Director. Pensions for other senior executives are provided in accordance with the remuneration policy by defined contribution pensions. To fulfil pension benefits for other senior executives the company has taken out pension policies equivalent to 30 per cent or 35 per cent of gross salary. The period of notice for other senior executives is six months. In regard to Deputy CEOs and other senior executives, 18 months' severance pay will apply in the case of termination of employment on the part of the company. Deputy CEOs with tied accommodation have the right to purchase said accommodation at the market value prevailing at the time of sale. In the event of sickness absence, senior executives – like other employees – are entitled to 90 per cent of fixed monthly pay for days 2–90 and 75 per cent of fixed pay for days 91–365, less what can be obtained from Försäkringskassan, the Swedish Social Insurance Agency.

Pensionable age for the CEO and other senior executives is 65–67 years unless separate agreements are concluded.

NOTE 7. Wages, other remuneration and social security costs, cont.

SHARE-BASED PAYMENTS TO GROUP MANAGEMENT AND OTHER EMPLOYEES

Options scheme 2013–2019

In September 2013, all personnel employed indefinitely were offered synthetic options free of charge; 194 employees accepted the offer and each received 10,000–50,000 synthetic options. The CEO and Deputy CEOs each received 50,000 synthetic options and other senior executives a total of 90,000. In 2014 a further 79,500 synthetic options were issued. The options are valued according to the Black & Scholes model. Important input data for the model includes the share price as of the closing day of SEK 129.70, an exercise price of SEK 105 with a ceiling of SEK 160, an anticipated share price volatility of 22 per cent, the options' duration until midnight 31/05/2019, an anticipated dividend of SEK 2.25 and an annual risk-free interest rate of 0.12 per cent. Volatility is calculated as the estimated future volatility for the remainder of the options' duration.

The option programme runs until 31 May 2019 and means that company employees are able to share in the value growth created. In the event of a maximum payout, which will be reached if all the options are exercised and at a price of SEK 160 per share, the maximum cost to the company will be around SEK 250 million. The total number of synthetic options issued is 2,509,500 out of a maximum of 4,000,000. Closing liabilities at year-end totalled SEK 4.3 million (23). Expenses for the year total SEK 20 million (28) including taxes and fees. The option holder has the right to demand settlement of the synthetic options on maturity date or if the Wallenstam share has a closing share price that exceeds SEK 160 for at least five days during a 30-day period.

Options scheme 2008–2013

A synthetic options scheme ran from May 2008 until the end of June 2013, which at the time of issue was aimed at all employees, of whom a total of 147 chose to sign up. The total expense for this programme amounted to SEK 58 million, of which SEK 13 million was reported in the 2013 income statement.

Synthetic options scheme costs

SEK million	2014	2013
CEO	0.4	1.0
Deputy CEOs, 3 persons (3)	1.2	3.0
Other senior executives, 3 persons (2)	0.7	1.5
Other employees	18.2	35.8
Total	20.5	41.3

Pension insurance with Alecta

Pension insurance contributions for the year in Alecta in respect of ITP 2 total SEK 6.2 million (7.4). Alecta's surplus can be divided between the policy-holders and/or the insured individuals. At year-end 2014, Alecta's surplus in the form of the collective consolidation level was 143 per cent (148). Wallenstam's share of the total number of premiums for ITP 2 with Alecta was 0.04264 per cent.

NOTE 8. Average number of employees

	2014		2013	
	Average no. employees	Of whom women	Average no. employees	Of whom women
	203	117	196	109

Board members and senior executives

	31/12/2014		31/12/2013	
	Number	Of whom women	Number	Of whom women
Board members	5	2	5	2
CEO, Deputy CEOs and senior executives	7	2	7	2

NOTE 9. Related party disclosures

Related parties

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

Wallenstam has adopted procedures for defining related parties, for managing transactions and monitoring related party agreements. 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 per cent 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 related-party agreements, two people must always take decisions regarding the agreement on behalf of Wallenstam. Moreover, authorized individuals may not authorize expenditures that apply to themselves.

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. Income from these services is reported 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 totalling around SEK 22 million (19).

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. In 2014 insurance services totalling SEK 4.3 million were purchased from companies with board members who are also members of Wallenstam's Board of Directors or Group management. Architectural services were purchased for SEK 2.6 million from companies related to a Deputy CEO. 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 288.4 million. This company has been a Svensk NaturEnergi electricity customer since the end of 2014. One of Wallenstam's Board members is also a member of the board of Alecta, which manages pensions.

Wallenstam's involvement in environmental and social responsibility issues is described in more detail on pages 31–35 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 pertains to the Rescue Mission in Gothenburg and Barn i Nöd (Swedish International Help for Children). During the year, Barn i Nöd received SEK 1.6 million in contributions and the Rescue Mission in Gothenburg SEK 2.5 million. The Rescue Mission in Gothenburg rents premises from Wallenstam representing SEK 4.1 million in rental income.

At the beginning of the year, the CEO acquired a small co-op apartment from Wallenstam. All transactions take place on prevailing market terms.

NOTE 10. Management costs and administration expenses

Management costs and administration expenses cover the Group's administrative expenses such as personnel, office, premises and marketing expenses and the depreciation of equipment. These are broken down and presented in the income statement on three lines: property management operations, property transactions and natural energy management operations.

Management costs and administration expenses attributable to the Group's property management operations amount to SEK 187 million (199). Management costs and administration expenses attributable to natural energy operations amount to SEK 35 million (24). Administration expenses attributable to property transactions are included in the item selling and administrative expenses, sales of investment properties and amount to SEK 33 million (31).

Wallenstam has engaged Deloitte as auditors.

SEK million	2014	2013
Audit assignment	0.9	0.9
Audit-related advice	0.1	-
Tax advice	0.1	-
Other assignments	0.1	0.1
Total	1.2	1.0

NOTE 11. Financial income and expenses

SEK million	2014	2013
Financial income		
Interest income, current assets	16	32
Dividends	1	3
Other income from financial items	0	10
Total interest income	17	45
Financial expenses		
Interest expenses	-362	-466
Other financial expenses	-3	-2
Total interest expenses	-365	-468

During the year SEK 58 million (44) in interest in respect of investments in projects was capitalized. The average interest rate was used for capitalization, which amounts to 2.8 per cent (3.3).

Net financial items including changes in the value of finance derivative instruments amounted to SEK -1,202 million (-95); refer to Note 2.

NOTE 12. Management costs and capital gains, natural energy

SEK million	2014	2013
Result from natural energy management operations		
Electricity revenues	280	253
Electricity expenses	-232	-202
Management costs and administration expenses, natural energy	-35	-24
Financial expenses, natural energy	-38	-35
Loss from natural energy management operations	-25	-8
Result from sales of fixed assets	0	3
Total capital gains, wind power assets	0	3

NOTE 13. Revenue and expenses, co-op apartment sales

SEK million	2014	2013
Revenue, co-op apartment sales		
Revenue from sales of newly constructed co-op apartment units	965	-
Revenue from sales of acquired co-op apartment units	90	28
Total revenue, co-op apartment sales	1,055	28
Expenses, co-op apartment sales		
Cost of newly constructed co-op apartment units including selling expenses	-758	-
Cost of acquired cooperative apartment units including selling expenses	-71	-24
Total expenses, co-op apartment sales	-829	-24
Profit from the sale of co-op apartments	226	4

NOTE 14. Changes in value, investment properties

Changes in the value of investment properties are reported in the income statement broken down into Realized changes in value, investment properties and Unrealized changes in value, investment properties.

Realized changes in value consist of the difference between the payment received on sale of the property and the most recent valuation.

Unrealized changes in value are based on the difference between the estimated fair value according to internal valuations and the Group's cost. Internal valuations are carried out quarterly. For further information on the valuation of investment properties, refer to Note 17.

SEK million	2014	2013
Revenue from properties sold	2,349	1,986
Selling expenses, properties sold	-18	-24
Carrying amount of properties sold	-2,059	-1,825
Investments in properties sold	-7	-39
Change in value resulting from contracted sales	829	605
Total changes in value, investment properties	1,094	703
<i>Unrealized changes in value, investment properties</i>		
Change in rate of return value	223	39
Capitalization of change in operating surplus	428	540
Change in value resulting from contracted sales	63	-
Future investment requirements	-31	-199
Completed projects	146	225
Unrealized changes in value, investment properties	829	605

NOTE 15. Tax expense/income

The current tax rate for limited liability companies in Sweden is 22 per cent (22). The tax in the income statement is split across two items, income tax and deferred tax. Income tax is calculated based on the company's taxable earnings, which differ from the reported profit/loss. This is mainly due to the ability to:

- utilize tax-related depreciation
- utilize tax deductions for certain conversions of properties, which is capitalized in the accounts
- utilize the Group's existing tax loss carryforwards
- sell properties in a tax-efficient manner

Current tax – i.e. 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 is calculated in accordance with the balance sheet method on all temporary differences that arise between the carrying amounts and fiscal values of assets and liabilities. The deferred tax asset refers to the value of loss carryforwards in Group companies. The deferred tax liability refers to differences between carrying amounts and fiscal residual values for Group properties. Deferred tax assets and deferred tax liabilities are measured at nominal amounts in the balance sheet in accordance with the prevailing tax regulations and tax rates. The total tax reported in the income statement deviates from the nominal tax in cases where there are reported income and expenses that are not taxable or deductible respectively, or due to other tax-related adjustments which are primarily because the disposal of subsidiaries is not taxable.

Tax reported in the income statement

SEK million	2014	2013
Current tax	-1	-2
Deferred tax	-44	-21
Total tax	-45	-23

Difference between the Group's reported tax and tax based on the applicable tax rate of 22 per cent (22)

SEK million	2014	2013
Reported profit before tax	630	1,299
Tax according to applicable rate	-139	-286
Tax effect of:		
Expenses, non-deductible	-8	-11
Income not liable to tax	0	4
Impairment charges, non-deductible	0	-
Adjustment of tax, previous year	-154	35
Reversed impairment charges	3	3
Non-taxable profit on properties sold	251	241
Acquisitions of companies	2	-6
Pension commitments assured via endowment insurance	1	1
Non-assessed loss	-2	-1
Other items	1	-3
Tax on profit for the year in the income statement	-45	-23

Tax items reported under other comprehensive income

SEK million	2014	2013
Deferred tax attributable to:		
Changes in value, translation differences	0	3
Total tax items reported under other comprehensive income	0	3

Allocation of deferred and current tax

SEK million	2014		2013	
	Basis current tax	Basis deferred tax	Basis current tax	Basis deferred tax
Profit before tax	630		1,299	
Tax deductible:				
Property conversions	-227	227	-253	253
Depreciation	-225	225	-225	225
Accelerated depreciation	-25	25	-304	304
Impairment charges and reversals	13	-26	121	-132
Sale of properties	352	-1,495	4	-1,097
Unrealized changes in value, properties	-829	829	-605	605
Unrealized changes in value, financial derivative instruments	854	-854	-328	328
Realized changes in value, financial derivative instruments	-8	8	0	0
Remeasurement, renewable energy certificates	5	-5	0	0
Other non-deductible costs	35	-5	50	-5
Other Group-related adjustments	-2	1	-19	19
Acquisitions of companies	-	-11	-	26
Adjustment of tax, previous years	-	701	-	-164
Current profit for tax purposes	573	-380	-260	362
Changes to tax loss carryforwards for the year	-569	569	271	-271
Taxable profit	4	189	11	91
Tax for the year	-1	-42	-2	-20
Non-assessed loss	-	-2	-	-1
Tax on profit for the year in the income statement	-1	-44	-2	-21

NOTE 16. Intangible assets

Intangible assets refer to capitalized expenses for computer software.

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	33	36
Investments during the year	3	2
Sales/retirements during the year	-	-5
Accumulated cost carried forward	36	33
Depreciation brought forward	-26	-28
Depreciation for the year	-3	-3
Sales/retirements during the year	-	5
Accumulated depreciation carried forward	-29	-26
Book value at year-end	7	7

NOTE 17. Investment properties

SEK million	31/12/2014	31/12/2013
Carrying amount, 1 January	28,079	27,680
Acquisitions during the year	42	1,215
Reclassification from co-op as a result of acquisition	76	-
Construction during the year	1,513	1,374
Sales during the year	-2,059	-1,825
Unrealized changes in value	829	605
Total carrying amount	28,481	29,049
Reclassification, co-op construction in progress	-	-970
Carrying amount, 31 December	28,481	28,079

Capitalized interest during the year amounted to SEK 29 million (19). The average interest rate was around 2.8 per cent (3.3).

Breakdown of changes in value, investment properties

SEK million	2014	2013
Change in yield	223	39
Capitalization of change in operating surplus	428	540
Change in value resulting from contracted sales	63	-
Future investment requirements	-31	-199
New construction	146	225
Unrealized changes in value	829	605
Realized changes in value	265	98
Changes in value, investment properties	1,094	703

In 2014 Wallenstam sold properties to a value that exceeded valuation by 14 per cent (7) on average, after taking into account investments during the year.

SEK million	31/12/2014	31/12/2013
Tax assessment value		
Buildings	7,002	7,367
Land	3,279	3,449
Land leasehold rights	2,649	2,874
Total tax assessment value	12,930	13,690

Investment commitments

Future expenditure for contracted investments as of the closing day which have not been recognized in the financial reports in respect of properties:

SEK million	31/12/2014	31/12/2013
Investments	1,002	1,080

NOTE 17. Investment properties, cont.

Valuation

Wallenstam reports investment properties at estimated market values. A complete valuation of each individual building is made by an internal valuation team in connection with interim and annual accounts. Valuations are performed as rate of return valuations, which means that the operating surplus of each individual property is divided by the required rate of return for the property concerned. Different required rates of return have been used for different markets and different types of property.

In valuing the properties the following are taken into consideration, among other things:

- An analysis of concluded and non-concluded property transactions.
- An evaluation of the required rates of return in each market.
- An evaluation of each property's specific circumstances regarding e.g. condition and location.
- An analysis of rental levels, contract lengths, and vacancy and rental trends
- An analysis of existing tenants.
- Credit market conditions.

At each valuation the calculation is adjusted in cases where significant changes in the underlying factors have taken place, such as the required rate of return, rent level, occupancy rate, effects of contracted sales and completed conversions. The fair value of new construction of rental apartments is determined as cost plus a share of the calculated surplus value on completion date in relation to the building's degree of completion, which is in turn based on accrued expenses.

Land rights and development rights for land with planning permission are valued at market value. Fair values attributable to level 2 for land and development 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 metre.

According to IFRS 13 the fair value of investment properties is attributable to valuation level 1, 2 or 3. Wallenstam is of the opinion that property valuations are at valuation level 3.

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

Wallenstam's valuation model

+	Rental value*
-	General vacancies of three per cent in the commercial holding
-	Operating costs including property tax, excluding administration
=	Operating surplus
÷	Required rate of return for the property
=	The property's gross rate of return
-	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 2015.

Operating surplus

The improvement in operating surplus is partly attributable to higher rents and partly to lower operating expenses. Wallenstam's residential property holding is fully let and the year's rent negotiations resulted in an average rise for 2014 of 1.7 per cent in Gothenburg and 1.6 per cent in Stockholm. Rent levels for Wallenstam's commercial premises in comparable holdings increased by around 0.9 per cent compared with the previous year, chiefly as a result of cost index escalations.

Bases for determining anticipated required rate of return

Required rates of return differ between properties depending on the market and the type of property. Rate of return valuations are made based on residential and commercial floor space, with different rates of return required for the respective lettable space. Analyses and comparisons are made with current price statistics for similar buildings. Wallenstam carries out a significant number of property transactions every year which provides for a good feel for the market. When a transaction is completed a cross-check is made of the valuations made. Wallenstam also monitors property transactions completed in relevant areas.

NOTE 17. Investment properties, cont.

Properties that undergo comprehensive reconstruction are measured initially at the value prior to construction and then afterwards, taking into consideration expenses incurred by the reconstruction project, as this is considered to correspond to market value. When a building is completed or when deciding factors such as rent levels and operating surplus can be determined with reasonable certainty, fair value is calculated again according to the yield-based valuation model described above.

Estimated market values for new construction projects are charged initially with a risk supplement on the required rate of return of 0.25 percentage points (0.25) compared to an investment property in the same location. This is because of the uncertainty that exists in respect of budgeted expenditures, e.g. for final construction expenses and initial operations in these properties. After a period in operation when actual conditions are known the required rate of return is tested anew.

Deductions are made from the yield-based value for estimated future investment requirements.

Assumptions per property category

The following rates of return have been used in valuations for different markets and types of property:

Property type	Location	Average required rate of return, %
Residential	Gothenburg	3.6
Residential	Stockholm	3.8
Commercial		5.6
Average required rate of return, residential		3.7
Average required rate of return, commercial		5.6

Required rate of return, investment properties

Location	Property type	%
Stockholm	Residential	3.25–4.25
Gothenburg	Residential	3.25–4.75
Gothenburg	Commercial	4.75–8.50

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 per cent. However, this may vary depending on such things as the market situation, the standard of the property and investment requirements. As of 31 December 2014 Wallenstam had investment properties valued at SEK 28,481 million; an uncertainty range of +/- 5–10 per cent means their estimated fair value varies by +/- SEK 1.4 billion at +/- 5 per cent and by SEK 2.8 billion at +/- 10 per cent.

Furthermore, changes to the required rates of return entail a substantial effect on valuation. A 0.25 per cent adjustment in required rates of return changes property values by around SEK 1.4–1.5 billion, which is equivalent to a net asset value of around SEK 9.00 per share in the case of an increase and SEK –8.00 per share in the case of a decrease (9 and –8 respectively).

