

# WALLENSTAM

# INTERIM REPORT

## JANUARY 1–MARCH 31, 2016

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- Income from property management amounted to SEK 167 million (150), an increase of 11 percent.
- Unrealized changes in the value of investment properties amounted to SEK 400 million (174), of which new construction represented SEK 285 million (120).
- Unrealized changes in the value of derivative instruments amounted to SEK -210 million (-138).
- Profit after tax amounted to SEK 282 million (159), equivalent to SEK 0.9 per share (0.5).
- Rental income amounted to SEK 393 million (382).
- Properties were sold with a value of SEK 71 million (-), resulting in realized changes in value of SEK 13 million (-).
- Acquisitions of properties totaled SEK 133 million (640) and investments in properties amounted to SEK 513 million (504).
- The growth rate in net asset value, excluding dividends and repurchases, on a rolling full-year basis was 21 percent.
- We had just over 1,700 apartments under construction on the closing day.

*Comparisons in brackets refer to the corresponding period of the previous year unless otherwise stated.  
The relevant figures have been restated for the 2:1 share split, which was carried out during the second quarter of 2015.*

"The operations went according to plan during the first quarter and all numbers are pointing in the right direction: revenue and net operating income increased, income from property management improved by more than 10 percent and net asset value growth was also higher than the year-earlier period. Our new construction projects also started well in early 2016 and we expect to reach 7,500 apartments by the end of 2018, in accordance with our business plan."

"I can confirm that more than 70 percent of the increase in the value of properties comes from our investments in new construction. Apart from the increases in value, we also see positive effects from new construction in our income from property management. Looking ahead, an increasing proportion of the value growth in our properties and of the improvement in income from property management is also expected to come from new construction projects."

**HANS WALLENSTAM, CEO**

# THIS IS WALLENSTAM

• No. of properties: around 200 • Investment property value: SEK 33 billion • Market capitalization 31 March 2016: SEK 24 billion  
• Occupancy rate, lettable area: 98% • Lettable area: 1.1 million sq m • No. of apts. under construction: just over 1,700 • No. of wind turbines: 64

## BUSINESS PLAN 2018

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

### Guiding principles

- To start production of 7,500 apartments until the end of 2018, i.e. an average of 1,500 apartments per year.
- To reduce the carbon load in the property holdings by 15 percent per sq m by the end of 2018.
- The proportion of customers willing to recommend Wallenstam should increase yearly.

### Assumptions

- The equity/assets ratio should not be less than 30 percent.
- The realized interest coverage ratio on a rolling full-year basis should not be less than 2 times.

## BUSINESS CONCEPT

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

## STRATEGIES AND ASSET-CREATING FACTORS

Wallenstam conducts operations based on a business plan, goals and strategies. In order to achieve a sustainable business enterprise, our strategy rests on three pillars; financial, social and environmental responsibility.

The factors that create assets for the operations are essentially based on the Group's business process. In combination with overall strategies and guiding principles, this process provides the most

important tools for contributing to the positive development of both income and the business over time.

## WALLENSTAM TODAY

Wallenstam was founded in 1944 and its head office is located in Gothenburg. The company's B share is listed on Nasdaq Stockholm, Large Cap and Wallenstam is one of the larger listed property companies in Sweden.

Wallenstam is a major producer of homes in the regions where we operate; we build primarily rental apartments for our own property management.

Our residential properties are mainly located in Stockholm and Gothenburg, while our commercial properties are concentrated to inner city locations in Gothenburg. In all, Wallenstam has just over 7,500 apartments and 1,000 commercial tenants. Wallenstam is self-sufficient in renewable energy through Svensk NaturEnergi.

Our operations are conducted in three business areas; Gothenburg, Stockholm and Svensk NaturEnergi.

## Stockholm

The majority of our residential holdings are in Stockholm, where we have around 4,000 apartments. At present, the major part of our new construction also takes place in the Stockholm region, including Uppsala. The Stockholm business area had just over 1,200 apartments under construction on the closing day.