Property values with other required rates of return

SEK million	31/12/2014	31/12/2013
0.5% point lower	31,762	31,358
0.25% point lower	30,015	29,592
Our estimate	28,481	28,079
0.25% point higher	27,122	26,663
0.5% point higher	25,908	25,431

A +/- 5 per cent change in rental income changes the value of the properties by +/- SEK 1.6 billion (1.7).

Property values with changed rental income

SEK million	31/12/2014	31/12/2013
5% point higher	30,110	29,803
Our estimate	28,481	28,079
5% point lower	26,852	26,356

NOTE 18. Wind power and hydroelectric power

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	2,425	2,120
Reclassification	-1	-21
Investments during the year	250	337
Sales during the year	-42	-11
Accumulated cost carried forward	2,632	2,425
Depreciation brought forward	-193	-114
Depreciation for the year	-91	-79
Sales during the year	22	0
Accumulated depreciation carried forward	-262	-193
Impairment losses brought forward	-250	-100
Impairment losses for the year	-350	-150
Accumulated impairment losses carried forward	-600	-250
Book value at year-end	1,770	1,982
Future investment commitments	29	210

An impairment test is based on a calculation of value in use. This value is based on cash flow forecasts for the useful life. Cash flows are affected by commercial factors such as market growth, competitive strength, prices, margins, cost trends, investment levels and working capital tied up. When discounting, estimations of financial factors such as interest rates, borrowing costs, market risks, beta coefficients and tax rates are additional.

Assumptions made in the test are the Board's best estimation of the economic conditions that are expected to prevail during the forecast period. Current market conditions, i.e. primarily the prices of electricity and renewable energy certificates, make forecasts difficult. The first five years, 2015–2019, are based on internal forecasts established by the Board in which electricity prices are expected to increase by 2 per cent annually, expenses by 2 per cent annually and electricity certificates by 2 per cent annually starting from 1 January 2015. Thereafter an average growth rate of 2 per cent has been applied until the end of the useful life. The recoverable value is equal to the value in use and amounts to SEK 1,770 million (1,982). Sensitivity analyses have been carried out.

During the year investments in wind farms were written down by a total of SEK 350 million (150). This is reported in the income statement as impairment losses on fixed assets and is primarily a result of low market prices for electricity and renewable energy certificates. Furthermore, the turbines concerned were acquired in times when both purchase prices and the currency (EUR) exchange rate were high, which affected costs. The valuation was made by identifying the recoverable value of wind turbines as corresponding to value in use with required rates of return before tax equivalent to 7 per cent. Valuation took place per wind farm, which corresponds to the lowest cash-generating unit. In all, 16 wind farms were affected by impairment charges.

Capitalized interest amounted to SEK 5 million (7).

NOTE 19. Equipment

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	71	76
Investments during the year	11	5
Sales/retirements during the year	0	-10
Accumulated cost carried forward	82	71
Depreciation brought forward	-27	-31
Depreciation for the year	-5	-4
Sales/retirements during the year	0	8
Accumulated depreciation carried forward	-32	-27
Impairment losses brought forward	-	-2
Impairment losses reversed	-	2
Accumulated impairment losses carried forward	-	-
Book value at year-end	50	44

NOTE 20. Financial fixed assets

Other securities held as fixed assets

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	101	394
Sales during the year	-12	-155
Investments during the year	12	36
Value changes for the year	2	1
Reclassification	-	-175
Book value at year-end	103	101

Other securities held as fixed assets consist of Exeger SEK 22 million (22), Eolus Vind AB SEK 9 million (18) and other participations SEK 37 million (32), and SEK 35 million (28) in K-insurance pledged for future commitments.

Non-current receivables

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	399	406
New receivables	177	88
Reclassified to current	-	-13
Repayments	-136	-82
Book value at year-end	440	399

Non-current receivables consist mainly of promissory notes. The weighted average effective interest rate for interest-bearing non-current receivables was 4.79 per cent (3.59). All non-current receivables follow payment plans. No impairment charges are considered necessary for non-current receivables. There are no overdue non-current receivables.

Receivables from associated companies are included at SEK 21 million (8).

NOTE 21. Intangible current assets

SEK million	31/12/2014	31/12/2013
Renewable energy certificates		
Carrying amount, 1 January	58	49
Production during the year	57	53
Cancellations during the year due to own consumption	-4	-4
Acquisitions during the year	1	-
Sales during the year	-40	-32
Unrealized changes in value	-3	-8
Book value at year-end	69	58

Renewable energy certificates are measured at fair value corresponding to IFRS level 2.

NOTE 22. Work in progress, co-op apartments

SEK million	31/12/2014	31/12/2013
Carrying amount, 1 January	970	635
Construction	386	335
Cost, sold co-op apartments	-679	-
Reclassification to investment property as a result of acquisition	-76	-
Total assets, co-op construction in progress	601	970

*Reported as a line item with effect from 2014.

NOTE 23. Trade receivables

SEK million	31/12/2014	31/12/2013
Trade receivables	25	28
Less provision for depreciation of receivables	-7	-10
Book value at year-end	19	18

Provision for doubtful receivables

SEK million	31/12/2014	31/12/2013
Provisions at beginning of year	-10	-9
Verified losses	0	1
Provision for probable losses	-7	-3
Reversed unutilized amount	10	1
Provisions at year-end	-7	-10

Trade receivables past due by more than two months amount to SEK 7 million (10).

NOTE 24. Other receivables

SEK million	31/12/2014	31/12/2013
Receivables relating to property transactions	2	-
Other receivables	16	192
Promissory notes	1	-
Book value at year-end	19	192

During the year special borrowing of SEK 175 million was raised.

NOTE 25. Prepaid expenses and accrued income

SEK million	31/12/2014	31/12/2013
Prepaid insurance premiums	1	3
Prepaid operating expenses	15	18
Accrued income	16	14
Prepaid administration expenses	15	17
Accrued insurance compensation	2	9
Prepaid expenses relating to transactions	33	1
Prepaid rental expenses	7	7
Accrued interest income	1	10
Book value at year-end	90	80

NOTE 26. Participations

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	47	33
Investments during the year	69	42
Sales during the year	-91	-28
Book value at year-end	25	47

The participations consist of externally acquired shares in cooperative associations.

NOTE 27. Cash and cash equivalents

SEK million	31/12/2014	31/12/2013
Cash and cash equivalents	56	384
Approved amount	600	400
Utilized amount	-17	-
Available amount, overdraft facilities	583	400
Available liquid assets	639	784

In addition to this there is available as yet unutilized building credit of SEK 887 million (1,725).

NOTE 28. Equity

A specification of the change in equity can be found in the statement of changes in equity, immediately after the balance sheet.

Number of shares	A shares	B shares	Total number	Of which treasury shares	Outstanding shares	Quota value, SEK
Quantity, 31/12/2013	17,250,000	152,750,000	170,000,000	1,200,000	168,800,000	1.00
Repurchases	-	-	-	1,800,000	-1,800,000	-
Quantity, 31/12/2014	17,250,000	152,750,000	170,000,000	3,000,000	167,000,000	1.00

The share capital in Wallenstam AB consists of 17,250,000 A shares, each with ten votes, and 152,750,000 B shares with one vote each. On the closing day the number of repurchased shares amounted to 3,000,000, representing 1.8 per cent of the share capital. During 2014 a total of 1,800,000 shares were repurchased at an average price of SEK 113.40.

The proposed dividend for the 2014 financial year is SEK 2.25 per share (2.00).

Earnings per share

Reported 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	2014	2013
Profit for the year excl. share attributable to non-controlling interests, SEK million	585	1,277
Average number of shares, thousand	168,200	169,533
Earnings per share, SEK	3.5	7.5

There are no dilution effects.

NOTE 29. Deferred tax

SEK million	31/12/2014		31/12/2013	
	Basis	Tax 22%	Basis	Tax 22%
Deferred tax asset				
<i>Loss carryforward</i>				
At beginning of year	4,891	1,076	4,622	1,017
Changes to tax loss carryforwards for the year	-569	-125	271	60
Divested losses	-2	0	-3	-1
Acquired losses	-	-	-	-
Non-measured loss	-11	-2	-5	-1
Adjustment of tax, previous years	-781	-172	6	1
At year-end as per balance sheet	3,528	776	4,891	1,076
<i>Derivatives</i>				
At beginning of year	158	35	494	109
Value changes for the year, unrealized	845	186	-337	-74
At year-end as per balance sheet	1,003	221	158	35
<i>Pension commitments</i>				
At beginning of year	32	7	27	6
Change for the year	5	1	5	1
At year-end as per balance sheet	37	8	32	7
<i>Shareholdings</i>				
At beginning of year	1	0	0	0
Change for the year	0	0	-4	-1
Adjustment of tax, previous years	-	-	5	1
At year-end as per balance sheet	1	0	1	0
<i>Other temporary differences</i>				
At beginning of year	250	55	-	-
Change for the year	-20	-5	150	33
Adjustment of tax, previous years	-170	-37	100	22
At year-end as per balance sheet	60	13	250	55
At year-end as per balance sheet	4,629	1,018	5,332	1,173

Deferred tax assets include measured loss carryforwards totalling SEK 776 million (1,076), which basically corresponds to all of the Group's Swedish loss carryforwards.

SEK million	31/12/2014		31/12/2013	
	Basis	Tax 22%	Basis	Tax 22%
Deferred tax liability				
<i>Properties</i>				
At beginning of year	13,476	2,964	13,525	2,975
Property conversions during the year	227	50	253	56
Depreciation for the year	228	50	227	50
Impairment charges and reversals	-2	0	18	4
Value changes for the year	829	182	605	133
Add-backs for the year due to sales	-1,493	-328	-1,140	-251
Adjustment of tax, previous years	-	-	-23	-5
Other adjustments	1	0	-	-
Taxes exempted due to asset acquisitions	-11	-2	11	2
Acquisitions during the year	-	-	121	27
At year-end	13,255	2,916	13,597	2,991
Deducted, attrib. to asset acquis.	-	-	-121	-27
At year-end as per balance sheet	13,255	2,916	13,476	2,964

NOTE 29. Deferred tax, cont.

SEK million	31/12/2014		31/12/2013	
	Basis	Tax 22%	Basis	Tax 22%
<i>Wind turbines</i>				
At beginning of year	1,015	222	739	162
Depreciation for the year	-3	-1	-3	-1
Accelerated depreciation for the year	25	6	304	67
Impairment losses for the year	-43	-9	-	-
Value changes for the year for derivatives, realized	8	2	0	0
Value changes for the year for derivatives, unrealized	-9	-2	-13	-3
Remeasurement, renewable energy certificates	-5	-1	0	0
Acquisitions during the year	-	-	-	-
Remeasurement of participations in foreign subsidiaries	15	3	-12	-3
Other adjustments	-2	0	0	0
Adjustment of tax, previous years	-250	-55	-	-
At year-end as per balance sheet	751	165	1,015	222
Net deferred tax				
At beginning of year	9,159	2,014	9,120	2,006
Change for the year	218	49	39	8
At year-end as per balance sheet	9,377	2,063	9,159	2,014

NOTE 30. Other provisions

SEK million	31/12/2014	31/12/2013
Capital value of pension commitments	35	28
Other provisions	1	2
Book value at year-end	36	30

NOTE 31. Accrued expenses and prepaid income

SEK million	31/12/2014	31/12/2013
Accrued salary costs	34	31
Accrued interest expenses	48	63
Accrued operating expenses	46	48
Accrued administration expenses	44	41
Prepaid rental income	142	160
Accrued expenses relating to property transactions	23	2
Book value at year-end	337	345

NOTE 32. Pledged assets

SEK million	31/12/2014	31/12/2013
Property mortgages in respect of property-linked loans	14,474	16,262
Pension commitments	35	28
Wind turbines	675	1,603
Blocked bank funds	1	7
Total pledged assets	15,185	17,900

NOTE 33. Contingent liabilities

There is responsibility 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.

Other contingent liabilities refer to commitments in respect of investments in wind turbines amounting to SEK 29 million (-) and an SEK 2 million (2) loan guarantee to Fastigo.

NOTE 34. Statement of cash flows

The statement of cash flows has been adjusted for items not affecting liquidity in order to show receipts and disbursements in operating activities. Operating activities have been adjusted to reflect changes in temporary entries, deferred tax and depreciation. Adjustments have also been made for capital gains on the sale of assets as these do not affect liquidity.

Investing activities have been adjusted for investments not yet paid.

Financing activities have been adjusted to reflect seller's notes in property transactions and changes in temporary entries.

SEK million	2014	2013
Adjustment items not affecting cash flow		
Capital gains, properties, co-op projects and apartments	-492	-102
Reversed impairment charges	-14	-
Realized profit from the sale of other assets	0	3
Depreciation	97	91
Other adjustments	-8	-26
Total	-417	-34

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 shown in Note 17.

NOTE 36. Events after the closing day

After the closing day an agreement was signed with Carlshofs Fastighetsholding AB to acquire, via a joint company, the property in Ekerö town centre which houses the SL bus depot. The bus depot will be moved and Wallenstam plans to build around 400 apartments on the site for various forms of tenure, including retail on the ground floor and a new, adjacent, bus terminal. Construction is scheduled to start in 2017.

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2014	2013
Management revenue	2	198	194
Management costs and administration expenses	4, 5, 6, 7	-323	-330
Rental income		57	60
Operating expenses	8	-34	-43
Depreciation, properties	13	-12	-6
Retirement, property	13	-	-30
Operating profit/loss		-114	-155
Profit from participations in Group companies	9, 14	421	2,918
Interest income and similar profit/loss items	10	634	699
Interest expenses and similar profit/loss items	10	-728	-769
Unrealized changes in value, derivative instruments		-845	337
Net financial items		-518	3,185
Profit/loss before tax		-632	3,030
Year-end appropriation, Group contribution		-	-610
Tax on profit for the year	11	-55	49
Profit/loss for the year		-687	2,469
Comprehensive income		-687	2,469

PARENT COMPANY BALANCE SHEET

SEK million	Note	31/12/2014	31/12/2013
ASSETS			
FIXED ASSETS			
Intangible assets	12	7	7
Total intangible assets		7	7
Property, plant and equipment			
Investment properties	13	1,114	893
Equipment		13	15
Total property, plant and equipment		1,127	908
Financial fixed assets			
Participations, subsidiaries	3, 14, 15, 16	5,961	6,334
Receivables from Group companies	3, 14	11,335	11,325
Financial derivative instruments	3, 17	27	74
Other securities held as fixed assets	3, 14	70	61
Deferred tax asset	21	369	423
Other non-current receivables	3	4	-
Total financial fixed assets		17,766	18,217
Total fixed assets		18,900	19,132
CURRENT ASSETS			
Financial derivative instruments	3, 17	-	1
Other receivables	3	0	176
Prepaid expenses and accrued income	3, 18	40	44
Cash and cash equivalents	3, 19	43	301
Total current assets		83	522
Total assets		18,983	19,654
EQUITY AND LIABILITIES			
RESTRICTED EQUITY			
Share capital	20	170	170
Statutory reserve		122	122
Total restricted equity		292	292
NON-RESTRICTED EQUITY			
Profit brought forward		6,773	4,845
Profit/loss for the year		-687	2,469
Total non-restricted equity		6,086	7,314
Total equity		6,378	7,606
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	3, 22	600	30
Liabilities to Group companies	3	3,686	3,605
Pension provision		35	28
Financial derivative instruments	3, 17	986	229
Other liabilities	3	46	26
Total non-current liabilities		5,353	3,918
CURRENT LIABILITIES			
Interest-bearing liabilities	3, 22	7,089	7,965
Financial derivative instruments	3, 17	44	3
Trade payables	3	24	53
Other liabilities	3	12	22
Accrued expenses and prepaid income	3, 23	83	87
Total current liabilities		7,252	8,130
Total equity and liabilities		18,983	19,654
PLEDGED ASSETS	24	3,844	3,651
CONTINGENT LIABILITIES	25	7,602	8,893

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK million	Restricted equity			Total equity
	Note 20	Share capital	Statutory reserve Non-restricted equity	
Opening balance 01/01/2013		172	120	5,165
Profit for the year		-	-	2,469
Transactions with shareholders				
Bonus issue		-2	2	-
Dividends		-	-	-212
Repurchase/sale of own shares (including expenses)		-	-	-108
Closing balance 31/12/2013		170	122	7,314
Opening balance 01/01/2014		170	122	7,314
Profit for the year		-	-	-687
Transactions with shareholders				
Dividends		-	-	-337
Repurchase/sale of own shares (including expenses)		-	-	-204
Closing balance 31/12/2014		170	122	6,086

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK million	Note	2014	2013
Cash flow from operating activities			
Operating profit/loss		-114	-155
Adjustment for items not included in cash flow	26	35	83
Dividend from subsidiaries		792	3,450
Interest payments and interest subsidies received		648	700
Interest paid		-738	-760
Cash flow before change in working capital		623	3,318
Change in working capital			
Current receivables		176	1
Current liabilities		-21	34
Change in working capital		155	35
Cash flow from operating activities		778	3,353
Cash flow from investing activities			
Acquired participations		-	-503
Withdrawn/deposited shares		2	481
Investments, buildings		-237	-85
Sale of properties/equipment/intangible assets		0	0
Investments in properties/equipment/intangible assets		-6	-7
Cash flow from investing activities		-241	-114
Cash flow from financing activities			
Repurchase of own shares		-204	-108
Group contributions		-	-610
Dividend paid		-337	-212
Interest-bearing liabilities raised		3,799	3,173
Interest-bearing liabilities repaid		-4,122	-1,094
Change in non-current receivables		-3	-20
Change in liabilities to Group companies		81	-2,410
Change in receivables from Group companies		-9	-1,823
Cash flow from financing activities		-795	-3,104
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year		301	166
Change during the year		-258	135
Cash and cash equivalents at year-end		43	301
Unutilized credit at year-end		583	400
Available liquid assets		626	701

ACCOUNTING PRINCIPLES AND NOTES, PARENT COMPANY

NOTE 1. 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, Reporting 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 accounts as far as this is 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 must be made.

Differences between the consolidated and parent company accounting principles are described below. The accounting principles subsequently described for the parent company have been applied consistently throughout the periods presented in the parent company's financial statements.

Changes to Swedish regulations

Swedish Financial Reporting Board

RFR 2, Reporting for legal entities, has been adapted to changes made in IFRS. Revisions made in 2014 have had no impact on Wallenstam's reporting.

Classification and presentation

The parent company's income statement and balance sheet are presented as described by the Swedish Annual Accounts Act. The difference from IAS 1, Presentation of Financial Statements, as applied to the presentation of the consolidated financial statements is chiefly the reporting of financial income and expenses, fixed assets (chiefly investment properties), equity and the presentation of provisions on a separate line in the balance sheet.

Income

The parent company's net sales consist of management services for subsidiaries. This income is reported in the period it concerns. 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.

Dividends

Dividends received from subsidiaries are reported as revenue on condition that they derive from income earned after the acquisition. Dividends that exceed these earned revenues are considered to be a repayment of the investment and reduce the value of the participation.

Investment properties

The parent company's investment properties are measured at cost less accumulated depreciation according to plan over useful life and with necessary impairment charges. Depreciation according to plan is applied to properties at 2 per cent.

Cost consists of the acquisition price, land registration costs and improvements that increase value. Interest arising during the production period of large new constructions or conversions is not capitalized for tax reasons. Only expenses that generate lasting increases in the value of properties are capitalized. Expenses for reconstructions 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 value, the assets are written down to the recoverable value.

Participations in subsidiaries

Participations in subsidiaries are reported in the parent company using the cost model.

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 charge 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 reported in the balance sheet in accordance with RR 1:00 item 38.

Financial instruments

According to RFR 2, parent companies that are covered by the consolidated financial statements must report 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.

Group contributions and shareholder contributions

Wallenstam AB reports Group contributions rendered and received as appropriations in the income statement.

Shareholders' contributions are reported 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".

Contingent liabilities

The parent company's financial guarantee agreement consists chiefly of sureties in favour of subsidiaries and associated companies. Financial guarantee means the company has a commitment to compensate the holder of a liability instrument for losses that the said holder suffers as a result of a named debtor's failure to meet his obligations (payments) according to the conditions of the agreement. Contingent liabilities in favour of subsidiaries are financial guarantee agreements and are reported in accordance with RFR 2, Reporting for legal entities, i.e. they are not reported as provisions but are instead disclosed.

NOTE 2. Management revenue

Parent company income consists mainly of payments for administrative and project management services performed for other Group companies. Income from Group companies amounted to SEK 194 million (191).

NOTE 3. Financial instruments

The primary task of the parent company is to perform services for the Group, one of which relates to work on the Group's external financing. As part of this, the parent company is responsible for borrowing including securing interest rates through interest rate derivative contracts. All the financial circumstances described for the Group (refer to the Group's Note 2) also apply to the parent company, with the exception of electricity derivatives.

NOTE 3. Financial instruments, cont.

SEK million	Financial assets at fair value through profit or loss				Held-to-maturity investments		Loans and trade receivables		Available-for-sale financial assets		Total		Income statement
	Fair value		Derivatives used for hedge accounting		31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	
	31/12/14	31/12/13	31/12/14	31/12/13									
Financial assets													
Participations in subsidiaries	-	-	-	-	-	-	-	-	5,961	6,334	5,961	6,334	Profit/loss from participations in Group companies
Receivables from Group companies	-	-	-	-	-	-	11,335	11,325	-	-	11,335	11,325	Interest income
Other securities held	-	-	-	-	-	-	-	-	70	61	70	61	Net financial items
Other non-current receivables	-	-	-	-	-	-	4	-	-	-	4	-	Net financial items
Interest derivatives	27	75	-	-	-	-	-	-	-	-	27	75	Changes in value, derivatives
Other current receivables	-	-	-	-	-	175	39	28	-	-	39	203	-
Cash and cash equivalents	-	-	-	-	-	-	43	301	-	-	43	301	-
Total financial assets	27	75	-	-	-	175	11,421	11,654	6,031	6,395	17,479	18,299	

SEK million	Financial liabilities at fair value through profit or loss				Financial liabilities at amortized cost		Total		Income statement		
	Fair value		Derivatives used for hedge accounting		31/12/14	31/12/13	31/12/14	31/12/13			
	31/12/14	31/12/13	31/12/14	31/12/13							
Financial liabilities											
Other non-current liabilities	43	23	-	-	-	-	3	3	46	26	Administration expenses
Liabilities to Group companies	-	-	-	-	-	-	3,686	3,605	3,686	3,605	Interest expenses
Interest derivatives	1,030	232	-	-	-	-	-	-	1,030	232	Changes in value, derivatives
Interest-bearing liabilities	-	-	-	-	-	-	7,689	7,995	7,689	7,995	Interest expenses
Trade payables	-	-	-	-	-	-	24	53	24	53	Operation and administration
Accrued expenses	-	-	-	-	-	-	75	86	75	86	Operation and administration
Other current liabilities	-	-	-	-	-	-	12	22	12	22	Operation and administration
Total financial liabilities	1,073	255	-	-	-	-	11,489	11,764	12,562	12,019	

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 three different value categories. The three different valuation levels are defined as follows:

- Quoted prices (unadjusted) on active markets for identical assets or liabilities (level 1).
- Observable data for the assets or liabilities other than prices quoted included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Data for the assets or liabilities that is not based on observable market data (non-observable input data) (level 3).

All derivative instruments measured at fair value in the balance sheet are attributable to level 2 in IFRS 13. Holdings in listed companies measured at fair value are attributable to level 1. Holdings in unlisted companies are measured at cost. Interest-bearing liabilities, suppliers and other liabilities are measured at amortized cost. These are also classified at level 2.

No change or transfer of any instruments between the different value levels took place during 2014.

DESCRIPTION OF MEASUREMENT TECHNIQUES, LEVELS 2 AND 3

Measurement of liabilities to credit institutions and derivative instruments specified within level 2 are based on information from the banks concerned. The same applies to held-to-maturity investments. Other liabilities are valued at amortized cost, which corresponds to nominal value with additions for additional or outgoing value items.

NOTE 4. Wages and salaries, other remuneration and social security costs

SEK million	Basic salary	Benefits	Variable pay	Social sec. costs	Pension expenses
2014					
Chairman of the Board	0.7	-	-	0.2	-
Board members	0.6	-	-	0.2	-
Total directors' remuneration	1.3	-	-	0.4	-
CEO, parent company	4.3	0.5	1.0	2.6	1.6
Deputy CEOs, 3 persons	9.2	0.6	3.0	5.0	3.2
Other senior executives, 3 persons	3.1	0.1	-	1.4	1.5
Other employees	98.0	3.4	-	32.8	13.5
Total	115.9	4.6	4.0	42.2	19.8
2013					
Chairman of the Board	0.6	-	-	0.2	-
Board members	0.6	-	-	0.2	-
Total directors' remuneration	1.2	-	-	0.4	-
CEO, parent company	4.0	0.9	-	2.3	1.6
Deputy CEOs, 3 persons	9.2	1.6	-	4.4	3.2
Other senior executives, 2 persons	2.1	0.6	-	1.1	1.1
Other employees	93.9	18.1	-	36.2	12.2
Total	110.4	21.2	-	44.4	18.1

Refer to Note 7 for the Group for information on remuneration, pensions and severance pay, and on remuneration for senior executives.

NOTE 5. Average number of employees

	2014		2013	
	Average number of employees	Of whom women	Average number of employees	Of whom women
Number of employees	199	114	193	109

	31/12/2014		31/12/2013	
	Number	Of whom women	Number	Of whom women
Board members	5	2	5	2
CEO and senior executives	7	2	7	2

NOTE 6. Related party disclosures

Transactions with related parties

Wallenstam's related parties consist chiefly of Group companies. The parent company performs administrative services for other Group companies. Income from these services is reported as management revenue; see Note 2. The parent company has expenses from other Group companies in respect of electricity, rental of premises, purchasing of restaurant services and PR totalling SEK 22 million (19). The parent company manages loan procurements and interest rate derivatives on behalf of the subsidiaries.

Board members, company management and their families and the companies they control are also related parties. Related party transactions consist chiefly of administrative fees and the renting of premises between Group companies. Individuals and companies related to Board members rent apartments and commercial premises. In 2014 insurance services totalling SEK 4.2 million were purchased from companies with board members who are also members of Wallenstam's Board of Directors or Group management. Architectural services were purchased for SEK 2.6 million from companies related to a deputy CEO. 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 288.4 million. One of Wallenstam's Board members is also a member of the board of Alecta, which manages pensions. Wallenstam's involvement in environmental and social responsibility issues is described in more detail on pages 31–35 of the annual report. As part of its social responsibility work, the Wallenstam Group not only contributes financially but also with its time in the form of e.g. board work. As a result of such board positions, related party status pertains to the Rescue Mission in Gothenburg and Barn i Nöd (Swedish International Help for Children). During the year, Barn i Nöd received SEK 1.6 million in contributions and the Rescue Mission in Gothenburg SEK 2.5 million. The Rescue Mission in Gothenburg rents premises from Wallenstam representing SEK 4.1 million in rental income. At the beginning of the year, the CEO acquired a small co-op apartment from Wallenstam. All transactions take place on prevailing market terms.

NOTE 7. Management costs and administration expenses

Management costs and administration expenses amounted to SEK 323 million (330). The management costs and administration expenses include all the Group's administrative expenses, such as those for offices and commercial premises, personnel, marketing and auditing.

Expenses of SEK 20 million (41) for employee options schemes were charged to management costs and administration expenses.

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 distributed to the subsidiaries.

SEK million	2014	2013
Audit assignment	0.7	0.7
Audit-related advice	0	-
Tax advice	-	-
Other assignments	-	-
Total	0.7	0.7

NOTE 8. Operating expenses

SEK million	2014	2013
Fuel expenses	2	3
Other operating expenses	7	9
Maintenance costs	20	24
Site leasehold/rent	0	1
Property tax	5	6
Total operating expenses	34	43

NOTE 9. Profit/loss from participations in Group companies

Profit/loss from participations in Group companies refers to profit/loss from subsidiaries of SEK 561 million (688). Profit from the sale of participations in subsidiaries amounted to SEK 10 million (50). Impairment losses of SEK 385 million (541) in respect of subsidiary participations were incurred during the year. Reversed impairment losses on participations in subsidiaries amounted to SEK 14 million (9). Dividends from subsidiaries totalled SEK 221 million (2,712).

NOTE 10. Interest income/expenses and similar items

Interest income and similar items amounted to SEK 634 million (699), while interest expenses and similar items amounted to SEK 728 million (769). Financial income and expenses includes interest income from receivables from Group companies of SEK 629 million (680) and interest expenses from liabilities to Group companies of SEK 416 million (472).

NOTE 11. Tax on profit for the year

Tax reported in the income statement

SEK million	2014	2013
Current tax	-	-
Deferred tax	-55	49
Total tax on profit for the year	-55	49
Reported profit/loss before tax	-632	2,420
Tax according to applicable rate	139	-532
Tax effect of:		
Non-deductible costs/non-taxable income	-90	-10
Adjustment of tax, previous year	-154	-8
Dividends	49	596
Deferred tax due to acquisition of limited partnership	-	-5
Deferred tax due to disposal of limited partnership	0	7
Pension commitments assured via endowment insurance	1	1
Tax on profit for the year in the income statement	-55	49

NOTE 11. Tax on profit for the year, cont.

Allocation of deferred and current tax

SEK million	2014		2013	
	Basis for curr. tax	Deferred tax	Basis for curr. tax	Deferred tax
Profit/loss before tax	-632	-	2,420	-
Tax-deductible depreciation	1	-1	-30	30
Add-back of deduction for reduced value due to sold properties	37	-37	68	-68
Non-deductible costs/non-taxable income	1,254	-845	-292	337
Dividends	-221	-	-2,712	-
Pension commitments assured via endowment insurance	-	-5	-	-5
Adjustment of tax, previous year	-	698	-	36
Deferred tax due to disposal of limited partnership	-	-	-	-31
Deferred tax due to acquisition of limited partnership	-	0	-	23
Current profit for tax purposes	439	-190	-546	322
Utilization of tax loss carryforwards for the year	-439	439	546	-546
Taxable profit	-	249	-	-224
Tax on profit for the year in the income statement	-	-55	-	49

NOTE 12. Intangible assets

Intangible assets refer to capitalized expenses for computer software.

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	33	36
Investments during the year	3	2
Sales/retirements during the year	-	-5
Accumulated cost carried forward	36	33
Depreciation brought forward	-26	-28
Depreciation during the year	-3	-3
Sales/retirements during the year	-	5
Accumulated depreciation carried forward	-29	-26
Book value at year-end	7	7

NOTE 13. Property, plant and equipment

Investment properties

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	711	660
Investments during the year	237	84
VAT on investments	-4	-
Retirements during the year	-	-33
Accumulated cost carried forward	944	711
Depreciation brought forward	-55	-52
Depreciation for the year	-12	-6
Reversed retirement for the year	-	3
Accumulated depreciation carried forward	-67	-55
Book value, buildings	877	656

NOTE 13. Property, plant and equipment, cont.

Land

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	237	237
Accumulated cost carried forward	237	237
Book value, land	237	237
Book value, investment properties, at year-end	1,114	893

The fair value of investment properties amounts to SEK 1,833 million (1,567).

Equipment

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	41	44
Investments during the year	3	5
Sales/retirements during the year	-	-8
Accumulated cost carried forward	44	41
Depreciation brought forward	-26	-30
Depreciation for the year	-5	-4
Sales/retirements during the year	-	8
Accumulated depreciation carried forward	-31	-26
Book value at year-end	13	15

NOTE 14. Financial fixed assets

Participations in subsidiaries

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	8,204	8,182
Withdrawal/deposit, equity	-2	-481
Sales	0	0
Acquisitions	-	503
Accumulated cost carried forward	8,202	8,204
Impairment losses brought forward	-1,870	-1,340
Sales during the year	0	0
Impairment losses for the year	-385	-539
Reversed impairment loss for the year	14	9
Accumulated impairment losses carried forward	-2,241	-1,870
Closing book value	5,961	6,334

Receivables from Group companies

Receivables from Group companies are non-current and are anticipated to continue in order to manage liquidity flows in subsidiaries. The parent company has taken out interest swaps on behalf of the Group.

Weighted average interest rates on receivables amounted to:

%	2014	2013
Receivables from subsidiaries	2.82	3.59

Other securities held as fixed assets

SEK million	31/12/2014	31/12/2013
Acquisition cost brought forward	61	212
Investments during the year	9	24
Sales during the year	-2	-
Remeasurements for the year	2	-
Transfer to current receivable	-	-175
Accumulated cost carried forward	70	61

NOTE 15. Participations in subsidiaries

The number of shares and the book values are specified for directly-owned companies; other Group companies are indirectly owned. (All shares that are directly or indirectly owned are included in Wallenstam's annual report, available at the Swedish Companies Registration Office.)

	Company reg. number	Domicile	Particip., %	Number of shares	Book value, SEK million
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
Wallenstam Stacken AB	556720-9910	Gothenburg	100	100,000	1,246
KB Myran no. 193	916446-7905	Gothenburg	100	1	-
KB Myran no. 510	969666-6818	Gothenburg	100	1	-
KB Myran no. 347	969614-6381	Gothenburg	100	1	-
KB Myran no. 325	916852-6961	Gothenburg	100	1	13
KB Killingen 8 & 9	916447-4851	Gothenburg	100	1	37
KB Myran no. 409	969637-6400	Gothenburg	100	1	77
KB Myran no. 13	916442-2520	Gothenburg	100	1	304
KB Myran no. 345	969614-9476	Gothenburg	100	1	607
KB Myran no. 349	969614-9443	Gothenburg	100	1	282
KB Myran no. 60	916443-3410	Gothenburg	100	1	-
KB Myran no. 272	916775-5702	Gothenburg	100	1	113
KB Myran no. 232	916774-6339	Gothenburg	100	1	89
KB Gårda-Stampen	969646-4065	Gothenburg	100	1	358
KB Myran no. 271	916775-5967	Gothenburg	100	1	69
KB Myran no. 178	916614-5475	Gothenburg	100	1	47
KB Myran no. 323	969678-0866	Gothenburg	100	1	6
Helux Sibyllegatan 9 KB	969690-1710	Gothenburg	100	1	-
Xuleh Rådmanbacken KB	969690-0878	Gothenburg	100	1	-
Xuleh New York 1 KB	969690-0761	Gothenburg	100	1	61
KB Myran no. 185	916564-2639	Gothenburg	100	1	-
KB Myran no. 300	969605-7471	Gothenburg	100	1	5
KB Myran no. 301	969605-7489	Gothenburg	100	1	60
KB Myran no. 302	969605-7497	Gothenburg	100	1	216
KB Myran no. 121	916444-2452	Gothenburg	100	1	69
KB Myran no. 122	916444-2460	Gothenburg	100	1	177
KB Myran no. 179	916614-5483	Gothenburg	100	1	35
KB Myran no. 261	916644-2591	Gothenburg	100	1	70
KB Myran no. 264	916644-2518	Gothenburg	100	1	51
KB Myran no. 269	916644-2567	Gothenburg	100	1	63
KB Myran no. 297	969605-7430	Gothenburg	100	1	45
KB Myran no. 298	969605-7455	Gothenburg	100	1	148
KB Myran no. 299	969605-7463	Gothenburg	100	1	102
KB Myran no. 114	916444-2387	Gothenburg	100	1	153
KB Myran no. 284	916775-5892	Gothenburg	100	1	-
KB Myran no. 285	916775-5884	Gothenburg	100	1	-
KB Myran no. 286	916775-5876	Gothenburg	100	1	25
KB Myran no. 294	916775-5793	Gothenburg	100	1	27
KB Myran no. 314	969605-7570	Gothenburg	100	1	88
KB Ormingefast 11	969611-1336	Gothenburg	100	1	-
KB Myran no. 262	916644-2575	Gothenburg	100	1	-
KB Myran no. 265	916644-2526	Gothenburg	100	1	-
KB Myran no. 266	916644-2534	Gothenburg	100	1	-
KB Myran no. 318	916613-4750	Gothenburg	100	1	34
KB Myran no. 367	969677-9181	Gothenburg	100	1	11
KB Myran no. 280	916775-5942	Gothenburg	100	1	40
KB Göteborg Lorensberg 53:5	969659-8755	Gothenburg	100	1	45
KB Wallenstam Avenyn 1	969637-6681	Gothenburg	100	1	80

5,961

During the year Wallenstam AB sold its participation in KB Myran 322. The company is a general partner in the above limited partnerships.

NOTE 16. Participations in other Group companies

Refers to the parent company's participations as a limited partner in indirectly owned limited partnership companies. All shares that are directly or indirectly owned are included in Wallenstam's annual report, available at the Swedish Companies Registration Office.

NOTE 17. Financial derivative instruments

SEK million	31/12/2014		31/12/2013	
	Assets	Liabilities	Assets	Liabilities
Non-current derivative instruments				
Interest swap contracts – cash flow hedges	27	-986	74	-229
Total	27	-986	74	-229
Current derivative instruments				
Interest swap contracts – cash flow hedges	-	-44	1	-3
Total	-	-44	1	-3
Total derivative instruments	27	-1,030	75	-232

SEK million	31/12/2014	31/12/2013
Maturity profile, financial derivative instruments		
0–3 mo.	21	1
3 mo.–1 year	23	2
1–5 years	163	103
> 5 years	796	51
Total	1,003	157

NOTE 20. Equity

A specification of the change in equity can be found in the statement of changes in equity, immediately after the balance sheet.

Number of shares	A shares	B shares	Total number	Of which treasury shares	Outstanding shares	Quota value, SEK
Quantity, 31/12/2013	17,250,000	152,750,000	170,000,000	1,200,000	168,800,000	1.00
Repurchases	-	-	-	1,800,000	-1,800,000	
Quantity, 31/12/2014	17,250,000	152,750,000	170,000,000	3,000,000	167,000,000	1.00

The share capital in Wallenstam AB consists of 17,250,000 A shares, each with ten votes, and 152,750,000 B shares with one vote each. On the closing day the number of repurchased shares amounted to 3,000,000. During 2014 a total of 1,800,000 shares were repurchased at an average price of SEK 113.40.

The proposed dividend for the 2014 financial year is SEK 2.25 per share (2.00).

NOTE 21. Deferred tax

SEK million	31/12/2014	31/12/2013
Deferred tax liability		
Difference booked/fiscal depreciation	-68	-76
Deferred tax asset		
Loss carryforwards	208	458
Pension commitments assured via endowment insurance	8	7
Temporary differences, derivatives	221	34
Net deferred tax asset/liability	369	423

All tax losses run for unlimited periods.

NOTE 18. Prepaid expenses and accrued income

SEK million	31/12/2014	31/12/2013
Prepaid insurance premiums	-	3
Prepaid interest expenses	1	14
Prepaid operating expenses	0	0
Accrued income	39	27
Total prepaid expenses and accrued income	40	44

SEK 12 million (10) of the accrued income relates to receivables from Group companies.

NOTE 19. Cash and cash equivalents

SEK million	31/12/2014	31/12/2013
Cash and cash equivalents	43	301
Overdraft facilities, approved amount	600	400
Overdraft facilities, utilized amount	-17	-
Available amount	583	400
Available liquid assets	626	701

NOTE 22. Interest-bearing liabilities

SEK million	31/12/2014	31/12/2013
Non-current loans		
Interest-bearing liabilities	600	30
Current loans		
Overdraft facilities	17	-
Interest-bearing liabilities	7,072	7,965
Total	7,689	7,995

NOTE 22. Interest-bearing liabilities, cont.

Loan agreement maturity profiles	31/12/2014	31/12/2013
	Amount, SEK million	Amount, SEK million
0–3 mo.	2,535	2,821
3 mo.–1 year	4,554	5,144
1–2 years	-	30
2–3 years	600	-
Total	7,689	7,995

Interest maturity profile	31/12/2014		31/12/2013	
	Amount, SEK million	Average interest, %	Amount, SEK million	Average interest, %
0–3 mo.	-1,254	-4.11	-1,103	-6.23
3 mo.–1 year	888	1.27	1,213	2.60
1–2 years	300	3.21	630	1.67
2–3 years	800	2.79	850	3.56
3–4 years	500	2.99	600	3.02
4–5 years	530	3.05	500	2.99
5–6 years	1,000	2.66	530	3.05
6–7 years	1,100	3.10	800	2.98
7–8 years	1,500	2.48	1,000	3.26
8–9 years	1,475	2.71	1,400	2.53
> 9 years	850	3.20	1,575	2.69
Total	7,689	3.79	7,995	4.06

All of the Group's interest derivatives except those in respect of wind turbine financing are taken up through banks by the parent company. The volume of the parent company's interest derivatives exceeds the volume of loans held by the parent company. Interest derivatives taken up by the parent company on behalf of subsidiaries are attributed to the subsidiaries concerned and therefore form part of internal Group dealings. 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 583 million (400).

Weighted average interest rates on loans taking into account reported derivatives amounted to:

%	2014	2013
Loans	3.7	4.6
Overdraft facilities	1.8	2.1

Recognized and fair values of other liabilities agree.

Liabilities to other Group companies

Liabilities to other Group companies are not intended to be repaid but rather are expected to bear interest with which to manage subsidiary cash flow.

NOTE 23. Accrued expenses and prepaid income

SEK million	31/12/2014	31/12/2013
Accrued salary costs	34	31
Accrued interest expenses	34	43
Accrued operating expenses	1	7
Prepaid rental income	8	1
Accrued administration expenses	6	5
Total accrued expenses and prepaid income	83	87

NOTE 24. Pledged assets

SEK million	31/12/2014	31/12/2013
Property mortgages	1,195	1,197
Internal notes and property mortgages	2,614	2,426
Pledged endowment insurance	35	28
Total pledged assets	3,844	3,651

NOTE 25. Contingent liabilities

Surety commitments for Group companies amounted to SEK 7,554 million (8,686). Other contingent liabilities refer to responsibility as general partner for the external liabilities of limited partnership companies, amounting to SEK 46 million (205), and of Fastigo, amounting to SEK 2 million (2).

NOTE 26. Statement of cash flows

The statement of cash flows has been adjusted for items not affecting liquidity in order to show receipts and disbursements in operating activities. Operating activities have been adjusted to reflect changes in temporary entries, deferred tax and depreciation.

SEK million	2014	2013
Adjustment for items not included in cash flow		
Accrued unpaid rental income	1	-1
Accrued unpaid operating expenses	1	-
Accrued unpaid management costs and administration expenses	13	41
Depreciation/retirement	20	43
Total	35	83

NOTE 27. Events after the closing day

No significant events have occurred since the closing day.

The income statements and balance sheets will be submitted to the Annual General Meeting on 28 April 2015.

We affirm that, to the best of our knowledge, the annual accounts have been prepared in accordance with generally accepted accounting principles for publicly listed companies. The information provided reflects the actual state of affairs, and nothing of material importance has been omitted which could affect the view of the company presented by the annual accounts.

Gothenburg, 12 March 2015

Wallenstam AB (publ)

Christer Villard
Chairman of the Board

Ulrica Jansson Messing
Deputy Chairman

Anders Berntsson
Board Member

Erik Åsbrink
Board Member

Agneta Wallenstam
Board Member

Hans Wallenstam
Chief Executive Officer

My audit report concerning this annual report and the consolidated financial statements was issued on 12 March 2015.

Harald Jagner
Authorized Public Accountant

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF WALLENSTAM AB (PUBL), COMPANY REG. NO. 556072-1523

Report on the annual accounts and consolidated financial statements

I have audited the annual accounts and consolidated financial statements of Wallenstam AB (publ) for the financial year 01/01/2014–31/12/2014. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 60–103.

The Board of Directors and the Chief Executive Officer are responsible for the annual accounts and consolidated financial statements

The Board of Directors and the Chief Executive Officer are responsible for preparing annual accounts that provide a fair presentation in accordance with the Swedish Annual Accounts Act and consolidated financial statements that provide a fair presentation in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer consider necessary for the preparation of annual accounts and consolidated financial statements that do not contain material misstatements, whether due to fraud or error.

Auditor's responsibility

My responsibility is to comment on the annual accounts and the consolidated financial statements based on my audit. I have conducted the audit in accordance with International Standards on Auditing and auditing standards generally accepted in Sweden. These standards require me to comply with professional ethical requirements and to plan and perform the audit to obtain reasonable assurance that the annual report and consolidated financial statements do not contain material misstatements.

An audit entails various procedures for obtaining audit evidence about amounts and other information in the annual report and consolidated financial statements. The auditor selects which procedures will be performed including assessment of the risk of material misstatement in the annual accounts and consolidated financial statements, whether due to fraud or error. In making such risk assessments, the auditor considers internal controls relevant to the company's method of preparation and fair presentation of the annual accounts and consolidated financial statements in order to draw up audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes an evaluation of the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as an evaluation of the overall presentation of the annual accounts and consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate as a basis for my opinions.

Opinion

In my opinion the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and in all material respects fairly present the parent company's financial position as of 31 December 2014 and its financial performance and cash flows for the year in accordance with the Swedish

Annual Accounts Act. In my opinion the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and in all material respects fairly present the Group's financial position as of 31 December 2014 and its financial performance and cash flows for the year in accordance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act. The administration report is consistent with the other sections of the annual accounts and the consolidated accounts.

I therefore recommend that the AGM adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements

In addition to my audit of the annual report and consolidated financial statements I have also examined the proposed allocation of the company's profit or loss and the administration of the Board of Directors and Chief Executive Officer of Wallenstam AB (publ) for the financial year 01/01/2014–31/12/2014.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for allocating the company's profit or loss, and it is the Board of Directors and Chief Executive Officer who bear the responsibility for administration according to the Swedish Companies Act.

Auditor's responsibility

My responsibility is to express an opinion with reasonable assurance regarding the proposed allocation of the company's profit or loss and the administration based on my audit. I have conducted the audit in accordance with auditing standards generally accepted in Sweden.

As a basis for my opinion on the Board of Directors' proposed allocation of the company's profit or loss, I examined the Board of Directors' reasoned statement and a selection of its supporting information in order to assess whether the proposal is in accordance with the Swedish Companies Act.

As a basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and consolidated financial statements I examined, significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Chief Executive Officer. I also examined whether any Board member or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the articles of association.

I believe that the audit evidence I have obtained is sufficient and appropriate as a basis for my opinions.

Opinion

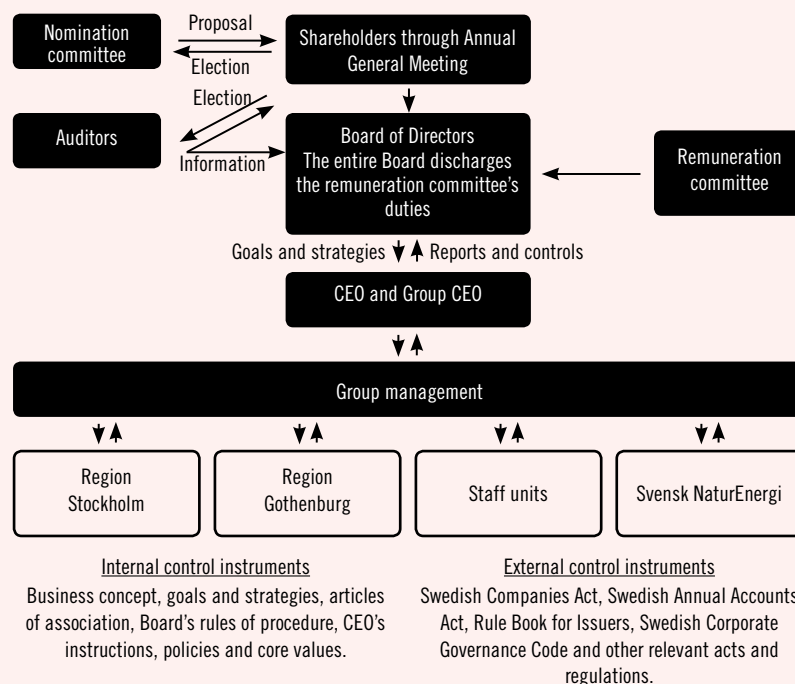
I recommend to the AGM that the profit be allocated in accordance with the proposal in the administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Gothenburg, 12 March 2015

Harald Jagner
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT 2014

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. The articles of association, the Board's rules of procedure, the Swedish Companies Act and other applicable legislation and enactments form the basis for control of the Group. Wallenstam also applies the Swedish Corporate Governance Code (the Code), which is administered by the Swedish Corporate Governance Board (see www.corporategovernanceboard.se). The Code is based on the principle comply or explain, which means a company may deviate from one or more provisions of the Code where this is justified, explained and the chosen solution described. Wallenstam deviated from the Code during 2014 as follows:

2.3 Composition of the nomination committee – The Code states that the Chief Executive Officer (CEO) or any other Board member shall not be a member of the nomination committee. Wallenstam does not follow this rule as the CEO Hans Wallenstam is a member of the nomination committee. The reason for the deviation is that because the CEO Hans Wallenstam is also the principal shareholder in the company, he is a member of the nomination committee in that capacity.

SHARES AND SHAREHOLDERS

The Wallenstam share is listed on Nasdaq Stockholm, Large Cap. The number of shareholders totalled 8,860 at year-end. Wallenstam's principal shareholder is Hans Wallenstam who, together with his family and companies, holds around 23 per cent of the equity and 60 per cent of the voting rights. Foreign share ownership makes up 11 per cent of equity and 6 per cent of the voting rights.

The ten largest shareholders together held the equivalent of around 47 per cent of the equity and 72 per cent of the voting rights.

As of 31 December 2014 Wallenstam's share capital amounted to SEK 170 million distributed among 17,250,000 A shares (ten votes per share) and 152,750,000 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 bear equal rights to the company's assets and profits. However, repurchased shares lack voting and dividend rights. Wallenstam's market capitalization at year-end amounted to SEK 22,049 million.

The dividend policy adopted by the Board of Directors states that reported profit should primarily be reinvested in the company for continued development of core activities for the purpose of creating growth in value. When determining the size of the dividend, consideration must also be given to the company'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. However, the distributable amount 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. The AGM is held within six months of the end of the financial year. In accordance with Swedish companies legislation and Wallenstam's articles of association, shareholders exercise their voting rights at the AGM in order to take decisions.

The AGM elects the Chairman of the Board, the other Board members and the company's auditors. It is also charged with adopting the balance sheets and income statements for the company and the Group, deciding on the disposition of earnings, discharging the members of the Board and the Chief Executive Officer from liability for the financial year and the appointment of a nomination committee.

Notice to attend the Annual General Meeting is given through the Official Swedish Gazette (Post- och Inrikes Tidningar) and on Wallenstam's website. Notice that an AGM is convened must also be advertised in Göteborgs-Posten and Svenska Dagbladet. The notice to attend includes the agenda and the resolutions proposed by the Board of Directors and the nomination committee. According to the Swedish Companies Act, shareholders have the right to have a matter dealt with at the AGM if the Board is notified in time. Shareholders also have the opportunity to ask questions at the AGM.

Wallenstam's AGM was held on 29 April 2014 in Gothenburg. A total of 301 shareholders attended or were represented, representing around 53 per cent of the shares and about 75 per cent of the total number of votes in the company. The CEO, Group management, the Board of Directors and the company's auditor were present.

The following resolutions were passed by the AGM of 29 April 2014:

- adoption of the income statements and balance sheets of the Group and the parent company for 2013,
- a dividend of SEK 2.00 per share for the 2013 financial year,
- fees to the Board in the amount of SEK 1,290,000 of which SEK 650,000 to the Chairman of the Board, SEK 235,000 to the Deputy Chairman and SEK 135,000 to each of the other Board members; the sums include compensation for committee work,
- discharge from liability of the CEO and Board of Directors,
- re-election of Board members Christer Villard, Agneta Wallenstam, Anders Berntsson, Erik Åsbrink and Ulrica Jansson Messing; Christer Villard re-elected as Chairman of the Board,
- election of Harald Jagner as auditor and Pernilla Lihnell as substitute auditor, both from Deloitte AB,
- approval of guidelines for the remuneration of senior executives, and
- authorization for the Board to take decisions regarding the acquisition and assignment of the company's own shares.

Minutes and a presentation of the AGM are available at www.wallenstam.se/bolagsstyrning.

NOMINATION COMMITTEE

The nomination committee is charged with preparing and making proposals to the AGM for the election of the Chairman and other members of the Board, the election of the auditor, the chairman of the AGM, and matters concerning fees.

The nomination committee is elected annually by the AGM for the period up until the end of the next AGM. According to the principle adopted by the AGM, the nomination committee includes the Chairman of the Board and one or two individuals who represent the company's major shareholders. These individuals must jointly appoint one additional person as chairman of the nomination committee. Should a member resign prematurely, the remaining members must if necessary appoint a new member according to this principle, to remain a member until a new nomination committee is appointed.

The nomination committee for the Annual General Meeting 2015 consists of:

- Dick Brenner (nomination committee chairman)

- Christer Villard (Chairman of the Board, Wallenstam AB)
- Hans Wallenstam (largest shareholder, Wallenstam AB)
- Lars-Åke Bokenberger (representing AMF)

The nomination committee held two minuted meetings ahead of the 2014 AGM at which all of the matters that the committee is to deal with according to the Code were duly processed. The nomination committee's proposals to the AGM are published in connection with notice to attend. The nomination committee also submits to the AGM a reasoned opinion regarding the proposed Board and a report on how the nomination committee carried out its work.

BOARD OF DIRECTORS

According to the Swedish Companies Act, the Board of Directors has overall responsibility for the Group's organization and administration, and otherwise to ensure that the control of accounting, management of funds and economic conditions in general are satisfactory. It is therefore the responsibility of the Board to ensure the availability of a functioning reporting system 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. In general, the Board handles matters of material importance for the Group, such as:

- approval of strategic plans
- approval of policies
- decisions on major acquisitions and sales of property and companies
- decisions on major investments in construction and wind power
- the approval of business and profitability targets.

BOARD COMPOSITION

According to the articles of association, Wallenstam's Board must comprise at least four and no more than eight members with a maximum of an equivalent number of 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 up until the end of the next AGM.

During 2014 Wallenstam's Board comprised five members elected by the AGM and no deputies. Board members are presented on page 18. The CEO does not sit on the Board. The Board elected its members on 29 April 2014 and elected Ulrica Jansson Messing as Deputy Chairman until the next AGM.

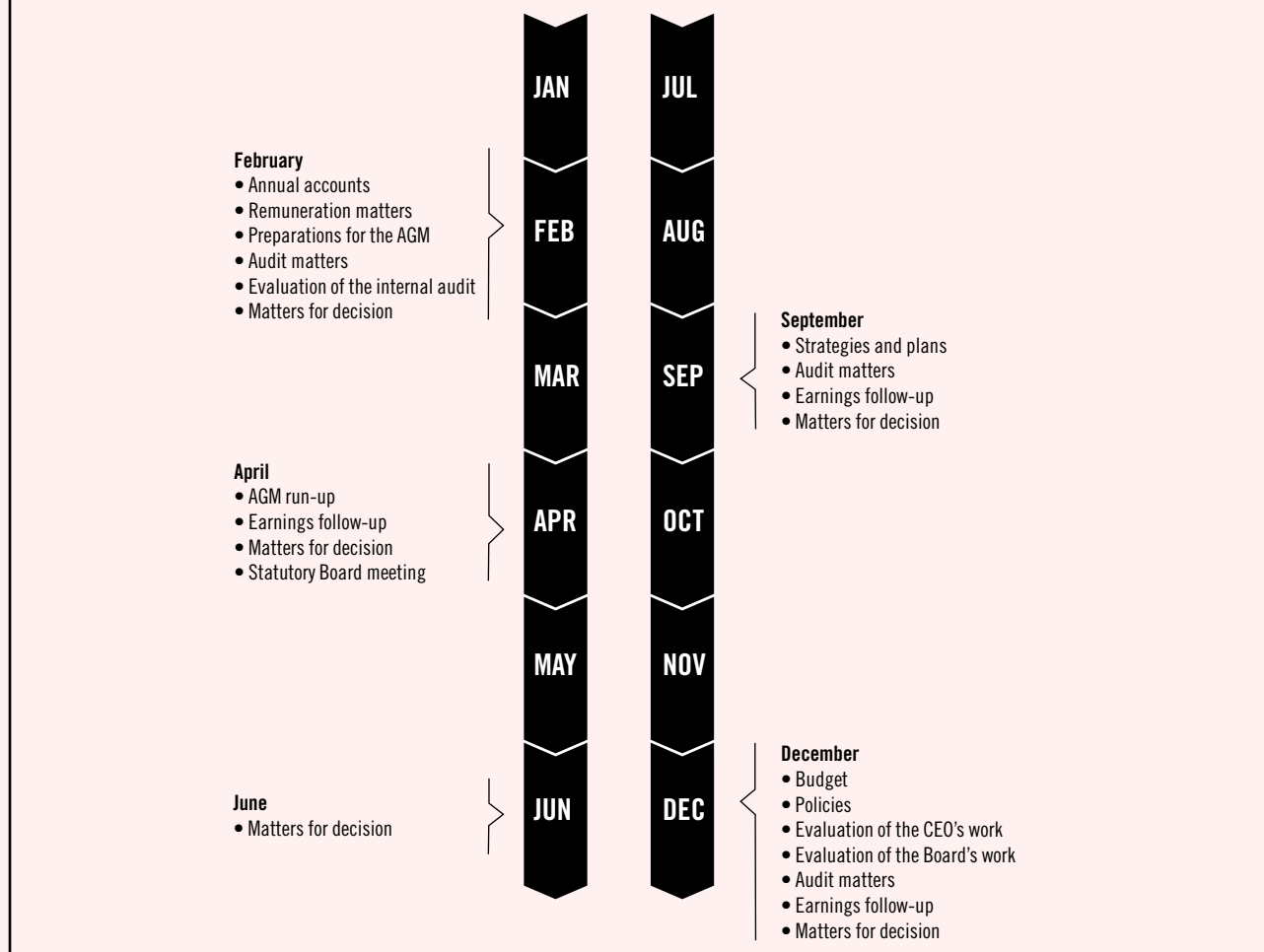
THE BOARD'S ASSIGNMENTS

Name	Function	Elected	Attend- ance, Board meetings	Attend- ance, audit commit- tee meet- ings	Attend- ance, remu- neration commit- tee meet- ings	Inde- pend- ent*
Christer Villard	Chairman	1995	6/6	3/3	2/2	Yes
Ulrica Jansson Messing	Vice Chair. Board	2008	5/6	2/3	2/2	Yes
Anders Berntsson	member	1997	6/6	3/3		No
Erik Åsbrink	member	2000	5/6	2/3		Yes
Agneta Wallenstam	member	2010	6/6	3/3		No

* Independent means independent in relation to the company, company management and to the company's major shareholders on the basis of the provisions of the Code.

THE BOARD'S ANNUAL PLANNING IN ADDITION TO STANDING ITEMS

Such as investment decisions, situation reports, projects in progress, administration, liquidity and financing.



THE WORK OF THE BOARD

The work of the Board of Directors is governed by such things as the provisions of the Swedish Companies Act, the Code, and the rules of procedure approved annually by the Board of Directors. The rules of procedure provide a framework for resolutions in regard to investments, financial reports and other matters for decision. The rules of procedure also govern the distribution of responsibilities between the Board of Directors and the CEO.

In the first instance it is the responsibility of the Chairman of the Board, and in the second that of the Deputy Chairman, to lead the Board's work in an efficient manner. The Chairman of the Board follows operations and is responsible for ensuring that other members receive the information necessary for Board work to be carried out in accordance with Swedish Companies Act and the rules of procedure. In addition to leading the work of the Board, the Chairman monitors the Group's day-to-day development through continual contacts with the CEO on strategic matters and represents the company on matters pertaining to its ownership structure.

During 2014 the Board held six minuted meetings in addition to day-to-day contacts. The Board constitutes a quorum if more than half of its members are present. The Chairman must ensure that the Board convenes whenever necessary, bearing in mind that Board meetings should be held regularly, usually five times per year.

The following matters are also considered at each of these meetings: information from the CEO regarding the business situation, a financial report, investment decisions and other matters of material importance for the company.

Remuneration committee

Within the Board there is a remuneration committee that comprises Board Chairman Christer Villard and Deputy Chairman Ulrica Jansson Messing. The committee is tasked with preparing the Board's decisions on matters concerning remuneration principles, remuneration and other employment terms for the company management. In addition, the remuneration committee must monitor and evaluate the application of guidelines for remuneration to senior executives that the AGM must adopt according to law, as well as current remuneration structures and levels within the company. Where appropriate the remuneration committee must monitor and evaluate ongoing programmes for variable remuneration for company management together with those concluded during the year. The remuneration committee held two minuted meetings during 2014 at which the above matters were dealt with.

Audit committee

The Board of Directors has discussed the establishment of 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 under the Swedish Companies Act. In this way the Board's expertise can be fully put to use and Board meetings are rendered more efficient. The audit committee is charged with:

- reviewing, monitoring and assuring the quality of financial reporting, internal controls and the Group's risk management,
- evaluating auditor performance, reviewing and supervising auditor impartiality and independence, and
- assisting the nomination committee with the preparation of proposals for auditors and their compensation.

During 2014 the Board met three times in its capacity as audit committee to deal with the above matters. During the year the Board met with the company's auditors without any of the company's management being present.

CEO AND GROUP MANAGEMENT

The CEO is responsible for the company's day-to-day administration and leads operations according to the Board's guidelines and instructions. It is the responsibility of the CEO to prepare decision support data for Board meetings, present matters for discussion and to justify his proposals for actions and decisions. The CEO also keeps the Chairman of the Board continuously informed of the development and financial positions of the company and the Group. The CEO's work is evaluated regularly.

Wallenstam's CEO Hans Wallenstam is the company's largest shareholder. It is a great advantage for Wallenstam to have an 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 Deputy CEO responsible for business area Stockholm, the Deputy CEO responsible for business area Gothenburg, the Deputy CEO responsible for business area Svensk NaturEnergi, the Finance Director, the PR and HR Director and the company's CFO and IR Manager. Wallenstam's Group management is presented on page 20. 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 strategic issues. Company management reports to the CEO on a rolling monthly basis and also via quarterly in-depth reviews of the operations concerned. Investment reports are followed up on an ongoing basis.

Remuneration to the CEO and Group management

Guidelines for salaries and other remuneration to senior executives are decided by the AGM. The following guidelines, which apply to the CEO and other persons in the company management, were adopted by the 2014 AGM:

- Senior executives must be offered fixed salaries on prevailing market terms based on the employee's area of responsibility and performance.
- Senior executives must be offered pension benefits on prevailing market terms chiefly in the form of premium-based pension agreements.
- Senior executives must be offered customary non-monetary benefits such as cars, mobile phones and company health care, to facilitate the performance of their work. Additionally, benefits in the form of accommodation may also be offered in individual cases.

- In addition to fixed salaries, variable remuneration that rewards measurable goal-oriented performance may also be offered. Such variable remuneration must 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 Deputy Chief Executive Officers as recompense for the extraordinary work performed during the implementation of the business plan. Variable remuneration must be paid in the form of salary and may not exceed the fixed remuneration for the position concerned for the year in question. Payments in respect of the above incentive programme are not pensionable.
- Senior executives may be offered incentives in the form of so-called synthetic options if such an offer is available to all personnel employed indefinitely in the company.
- A reciprocal period of notice of six months shall apply to senior executives. Severance pay, 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 individual cases.

EXTERNAL AUDITORS

Wallenstam's auditors are elected annually by the AGM. The 2014 AGM elected Harald Jagner and Pernilla Lihnell, both from Deloitte AB, as auditor and substitute auditor respectively, until the end of the 2015 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 the audit report, which is presented at the AGM. Moreover, the auditors present detailed statements to the Board several times a year. In addition to the audit, Deloitte AB carries out certain audit-related services for Wallenstam. These services relate chiefly to legal matters concerning accounting, tax and company law, 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 10.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board has overall responsibility for ensuring that Wallenstam has adequate internal controls. The system is set up through collaboration between the Board, Group management and company personnel. Wallenstam's system of internal controls seeks to ensure the achievement of the company's goals in the following areas:

- that the company has an efficient organization well suited to its purpose
- that the company has reliable financial accounts, and
- that the company complies with applicable legislation and enactments.

The company uses the established COSO framework (Internal Control – Integrated Framework) in its work.

Control environment

The control environment is the foundation for 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 seek to ensure such a distinct division of roles and responsibilities to benefit the effective management of operational risks. Policies adopted by the Board, such as the finance policy and the Code of Conduct, are also important for the performance of work on internal control. Group management reports regularly to the Board on the basis of established procedures. In this regard we may also mention annual reporting from the auditors. There are also established guidelines for various managerial positions and other employees in order for them to understand and grasp their respective roles in the maintenance of good internal control. All policy documents are accessible and have been made known to the personnel concerned.

Risk assessment and control activities

Wallenstam's Group management carries out annual reviews and evaluations regarding the management of risks and errors in financial reporting. Accordingly, the Board deals with the outcome of this risk assessment and risk management process to ensure all significant areas are covered. The Board, in its capacity as audit committee, cross-checks risk evaluations with the company auditors and also decides on areas of focus and, where necessary, actions to be taken. Wallenstam's largest risks have been identified in the following areas:

- Acquisitions and sales of properties/companies
- Valuation of properties
- Construction projects
- Finance
- Taxes

Particular attention has been paid to designing controls that prevent and detect shortcomings in the above areas. Instructions, procedures and manuals are drawn up, updated and communicated to the individuals concerned on an ongoing basis to ensure that their information is current. Employees undergo training to ensure the necessary skills.

Information and communication

The guidelines on disclosure adopted by the Board govern internal information within Wallenstam as well as external communication. Company management is responsible for informing employees affected about their responsibilities for maintaining good internal control. The ways in which this is

done include regular information meetings in each business area. Employees are also kept informed via the Wallenstam intranet of adopted policies, guidelines, instructions and manuals.

The PR and marketing department is responsible for providing information externally, in compliance with the principle of current and correct disclosure as set out in the Nasdaq Stockholm rule book for issuers.

Follow-up

Group management continually evaluates internal control. This takes place chiefly through internal analyses and by reviewing the accounts department's work. The Board is then provided with quarterly reports detailing financial results including Group management's comments regarding operations and internal control. The Board's follow-up of the effectiveness of company management in this regard is therefore of particular importance for monitoring internal control. Among other things, the work entails ensuring that action is taken in respect of the shortcomings and proposals for measures resulting from both Group management reports and the audit carried out by the company's auditor.

Internal audit

Wallenstam's Group management continually reviews procedures and documentation in respect of 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 set up an internal audit function. The decision will be reviewed annually.

NON-COMPLIANCE

During the financial year 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 does not form part of the formal annual report. The report was prepared in accordance with the Code, the Swedish Companies Act and the Swedish Annual Accounts Act. This means the report is limited to a description of how internal control over financial reporting is organized.

Gothenburg, 12 March 2015

Christer Villard
Chairman of the Board

Anders Berntsson
Board member

Agneta Wallenstam
Board member

Ulrica Jansson Messing
Deputy Chairman

Erik Åsbrink
Board member

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

TO THE ANNUAL GENERAL MEETING OF WALLENSTAM AB (PUBL), COMPANY REG. NO. 556072-1523

It is the Board of Directors that is responsible for the corporate governance report for the financial year 01/01/2014–31/12/2014 included in the printed version of this document on pages 105–109, and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

I have read the corporate governance report and, based on this and my knowledge of the company and the Group, I believe that I have sufficient grounds for my opinion. This means that my statutory review of the corporate governance report has a different approach and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and good accounting practice in Sweden.

In my opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Gothenburg, 12 March 2015

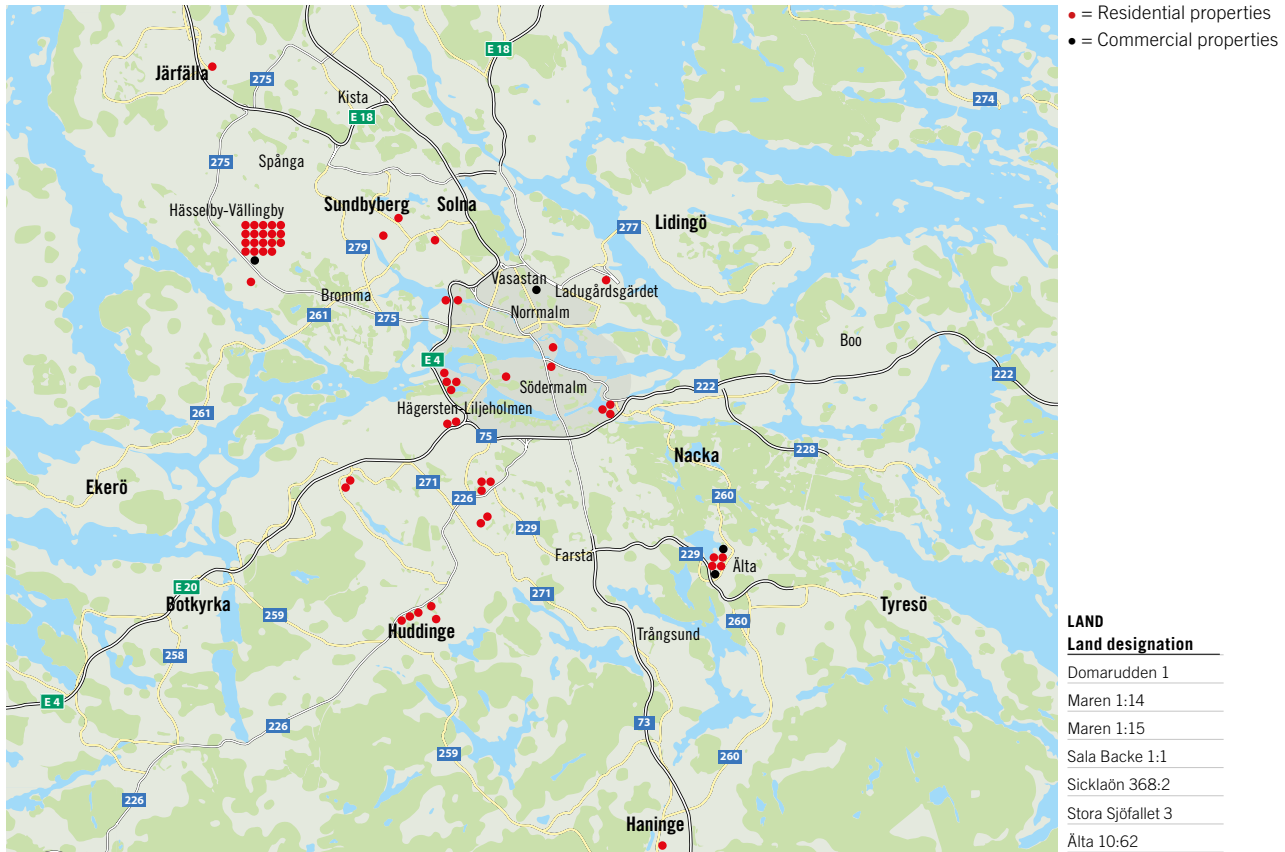
Harald Jagner
Authorized Public Accountant

LIST OF PROPERTIES IN STOCKHOLM

• = Residential properties • = Commercial properties

Registered property	Address	Year built / rebuilt	Residential sq m	Office sq m	Retail sq m	Industry/warehouse sq m	Education sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apartments
Barkarbystaden												
• Barkarby 2:28*	Barkarbyvägen 42-52, 42A-42B, 44A-44C / Gripengatan 1-7 / Karlslundavägen 4-8, 8A / Stora torget 1-3, 1A-1B, 2, 2A-2B	2014	11,794						11,794			182
Blackeberg												
• Islänningen 1	Holbergsgatan 82-84	1951	2,548		196				2,744	32,751	2021	84
Gamla Stan												
• Europa 10	Köpmangatan 2 / Köpmantorget 10	1929/1940	373	14	32				419	11,128		11
Gärdet												
• New York 1	Sandhamnsgatan 1	1943	2,212		260				2,472	62,737		40
Gröndal												
• Barlasten 3	Fågelsångsvägen 13-17	1929	719	191		21			931	12,977		16
• Galjonsbilden 28	Matrosbacken 15	1949	571						571	8,770		11
• Mastkorgen 7	Fregattvägen 4-8	1956	4,071			331			4,402	62,357		60
• Mastkorgen 9	Fågelsångsvägen 1	1956	546	52					598	8,402		11
Hammarby Sjöstad												
• Forsen 1	Båtbyggargatan 66-68 / Vävar Johans gata 12-18	2005	8,216						8,216	222,800	2014	135
• Skärgårdsbåten 2	Fendergatan 2-4	2009	3,380						3,380	99,387	2018	49
• Svallvägen 1	Fartygsgatan 12-18 / Rorgångargatan 22-28 / Vävar Johans gata 29-37	2007	11,734						11,734	331,200	2015	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			13,046	185,200		196
Högdalen												
• Brukslaven 2	Skebokvarnsvägen 163-171	1955	4,752			19		88	4,859	61,091	2014	81
• Nocktegllet 3	Sjösavägen 21-31	1953	2,569	88				156	2,813	35,254	2023	45
Huddinge												
• Kansliet 2	Kansligränd 1-5 / Lännavägen 4 / Rådsvägen 4, 4A-4E	2007	9,206			31			9,237	135,125		138
• Klinten 16	Chronas väg 3 / Gamla Södertäljevägen 139 / Klintvägen 5	1982	1,385	27		20			1,432	44,541		22
• Klinten 18	Gamla Södertäljevägen 135 / Klintvägen 9-11	1982	1,217	470		8			1,695			23
• Paragrafen 7	Arrendatorsvägen 2A-2B, 4A-4B, 6A-6B	1949	2,970	167		112			3,249	36,333		54
• Rödbetan 10	Ekedalsvägen 18 / Kvarnbergsvägen 72-74 / Sturevägen 29-31	1987	1,739	120					1,859	20,177		30
• Runan 1	Drakvägen 2 / Gymnasievägen 2 / Kvarnbergssplan 2-18	1960	10,291	275	1,313	36			11,915	238,323		194
• Udden 8	Fullerstorget 2-10, 17-19	1952	2,667	1,087	1,265	137			5,156	48,400		42
Kungsholmen												
• Förtjusningen 1	Franzénsgatan 14-18 / Hornsbergs strand 27A-27C / Nordenflychtsvägen 76-78	2011	9,896		240	68			10,204	324,134	2019	138
• Glädjen 14	Franzénsgatan 10 / Hornsbergs strand 19-25	2012	9,029			39			9,068	302,000	2019	129
Midsommarkransen												
• Violen 12	Erikslundsgatan 6 / Nioörtsvägen 36	1938/1987	1,053		296				1,349	20,509		16
• Violen 13	Nioörtsvägen 38	1938/1987	848		127				975	14,919		11
Räcksta												
• Hälslaget 2	Ullångergatan 5	1953	3,840	51		61		6	3,958	50,834	2022	71
• Hälslaget 3	Ullångergatan 7-19	1953	3,020	201		113			3,334	38,900	2022	49
• Hängmappen 1	Multrågatan 34-50	1953	4,033	238		78			4,349	54,373	2021	59
• Kontot 1	Multrågatan 19-25, 29A	1958	11,479	39	124				11,642	148,269	2017	144
• Kontot 2	Multrågatan 27A-27E, 29	2007	5,009						5,009	21,411	2016	73
• Kortregistret 2	Multrågatan 88-106	1953	4,039	251		115			4,405	51,818	2021	67
• Kortregistret 3	Multrågatan 72-86	1953	3,347	137		166			3,650	42,956	2021	60
• Kortregistret 6	Multrågatan 52-70, 56A-56B	1953	3,814	118	812	27			4,771	53,404	2021	63
• Kulspetspennan 1	Nordingrågatan 2-20, 20A-20B	1953	5,481	36		197			5,714	70,918	2022	96
• Kundregistret 3	Multrågatan 108-126	1953	4,154	50		280		64	4,548	53,707	2015	70
• Kundregistret 4	Multrågatan 128	1953	2,933	31		67			3,031	37,840	2015	54
• Kundregistret 5	Multrågatan 130-156 / Ångermannagatan 123-125	1953	6,784	128	286	212			7,410	87,043	2015	108
• Kundregistret 6	Ångermannagatan 109-121	1953	2,803		64	156			3,023	37,035	2015	56
• Räknetabellen 2	Gudmundrågatan 1-3, 2-10 / Solleftegatan 15-17	1952/1993	3,739	325	268	119			4,451	49,432	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	2			2,190	26,092	2021	35

* Completion in stages; the information refers to the number of apartments and sq m occupied thus far.

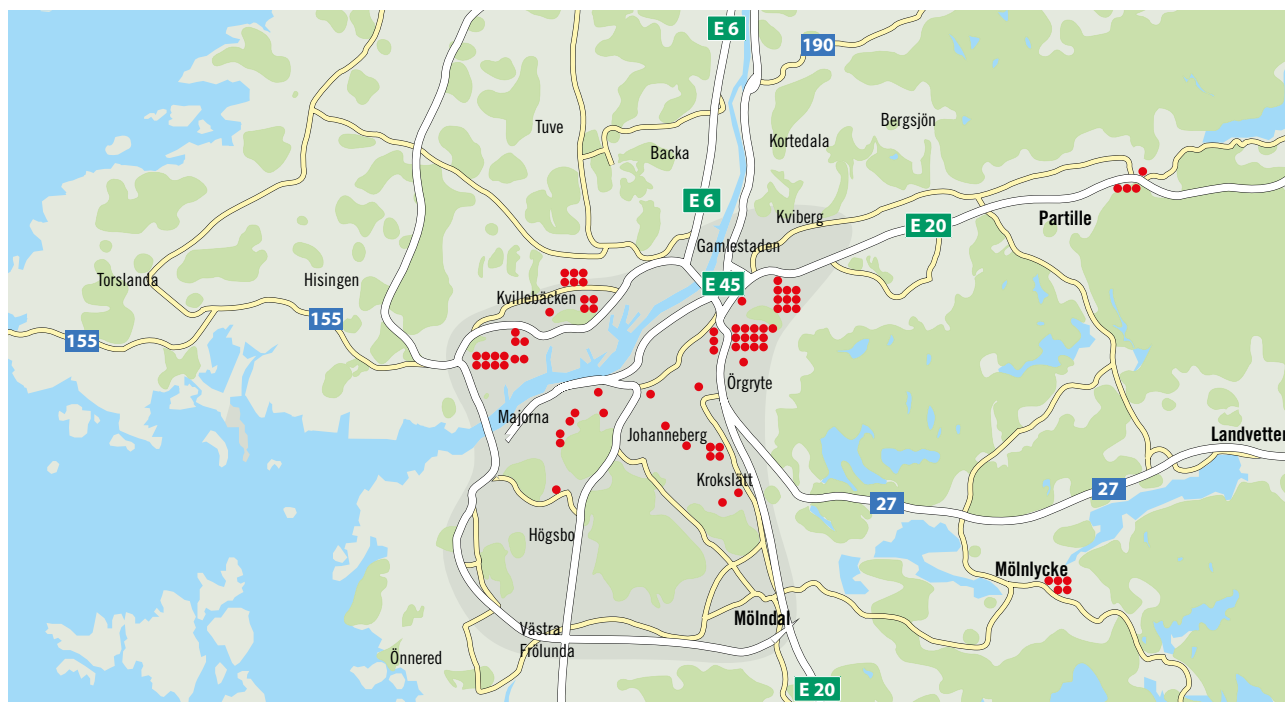


Registered property	Address	Year built / rebuilt	Residential sq m	Office sq m	Retail sq m	Industry/warehouse sq m	Education sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apartments
• Skrivmaskinen 4	Multrågatan 6-32	1952	5,889	83		279		17	6,268	77,362	2021	107
• Skrivmaskinen 6	Gudmundrågatan 15-19	1952	1,324						1,324	17,400	2021	24
• Skrivmaskinen 8	Gudmundrågatan 1-9 / Multrågatan 2-4 / Solleftegatan 3-13	1952	5,530	145		324			5,999	69,447	2021	100
• Tabulatorn 3	Håsjögränd 2	1958	2,779		74	10		88	2,951	36,070	2018	35
Södermalm												
• Pålen 16	Hornsgatan 91 / Hornskroken 1	1938/1996	3,647	469	198				4,314			57
• Urvädersklippan Mindre 4	Klevgränd 10 / Urvädersgränd 11	1964	1,175		98	131		209	1,613	31,180		11
Solna												
• Smaragden 1	Hannebergsgatan 22	1951	2,446	430		143			3,019	48,990		32
Sundbyberg												
• Fjällnåset 14	Högklingavägen 9-11	1966	2,632	514		153			3,299	45,134		37
• Lärkan 14	Kolonivägen 2-4 / Skogsbacken 1-3 / Tulegatan 8-14 / Ängsstigen 1-7	1964	9,446	1,088	1,422	3,494	1,299	112	16,861	186,800		155
Älta												
• Älta 14:104	Stensövägen 2-8	2011	4,217						4,217	75,504		73
• Älta 19:1	Oxelvägen 42	1968		1,497	1,283	908		1,424	5,112	43,800		
• Älta 24:2	Oxelvägen 3-29	1965	24,800	264		528		20	25,612	247,522		320
• Älta 24:3	Oxelvägen 1	1971						1,003	1,003	6,424		
• Älta 25:1	Oxelvägen 26-40	1966	12,598	135		523		16	13,272	124,471		163
• Älta 27:3	Ältavägen 202	1993	4,711	401	534	94			5,740	67,922		73
Örby												
• Kolvringen 1	Rävnäsavägen 79-83	1951	672						860	8,282		8
• Sökarlyktan 1	Rävnäsavägen 57-63	1951	960			609			1,174	11,305		16
• Trafikmärket 1	Rävnäsavägen 69-77	1951	1,252	50					1,509	14,532		20
Östermalm												
• Sälgen 2	Birger Jarlsgatan 64, 64A-64B / Rådmansgatan 24	1927/2007		3,614	110			833	4,557	146,907		
Total			265,726	13,493	10,477	9,719	2,386	4,036	305,837	4,401,599		4,182

LIST OF PROPERTIES IN GOTHENBURG

• = Residential properties • = Commercial properties

Registered property	Address	Year built/ rebuilt	Residential sq m	Office sq m	Retail sq m	Industry/ warehouse sq m	Educa- tion sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease- hold	No. of apart- ments	Largest tenants
Avenyområdet													
• Johanneberg 15:26	Eklandagatan 27 / Volrat Thamsngatan 2-4	1993		569					569	5,765			Enlarge
• Lorensberg 7:15	Geijersgatan 7, 7A-7B / Götaplatsen 9 / Viktor Rydbergsgatan 1, 1A-1B	1936/2000	3,804	124	1,908	10		577	6,423	147,400		60	Öhrnberg & Svahn
• Lorensberg 15:3	Lennart Torstenssonsgatan 6-8	1929/1993					2,100		2,100				Göteborgs Universitet
• Lorensberg 43:1	Kungssportsavenyen 1 / Parkgatan 29 / Storgatan 30 / Teatergatan 2	1883	553	2,190	1,486			10	4,239	96,663		10	Vijagruppen
• Lorensberg 44:2	Kungssportsavenyen 2 / Parkgatan 31 / Storgatan 32, 34A-34B / Södra vägen 1	1910/1995			4,682	782			5,464	117,403			Wallenstam AB (publ)
• Lorensberg 45:21	Kungssportsavenyen 4 / Storgatan 51	1940/2000	1,890	56	1,070				3,016	79,617		26	Morelli Restaurang
• Lorensberg 50:1	Götabergsgatan 16 / Vasagatan 33	1934					4,600		4,600				Göteborgs Universitet
• Lorensberg 52:4	Kristinelundsgatan 10 / Kungssportsavenyen 21-25 / Teatergatan 22-26	1941	5,645	1,742	3,187	484		3,394	14,452	262,800		62	Lindex
• Lorensberg 53:1	Kungssportsavenyen 16 / Vasagatan 43A	1896/1998		1,315	705			185	2,205	69,000			Nilson Group
• Lorensberg 53:2	Lorensbergsgatan 1 / Vasagatan 43B	1966		1,015	1,298				2,313	44,910			Mindset
• Lorensberg 53:5	Kristinelundsgatan 14 / Lorensbergsgatan 7	1920/1984	1,179		540				1,719	31,540		13	Göteborgs Natlliv
• Lorensberg 53:6	Kristinelundsgatan 12 / Kungssportsavenyen 22	1929		753	574			403	1,730	39,984			Opalen Fastighets- Förvaltning AB
• Lorensberg 55:14	Engelbrektsngatan 34AA-34AB, 34B-34C / Lorensbergs- gatan 18-20 / Södra Vägen 29	1936/2000	5,325	359	1,176	213		617	7,690	157,405		71	
• Lorensberg 56:8	Engelbrektsngatan 32 / Kungssportsavenyen 32-34 / Lorensbergsgatan 17-19	1962/1966	1,081	4,711	1,656	157		700	8,305	170,320		10	Swedbank
• Lorensberg 57:8	Engelbrektsngatan 30 / Kungssportsavenyen 29-37 / Teatergatan 30-38	1962	3,227	5,600	4,460	385		320	13,992	339,889		27	Västsvenska Turistrådet
• Lorensberg 58:6	Chalmersgatan 26 / Engelbrektsngatan 26-28 / Teatergatan 25	1929	1,565	4,172	402	55			6,194	113,800		14	Montell & Partners Nordic
• 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	Vittragnymnasiet
• Vasastaden 9:7	Bellmansgatan 13 / Vasagatan 14	1929/1990	2,079						2,079				
Gamlestad													
• Gamlestad 740:22	Marieholmsgatan 60B-60C	1929/1969				389			389	15,630	2024		SITA Sverige
Gårda													
• Gårda 18:19	Drakegatan 7A-7B	1989		6,014		189		1,707	7,910	91,400			Max Matthiessen
• Gårda 18:22	Drakegatan 5	1989		3,457		101		1,250	4,808	50,200			Göteborg Energi
• Gårda 20:1	Fabriksgatan 15 / Gårdavägen 1	1986		4,343	93	129		204	4,769	61,800			Försäkringskassan, MSC Sweden
• Gårda 22:24	Fabriksgatan 26 / Vådursgatan 5	1989		5,105	820	434	2,471		8,830	47,600			Kunskapskolan
• Gårda 46:9	Södra Gubberogatan 4-8, 18-20	1936/1988		13,132		651		5,315	19,098	127,283			Försäkrings- kassan
Guldheden													
• Guldheden 5:5	Guldhedstorget 1, 1A-1B / Reutersgatan 1	1945	2,708		584	162		625	4,079	44,544		42	
Heden													
• Heden 24:13	Skånegatan 19 / Sten Sturegatan 34-36	1964	3,693	414	750	36		1,423	6,316	84,968		34	Axfood Sverige
• Heden 24:14	Skånegatan 21-23 / Sten Sturegatan 38-44	1962/1988	8,538	1,839	2,143	1,042		3,274	16,836	226,400		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 Asklungs gata 25	1967/1998			2,098	1,165			3,263	13,627			Office Depot Svenska
• Högsbo 34:21	Gruvgatan 6-8 / J A Wettergrens gata 16	1989		4,698	269	258		4,672	9,897				GHP Spine Centre Göteborg
• Järnbrott 195:1	Högsbogatan 21-25	2009	6,838	81				1,000	7,919	97,668	2018	100	
Inom Vallgraven													
• Inom Vallgraven 6:1	Kungssportsplatsen 2	1929/2011		1,718	1,015				2,733	80,000			Fingerprint, Sandberg & Trygg
• Inom Vallgraven 15:1	Drottninggatan 24-26 / Kors- gatan 2-6 / Södra Hamngatan 25	1809		1,820	1,290				3,110	58,400			Wiktor Ahlströms konditori
• Inom Vallgraven 16:24	Korsgatan 3	1885		1,121	225	94		382	1,822	29,200			Citykirurgen i Göteborg
• Inom Vallgraven 16:25	Drottninggatan 22 / Korsgatan 5	1885		552	188	40			780	13,834			Sturm & Drang Reklambyrå
• Inom Vallgraven 16:6	Korsgatan 1 / Södra Hamngatan 17-23	1891		2,981	287	138	1,846		5,252	101,064			Nordens Teknikerinstitut
• Inom Vallgraven 17:13	Drottninggatan 8, 9-11	1929		2,616	29	97			2,742	54,800			Infotiv
• Inom Vallgraven 18:3	Korsgatan 11, 11B / Kyrkogatan 32	1929	845		711				1,556	33,000		18	Buttericks Leco



• = Residential properties

Registered property	Address	Year built / rebuilt	Residential sq m	Office sq m	Retail sq m	Industry/warehouse sq m	Education sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apartments	Largest tenants
• Inom Vallgraven 20:18	Korsgatan 14-18 / Kungsgatan 42-44 / Kyrkogatan 15-19	1810/1987		4,733	4,157	81			8,971	288,000			KappAhl Sverige
• Inom Vallgraven 20:9	Kungsgatan 52 / Östra Hamngatan 39	1864/2008			1,767				1,767	85,400			Zara
• Inom Vallgraven 21:10	Kungsgatan 59 / Östra Hamngatan 41-43	1804/1998		1,568	503	8			2,079	68,000			Citat
• Inom Vallgraven 21:11	Vallgatan 42 / Östra Hamngatan 45	1929		2,142	332				2,474	54,000			Kronans Droghandel Apotek
• Inom Vallgraven 23:4	Södra Larmgatan 10 / Vallgatan 15, 15A-15E	1929		1,245	527				1,772	27,400			Rese-Konsulterna Göransson & Co
• Inom Vallgraven 23:5	Södra Larmgatan 12 / Vallgatan 17, 17B	1929	223	522	1,154				1,899	32,015	4		Linderoths Mediaproduktion
• Inom Vallgraven 23:6	Södra Larmgatan 14, 14A / Vallgatan 19, 19A-19B	1929	100	834	473	86		87	1,580	27,227	1		MA Arkitekter
• Inom Vallgraven 23:7	Södra Larmgatan 16 / Vallgatan 21, 21A-21D	1929	169	1,162	963	238			2,532	42,649	3		Stuk Kläder
• Inom Vallgraven 23:11	Korsgatan 17 / Södra Larmgatan 20-22 / Vallgatan 25-29, 25A-25B, 27A-27B	1929/2004		2,040	1,248			6	3,294	88,600			Hans Andersson Paper
• Inom Vallgraven 25:1	Basargatan 10-12 / Kungsporsplatsen 1 / Kungstorget 10-14, 11-13	1929		3,150	2,492	54		6	5,702	174,144			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	1929/1998	3,252	9,286	6,179	218		1,071	20,006	397,600	38		H & M Hennes & Mauritz GBC, SF Bio
• Inom Vallgraven 27:1	Grönsakstorget 1 / Södra Larmgatan 7 / Västra Hamngatan 24-26	1929/2002		2,424	878	10			3,312	60,800			Sophiahemmet Rehab Center
• Inom Vallgraven 32:1	Kaserntorget 6 / Vallgatan 1	1939		2,033	576	247			2,856	46,800			More Ventures Nordic
• Inom Vallgraven 32:2	Vallgatan 3	1929/2008		133	440				573	9,020			Grandpa
• Inom Vallgraven 32:8	Magasinsgatan 15 / Vallgatan 5	1814		441	257				698	9,532			Kaffelabbet MWJ
• Inom Vallgraven 32:12	Magasinsgatan 19 / Södra Larmgatan 2	1929		370	1,785				2,155	30,400			Tengbomgruppen
• Inom Vallgraven 32:13	Kaserntorget 8, 9	1929/2007		123	471				594	6,856			Musik utan gränser
• Inom Vallgraven 35:12	Kaserntorget 1, 2 / Kungsgatan 13	1956		1,857	52	56			1,965	39,400			Protek Projektstyrning
• Inom Vallgraven 53:15	Lilla Torget 2 / Otterhällegatan 1	1986		2,620		400			3,020	43,200			Billfinger
• Inom Vallgraven 55:1	Drottninggatan 2 / Ekelundsgatan 2 / Magasinsgatan 1 / Otterhällegatan 2	1850/2002		2,861	416	84			3,361	44,200			Feelgood Företagshälsövärd
• 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		11,384	514	1,067		1,153	14,118	168,000			Länsstyrelsen
• Inom Vallgraven 60:9	Ekelundsgatan 5-7 / Otterhällegatan 6	1964		2,600	66	48		3,903	6,617	56,600	2018		Länsstyrelsen
• Inom Vallgraven 60:10	Ekelundsgatan 9-11 / Kungsgatan 20-22 / Käppslängareleden 2 / Otterhällegatan 8	1964		4,573	1,357			1,224	7,154	88,200			Eltel Networks Infranet
• Inom Vallgraven 64:31	Stora Badhusgatan 16	1949			127		1,542		1,669				Kitas utbildning
• Nordstaden 24:11	Kronhusgatan 16 / Östra Hamngatan 15	1929			266		3,930		4,196				Vittraskolorna



• = Commercial properties

Registered property	Address	Year built / rebuilt	Residential sq m	Office sq m	Retail sq m	Industry/warehouse sq m	Education sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apartments	Largest tenants
Johanneberg													
• Johanneberg 47:4	Örnehovdsgatan 7	1939/1986	1,904			42			1,946	39,252		31	
Järntorget													
• Masthugget 10:3	Första Långgatan 22	1960		2,141	164	99			2,404	23,373			TIBCO Software
• Masthugget 10:15	Andra Långgatan 13-19, 16-18	1957/1989		8,231	623	584	4,355	1,585	15,378	136 000			Framtidsgymnasiet i Göteborg
• Masthugget 10:19	Andra Långgatan 27 / Värmlandsgatan 16, 16A-16B	1962/2009	1,256		284				1,540	34,366		19	
• Masthugget 10:20	Första Långgatan 24-26 / Värmlandsgatan 14	1962/1991		6,709	467	126			7,302	73 000			BDO Göteborg
• Pustervik 2:19	Lilla Pusterviksgatan 1-3 / Norra Allégatan 6 / Pusterviksgatan 11	1968/1994					4,300		4,300				Folkuniversitetet
Krokslätt													
• Illern 6	Krokslätt Parkgata 46A-46D	1944/1975	884			39		8	931	11,059		24	
• Krokslätt 9:15	Bomgatan 1 / Framnåsgatan 2 / Mölndalsvägen 47-51	2007	2,873						2,873	55,800		60	
• Krokslätt 21:1	Drivhusgatan 6A-6B / Milpålegatan 5 / Thorburnsgatan 12A-12D	1948/1994	2,517			64			2,581	30,324		47	
• Krokslätt 21:2	Drivhusgatan 4A-4C / Helmutsgatan 7A-7B	1950/1994	1,761			122			1,883	24,074		33	
• Krokslätt 21:3	Helmutsgatan 9 / Milpålegatan 3, 3A-3C	1950/1994	1,506			126			1,632	21,581		20	
Kvillebäcken													
• Brämregården 42:11	Godemansgatan 2 / Hjalmar Brantingsgatan 5, 5A-5D	1942	782		266	75			1,123	9,137		14	
• Brämregården 42:12	Hjalmar Brantingsgatan 7, 7A-7D / Lantmätaregatan 5	1979	821		221	70			1,112	9,420		15	
• Brämregården 44:11	Hjalmar Brantingsgatan 9 / Lantmätaregatan 2-6	1979	2,792		291	122			3,205	32,792		39	
• Kvillebäcken 5:6	Lantmätaregatan 12, 12A-12D, 14A-14C / Långängen 19	1954	2,089	114	553				2,756	23,879		37	
• Kvillebäcken 73:1	Fjärdingsgatan 23-29 / Gustaf Dahléngsgatan 22-26	2013	6,280		108	3	594	2,336	9,321	131,462		108	Göteborgs Stad SDF Lundby
• Kvillebäcken 74:1	Gustaf Dahléngsgatan 7A-7F / Rundbäcksgatan 14	2013	5,124	78		2	800	2,268	8,272	110,454		98	Göteborgs Stad SDF Lundby
Kyrkbyn													
• Kyrkbyn 9:6	Estlandsgatan 1 / Prebendegatan 32A-32D / Östra Bräckevägen 52	1942/1975	652					54	706	6,484		16	
• Kyrkbyn 10:14	Estlandsgatan 4A-4D / Finlandsgatan 3 / Östra Bräckevägen 54	1942/1975	684			8			692	6,563		16	
• Kyrkbyn 10:15	Estlandsgatan 2A-2D / Finlandsgatan 1 / Vårbroddsgatan 1	1942/1975	658					47	705	6,450		16	
• Kyrkbyn 11:14	Finlandsgatan 4A-4D / Hullgatan 3 / Östra Bräckevägen 56	1942/1975	652						652	6,280		16	
• Kyrkbyn 13:14	Londongatan 4 / Tilburygatan 2A-2D / Vårbroddsgatan 7	1943/1984	766			50			816	7,275		14	

Registered property	Address	Year built / rebuilt	Residential sq m	Office sq m	Retail sq m	Industry/warehouse sq m	Education sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apartments	Largest tenants
• Lindholmen 1:21	Polstjärnegatan 6	1955				11,147		1,350	12,497	27,230			Landsarkivet i Göteborg
• Lindholmen 5:1	Polstjärnegatan 8, 8A	1968			260	11,250			11,510	15,532			Göteborgs Kommun
• Rambergsstaden 25:3	Enekullegatan 5A-5D	1943/1984	744				49		793	7,086		14	
• Rambergsstaden 28:1	Enekullegatan 4 / Håkängsgatan 2 / Trekantsgatan 2, 2A-2D	1943	714		52		125		891	7,483		15	
• Rambergsstaden 28:2	Enekullegatan 2A-2D / Håkängsgatan 4	1943	812				201		1,013	8,731		18	
• Rambergsstaden 32:2	Lantmannagatan 6 / Östra Keillersgatan 1A-1G	1945/1985	1,948						1,948	22,200		36	
• Sannegården 20:2	Bautastensgatan 11A-11C	1936	700				38		738	6,738		18	
• Sannegården 20:3	Bautastensgatan 9, 9A-9C	1939/1984	741		41		6		788	7,935		17	
• Sannegården 21:39	Biskopsgatan 2A-2D / Pilegårdsgatan 26 / Prebendegatan 9	1945/1983	612	50			50		712	5,899		11	
• Sannegården 21:41	Pilegårdsgatan 22A-22D / Prebendegatan 5	1942/1975	520				59		579	5,125		14	
• Sannegården 21:42	Pilegårdsgatan 20A-20D / Prebendegatan 3	1942/1975	538				20		558	5,417		14	
Källtorp													
• Bagaregården 27:1	Lilla Munkebäcksgatan 9A-9E	1939/1975	1,062				18		1,080	16,229		25	
• Källtorp 36:15	Stobéegatan 8A-8C	1935/1974	945		50				995	13,600		20	
• Källtorp 37:1	Björcksgatan 29 / Munkebäcksgatan 6	1930/1974	603		166				769	9,714		13	
• Källtorp 37:10	Solrosgatan 6A-6C	1936/1978	916						916	13,600		21	
• Källtorp 47:23	Virginsgatan 12	1939	225					40	265	3,348		5	
• Källtorp 47:24	Virginsgatan 10	1939	180						180	2,635		4	
• Källtorp 47:25	Virginsgatan 8	1939	228						228	3,328		5	
• Källtorp 56:8	Björcksgatan 74 / Forstnegatan 2A-2D	1936/1974	1,030						1,030	16,000		28	
• Källtorp 57:1	Qvidingsgatan 2A-2C	1936	576				65		641	8,107		14	
• Källtorp 57:2	Qvidingsgatan 4A-4B	1936	551				72		623	7,515		10	
• Torp 24:4	Anders Zornsgatan 21A-21E	1945/1986	1,870	16			63	35	1,984	28,378	2025	30	
Linnéstaden													
• Olivedal 3:12	Övre Djupedalsgatan 7, 7A-7D	1929	1,143			192			1,335	19,598		16	
Lunden & Olskroken													
• Gårda 64:1	Redbergsvägen 11, 11A-11B	1939	2,793	140	310	80			3,323	48,276		40	
• Gårda 67:29	Mäster Johansgatan 15-17	2006	3,725					80	3,805	70,572		53	
• Gårda 69:1	Gradmansplatsen 1 / Redbergsvägen 17, 17A-17B	1938	1,728		435				2,163	26,788		28	
• Gårda 69:3	Norra Gubberogatan 5	1939	1,684						1,684	24,600		28	
• Gårda 69:4	Norra Gubberogatan 7	1939	1,504	43	64				1,611	22,818		24	
• Gårda 69:5	Norra Gubberogatan 9	1939	1,687						1,687	24,800		28	
• Gårda 69:6	Norra Gubberogatan 11	1939	1,665						1,665	24,600		28	
• Gårda 69:15	Lagerströmsplatsen 4 / Norra Gubberogatan 23B	1939	2,534	178	120	21			2,853	39,459		41	
• Gårda 69:24	Kobbarnas väg 8	1937	1,610						1,610	25,000		26	
• Gårda 70:8	Kobbarnas väg 15	1944/1985	1,573						1,573	23,400		25	
• Lunden 13:2	Karlagatan 7A-7C	1935/1976	628						628	9,454		16	
• Lunden 14:12	Karlagatan 1-3 / Mäster Johansgatan 14-16 / Wrangelsgatan 1	1974	4,434	47		43	517	1,469	6,510	67,147		63	
• Lunden 16:7	Karlagatan 4, 4A-4C	1939/1976	583		34	46			663	8,781		12	
• Olskroken 11:8	Övre Olskrokgatan 22, 22A-22B	1928/1979	1,640			60		30	1,730	23,331		24	
Majorna													
• Majorna 303:29	Amiralitetsgatan 2A-2B, 4-8 / Bangatan 21-39 / Djurgårdsgatan 26-40	1966	34,173	1,001	1,784	170		11,405	48,533	490,602		444	
• Majorna 332:6	Godhemsgatan 14A-14C / Paternostergatan 7	1933	854			70			924	11,565		18	
• Majorna 332:9	Godhemsgatan 8A-8B	1933	665			90			755	8,978		12	
• Majorna 350:1	Dahlströmsgatan 8-20, 20B-20C, 22-44, 44B, 46-52 / Kolombusgatan 1-3 / Stenklevsgatan 5	1959	17,255	732	13	1,670		909	20,579	254,793		246	
Mölnidal													
• Uttern 12	Göteborgsvägen 119-121 / Sörgårdsgatan 1A-1F	1929	1,556		137	30			1,723	20,505		26	
Mölnidalsvägen													
• Krokslätt 20:6	Mölnidalsvägen 81	1932/2000		2,540		251	600		3,391	28,400			Schneider Electric
• Krokslätt 154:6	Ebbe Lieberathsgatan 6 / Fredriksdalsgatan 2 / Mölnidalsvägen 77-79 / Nordgårdsgatan 1-3	1986		3,438	3,044	3,024		1,463	10,969	74,800			Hermods
Mölnlycke													
• Hulebäck 1:23	Biblioteksgatan 9-15 / Centralvägen 14 / Ekdalavägen 3 / Gunnar Runfors gränd 2	1975/2004	2,751		4,972				7,723	87,000		46	
• Hulebäck 1:604	Centralvägen 13A-13D / Råda torg 7	1951	692		512	75		73	1,352	11,487		16	

Registered property	Address	Year built/ rebuilt	Residential sq m	Office sq m	Retail sq m	Industry/ warehouse sq m	Educa- tion sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease- hold	No. of apart- ments	Largest tenants
• Hulebäck 4:90	Badhusgatan 14, 16A-16D / Biblioteksgatan 14A-14C, 16A-16D	2001	1,772	82	1,064				2,918	36,927		32	
• Hulebäck 4:92	Biblioteksgatan 4A-4E	2002		457	496				953	10,819			Kronans Drog- handel Apotek Swedbank
• Hulebäck 4:97	Biblioteksgatan 5 / Centralvägen 10-12 / Gunnar Runfors gränd 1-9 / Lennart Kvarnströms plats 2-8	1970/1987	1,339	1,112	640	17		74	3,182	38,221		20	
• Hulebäck 4:164	Allén 2-6 / Biblioteksgatan 1A-1C / Centralvägen 8A-8E / Lennart Kvarnströms plats 1-13	2012	2,613		2,391			2,489	7,493	77,092		52	Index Sverige
• Hönekulla 1:157	Långenäsvägen 9A-9B, 11 / Rörsvängen 6	1915/1933	100		305			28	433	5,515		2	Du & Din Hund i Härryda
• Hönekulla 1:479	Hönekullavägen 7	1971		673	437	211		1,440	2,761	12,506			Rescue Mission
• Mölnlycke 1:1	Fabriksvägen 1 / Långenäsvägen 2 / Mölnlycke fabriker 1-21, 2-4, 12-16, 20	1890/2001		8,388	520	28,033	900	5,655	43,496	114,803			SCA Hygiene Products
• Mölnlycke 1:159	Fabriksvägen 2	1890/1981		350					350	1,377			Sv Sjuhärad
• Pixbo 1:294	Rådavägen 2	1966/1994					1,850		1,850				Pixbo Montessoriskola
Partille & Jonsered													
• Manered 5:3	Höghallsvägen 1A-1B, 3A-3B, 5A-5B / Jonseredsvägen 4	1949/1994	1,332			54			1,386	6,316		24	
• Stårtered 1:21	Bäcksorlet 2 / Länsmansvägen 2A-2B, 4A-4B, 6A-6B, 8A-8B	1949/1994	2,176	134		33			2,343	20,302		40	
• Stårtered 1:23	Stårteredsvägen 24A-24B, 26A-26B, 28A-28B, 30A-30B	1950/1994	2,164			94			2,258	18,809		40	
• Stårtered 1:28	Stårteredsvägen 25-31	2010	3,620						3,620	52,400		59	
Rambergstaden													
• Bråmaregården 7:12	Jägaregatan 2A-2C / Neptunusgatan 13	1946	1,031			30			1,061	10,914		17	
• Bråmaregården 15:17	Väderkvarnsgatan 11A-11C	1938/1991	1,012	50		10			1,072	11,709		17	
• Bråmaregården 19:2	Jägaregatan 9A-9C / Tunnbindaregatan 1	1930/1975	1,032						1,032	10,296		19	
• Bråmaregården 30:3	Ekebergsgatan 1-7 / Hallegatan 7 / Hisingsgatan 22, 22B, 24A-24B	1991	2,276						2,276	27,800		35	
Rosenlund													
• Inom Vallgraven 69:5	Rosenlundsgatan 6-8 / Rosenlundsplatsen 2	1974		12,432	3,750	1,712		2,606	20,500	208,000			Kronofogde- myndigheten
Stampen													
• Stampen 5:6	Polhemsplatsen 1 / Stampgatan 12-18	1988		7,462		84		4,604	12,150	139,000			Akademiska Hus
• Stampen 15:18	Friggagatan 25A	1936	1,418		205				1,623	26,965		26	
Önnered													
• Önnered 762:369	Önnereds brygga 1-17	1975		1,434	705	228		520	2,887	17,395	2024		Restaurang AB Bryggvägen 100
Total			212,570	195,188	93,036	69,873	32,849	76,920	680,436	8,130,732		3,233	

LAND

Land designation

Almekärr 2:10
Bråmaregården 62:1
Gårda 52:2
Gårda 52:3
Gårda 52:10
Gårda 52:11
Hjällsnäs 11:17
Hälle 1:3
Inom Vallgraven 32:14
Kallebäck 3:3
Kvillebäcken 3:1
Kärra 2:11
Kärra 26:5
Mölnlycke 2:1
Pixbo 1:20
Skår 57:14
Släps-Hagen 1:29
Solsten 1:115
Solsten 1:126
Stallbacken 5
Stallbacken 7
Stallbacken 9
Stårtered 1:22
Älvsborg 755:505

LIST OF PROPERTIES IN HELSINGBORG

• = Residential properties

Registered property	Address	Year built / rebuilt	Residential sq m	Office sq m	Retail sq m	Industry/warehouse sq m	Education sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apartments
Helsingborg centrum												
• Oscar II 11	Drottninggatan 17 / Roskildegatan 4-6	1928/1987	2,588	22	981	143		1,171	4,905	57,346		31
• Pål Ibb 21	Drottninggatan 72A-72B / Hålsövägen 1 / Pålsgatan 1	1961/1990	4,302	1,393	427	213	170		6,505	85,894		46
Tågaborg												
• Vildvinet 3	Erik Dahlbergs gata 34A-34D / Pålsgölgatan 21A-21C	1952/	4,289				225		4,514	44,482		65
• Vildvinet 4	Erik Dahlbergs gata 34E-34H / Flemminggatan 14 / Pålsgölgatan 21D-21F	1952/	4,292				351	140	4,783	45,327		65
Total			15,471	1,415	1,408	932	170	1,311	20,707	233,049		207

LAND

Land designation

Landån 5

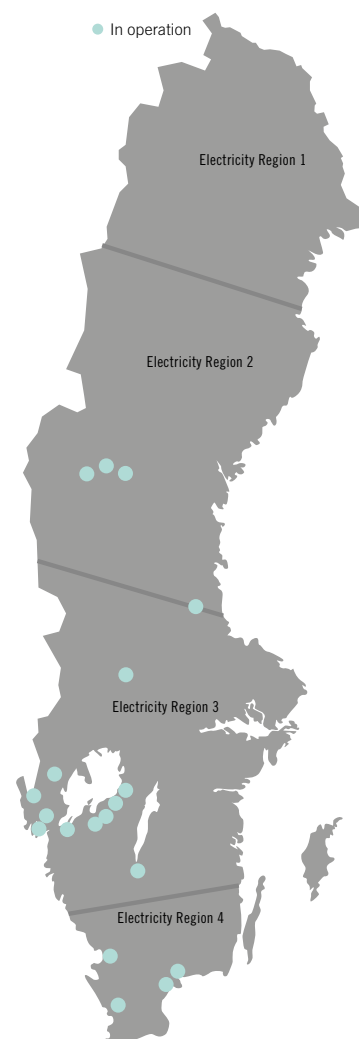
Landån 6

Skåran 1

Vildvinet 1

WIND POWER

Name	Location	No. of turbines	Output MW
Dan Carlsson	Rålanda, Uddevalla kommun, Bohuslän	2	4.0
Rose-Marie Gulleberg	Lyngby, Kristianstads kommun, Skåne	3	5.6
Bengt Carlsson	Gategården, Vara kommun, Västra Götaland	1	1.8
Birgitta Lidbeck	Västergården, Melleruds kommun, Dalsland	2	3.6
Ann-Marie Forsberg	Tängelsbol, Melleruds kommun, Dalsland	1	1.8
Anders Adlerborn	Köjkeberget, Vansbro kommun, Dalarna	2	4.0
Erika Söderström	Stentjärnåsen, Härjedalens kommun, Jämtland	5	10.0
Kaj Lamton	Rätans-Digerberget, Bergs kommun, Jämtland	5	11.5
Thomas Dahl	Vettåsen/Mårtensklack, Sandviken och Ockelbo kommun, Gästrikland	10	23.0
Carola Strandberg	Karstorp, Skara kommun, Västra Götaland	3	6.0
Bo Strandberg	Kilagården, Skara kommun, Västra Götaland	3	6.0
Susanne Börjeson	Järnmunderöd, Munkedals kommun, Västra Götaland	3	6.0
Jeanette Wallén	Middagsberget, Bergs kommun, Jämtland	3	9.0
Lena Johanson	Södervidinge, Kävlinge kommun, Skåne	2	4.0
Benny Olsson	Gunnarby, Uddevalla kommun, Bohuslän	8	18.4
Rigmor Sköld	Tommared, Laholms kommun, Halland	6	13.8
Gun Karlsson	Nyckeltorp, Skara kommun, Västra Götaland	3	6.0
Louise Wingstrand	Furulund, Kristianstad kommun, Skåne	2	4.0
Total		64	138.5



PROPERTY HOLDINGS

WALLENSTAM GROUP

	Residential sq m	Office sq m	Retail sq m	Industry/ warehouse sq m	Education sq m	Other sq m	Total sq m	Assessed value, SEK thousands	No. of apartments
Total Wallenstam Group	493,767	210,096	104,921	80,524	35,405	82,267	1,006,980	12,765,380	7,622

PROPERTY ACQUISITIONS IN 2014

Registered property
Land
Järnet 11, Tyresö
Uppsala Sala Backe 1:1
Göteborg Älvsborg 755:505

PROPERTY SALES IN 2014

Registered property	Address	Year built / rebuilt	Resi- dential sq m	Office sq m	Retail sq m	Industry/ warehouse sq m	Education sq m	Other sq m	Total sq m
Göteborg									
Krokslätt 34:13	Mölnadalsv. 91-93, Varbergsgatan 2A-C	1950/1988	-	10,905	1,100	851	-	3,157	16,013
Krokslätt 148:13	Mölnadalsvägen 40-42	1952	-	2,581	-	616	-	-	3,197
Krokslätt 149:10	Mölnadalsvägen 36-38	1952/1998	-	6,580	348	-	-	1,000	7,928
Skår 57:14	Gamla Almedalsvägen 1-51	1929	-	8,147	-	489	-	-	8,636
Källtorp 40:1	Råstensgatan 6	1936/1974	934	-	81	-	-	-	1,015
Källtorp 47:13	Virginsgatan 20	1939	644	45	-	-	-	67	756
Högsbo 2:2*									
Stockholm									
Orminge 40:1	Ornövägen 20-34	1971	10,123	-	60	9	-	80	10,272
Orminge 40:2	Ornövägen 10-18	1970	6,617	-	-	-	-	-	6,617
Orminge 48:1	Utövägen 8-28	1967	10,180	82	-	-	-	55	10,317
Ceremonien 3	Backskåran 3-7, Gubbkärrsvägen 29	1950	9,055	79	-	216	530	5	9,885
Cepheus 7	Kindstugatan 16	1929/1940	238	155	-	-	-	-	393
Kattryggen 22	Brännkyrkagatan 44	1929/1995	1,284	-	-	150	-	-	1,434
Traktören 5	Tusbystråket 6-10, Oppegårdsstråket 5-9, Tingsvägen 27-31	1971	25,670	180	3,709	153	313	3,540	33,565
Briggen 1	Fregattvägen 62-70, 56-58	1940/1999	1,356	55	-	16	-	-	1,427
Skonerten 1	Fregattvägen 62-70, 56-58	1940/1999	690	58	-	65	-	-	813
Runan 5	Solfagravägen 1, 3, 5, 7, 9, 11, 13, 15, 17, Runvägen 1, 3, 5	1960	9,319	53	-	217	-	-	9,589
Total			76,110	28,920	5,298	2,782	843	7,904	121,857

* Refers to land.

COMPLETED NEW CONSTRUCTION IN 2014

Registered property	Address	Year built / rebuilt	Resi- dential sq m	Office sq m	Retail sq m	Industry/ warehouse sq m	Education sq m	Other sq m	Total sq m
Göteborg									
Majorna 303:329	Amiralitetsgatan 2A-2B, 4-8 / Bangatan 21-39 / Djurgårdsgatan 26-40	2014	3,168	-	-	-	-	-	3,168
Vildvinet 3, 4	Added floor space Erik Dahlbergs gata 34A-34H / Flemminggatan 14 / Pålsgöatan 21A-21F	2014	1,217	-	-	-	-	-	1,217
New construction and conversions, existing properties, change, net floor space		2014	-1,525	-	-	-	-	13,418	11,893
Stockholm									
Barkarby 2:28**	Barkarbyvägen 42-52, 42A-42B, 44A-44C / Gripengatan 1-7 / Karlslundavägen 4-8, 8A / Stora torget 1-3, 1A-1B, 2, 2A-2B	2014	11,794	-	-	-	-	-	11,794
Total			14,654	-	-	-	-	13,418	28,072

** Gradual occupation during 2014, final completion during 2015.

WELCOME TO THE AGM

Wallenstam AB (publ), co. reg. no. 556072-1523, cordially invites its shareholders to attend the AGM on Tuesday 28 April 2015 at 16:00 at the Elite Park Avenue Hotel, Kungsporsavenyen 36–38 in Gothenburg.

The venue opens for registration at 15:00. Light refreshments will be served before the AGM.

REGISTRATION

Shareholders wishing to participate in the AGM must register as shareholders no later than Wednesday, 22 April 2015 in the shareholders ledger administered by Euroclear Sweden AB, and also register their intention with the company to participate in the AGM no later than 16:00 on 22 April 2015. Upon registration, shareholders must provide their name (company), personal ID number (company registration number), address and telephone number as well as the name and personal ID number of any agent 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
- by email to arsstamma@wallenstam.se
- on Wallenstam's website at wallenstam.se/arsstamma

There are proxy forms available on the Wallenstam website at wallenstam.se/arsstamma for shareholders wishing to be represented by an agent.

Shareholders who have their shares registered with nominees must re-register their shares in their own name for the right to participate in the AGM. Re-registration, which may be temporary, must be executed at Euroclear Sweden AB no later than Wednesday, 22 April 2015. Shareholders should request their nominees to take care of 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 to attend.

The Board of Directors proposes Thursday, 30 April 2015 as the record date for dividends. If the AGM adopts the proposal, dividend distribution is anticipated to take place from Euroclear Sweden AB on Wednesday, 6 May 2015.

GLOSSARY

Required rates of return

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.

CBD

Central Business District, the most central, attractive shopping and office locations.

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.

CSR

Corporate Social Responsibility, a term for a concept according to which a company voluntarily integrates economic, social and environmental aspects into its operation and into its contacts with stakeholders.

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 (megawatt 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.

IFRS fair value categories

According to IFRS, fair value measurement is classified in relation to three different value categories: Examples of input data in level two are prices for similar assets or liabilities quoted on active markets, prices quoted for identical or similar assets or liabilities that are not active and input data other than quoted prices observable for the asset or liability such as interest rates and yield curves observable at normal specified intervals. An example of level three input data is data for the asset or liability that is not based on observable market data.

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.

PCB

An industrial chemical with many different areas of application; it is used in transformers, heat exchangers, jointing compounds in houses, and in paint. The use of PCBs has been forbidden in Sweden since the 1970s.

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.

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.

Heating consumption, degree day adjusted

Consumption is adjusted during a normal year with regard to temperature, wind and precipitation.

Volatility

A measurement of how much a price of something varies over a given period.

Heating consumption, time corrections

If a reading is not taken at the end of each month, consumption is converted to annual consumption.

Commonhold apartments

A tenure arrangement that is usual in other European countries. A commonhold apartment can be compared to a vertical terrace of houses. The occupant enjoys direct ownership and may independently transfer, mortgage or rent out the apartment.

For additional clarifications, refer to wallenstam.se

DEFINITIONS

Dividend yield

The latest dividend paid out as a percentage of the share price at year-end.

Total yield

Share price development during the latest rolling twelve-month period including dividends paid out during the period, divided by the share price at the beginning of the period.

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 as a percentage of total capital employed.

Market capitalization

Share price multiplied by the number of registered shares on the closing date.

Operating surplus

Rental income less operating and maintenance expenses, site leasehold rents and property tax.

Yield, investment properties

The operating surplus for the latest rolling twelve-month period as a percentage of the weighted average carrying amount of investment properties excluding projects in progress.

Total return, investment properties

The operating surplus for the latest rolling twelve-month period plus/minus realized and unrealized changes in value of investment properties as a percentage of the weighted average carrying amount of said properties excluding projects in progress.

Property values – carrying amounts

The assessed market value of the property holdings according to an internal valuation.

Income from management operations

Operating surplus less management costs, administration expenses and net financial income/expense.

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 outstanding shares.

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 add-back of deferred tax liabilities and the net effect of unrealized changes in value of derivative instruments after tax.

Average number of employees

The average number of employees is calculated as 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.

P/E ratio

Share price at the end of the period in relation to earnings after tax for the average number of shares over the latest rolling twelve-month period.

Realized changes in value of investment properties

Gains or losses from investment property sales for the period after deduction for the properties' estimated market values at the previous reporting period.

Earnings per share after tax

Profit after tax in relation to the average number of outstanding shares.

Return on equity

Profit after tax in relation to average equity, calculated on a rolling twelve-month basis.

Return on total capital

Profit before tax less interest expenses in relation to average capital employed, calculated on the latest rolling twelve-month period.

Interest coverage ratio

Gains or losses before unrealized changes in value and impairment charges with add-back of net financial income/expense for the latest rolling twelve-month period in relation to the net financial income/expense for the latest rolling twelve-month period.

Interest coverage ratio, realized

Gains or losses before unrealized changes in value and impairment charges with add-back of net financial income/expense excluding realized changes in the value of investment properties with additions for conventional gains or losses from the sale of investment properties for the latest rolling twelve-month period in relation to the net financial income/expense for the latest rolling twelve-month period.

Equity/assets ratio

Equity in relation to total capital employed at the end of the period.

Net asset value

Equity less deferred tax liabilities.

Comprehensive income

Profit after tax including equity transactions after tax that are not transactions with the owners.

Occupancy rate – lettable area

Let floor space in relation to total floor space.

Operating profit

Realized profit excluding profit from property sales.

Surplus ratio

Operating surplus as a percentage of rental income.

For additional definitions, refer to wallenstam.se

CALENDAR

Annual General Meeting	28 April 2015
Interim report I	28 April 2015
Interim report II	5 August 2015
Interim report III	4 November 2015
Year-end report 2015	17 February 2016

Information regarding Wallenstam's business operations, financial reporting and press releases can be found at wallenstam.se.

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