## Gothenburg

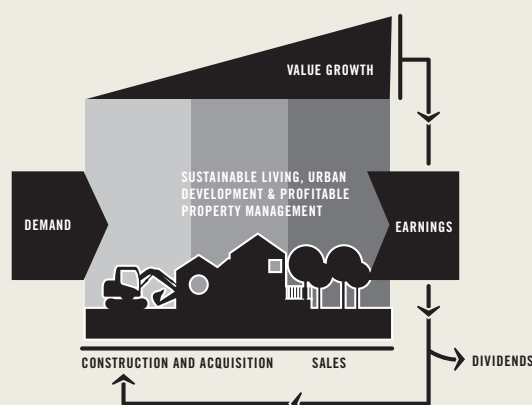
Our property holdings in Gothenburg consist of around 3,300 apartments and around 900 commercial tenants that rent office and retail premises, mostly in inner city locations. We manage around 200 apartments in Helsingborg. The Gothenburg business area had about 500 apartments under construction on the closing day.

## Svensk NaturEnergi

Operations within Svensk NaturEnergi consist of both generation of, and trading in, renewable energy. Production covers our own properties' needs and those of our tenants on a monthly basis.

### Business Process

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 value growth. Profits are re-invested and used to develop the business further. Shareholders receive a share of the profits in the form of dividends.



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## SCHEDULE

3	Interim report Q2, 2016	3 August, 2016
4	Interim report Q3, 2016	8 November, 2016

This interim report was prepared in accordance with IAS 34. The accounting principles remain unchanged compared to the 2015 Annual Report. The Parent Company's accounting principles comply with the Swedish Annual Accounts Act and RFR2.

This Interim report is a translation of the original report in Swedish. It has not been reviewed by the company's auditors.

For information regarding accounting principles, please visit [www.wallenstam.se/en\\_ir](http://www.wallenstam.se/en_ir). For definitions, etc., please refer to the last page of the report or visit: [www.wallenstam.se/glossary](http://www.wallenstam.se/glossary).

For further information, please contact:  
Susann Linde, CFO and IR Director  
tel: +46 705 17 11 34  
e-mail: [susann.linde@wallenstam.se](mailto:susann.linde@wallenstam.se)

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# COMMENTS BY THE CEO

## Performance

The operations went according to plan during the first quarter and all numbers are pointing in the right direction: revenue and net operating income increased, income from property management improved by more than 10 percent and net asset value growth was also higher than the year-earlier period.

Our new construction projects also started well in early 2016 and we expect to reach 7,500 apartments by the end of 2018, in accordance with our business plan.

Interest rates have fallen slightly since year-end, thus generating a deficit on derivatives of about SEK 200 million. It is also a fact that the prices of electricity and renewable energy certificates have been at very low levels and wind conditions have also been very weak, contributing to a negative result in Svensk NaturEnergi. The aim of our wind power investment is to be self-sufficient in renewable energy, which we are. Svensk NaturEnergi shall in the first place supply our properties with green energy.

An important part of operations is how we are perceived as a landlord, therefore it is particularly gratifying that we received the Kundkristallen award for the second time for our customer service.

## New construction projects

In our ongoing projects, we are working intensively on pushing ahead with urban development and construction. For example, I had the privilege in January together with Karin Wanngård, Commissioner of Finance of the City of Stockholm, of turning the first sod – which in reality was a blasting – for our Orangeriet project in Solberga. Now we have more than 300 apartments under construction in Solberga, a charming area in southwest Stockholm, built in the 1950s.

The demolition work in Kallebäck, and the subsequent development of Kallebäcks Terrasser, started in February. In total, we will build about 2,000 apartments here, of which the first 800 will be ready by 2021 when Gothenburg will celebrate 400 years.

In March, Nivå2 in Stallbacken commenced involving 88 apartments, and about a week ago, Punkt3 also started

with 82 apartments. We will build about 550 new homes in total in a new district in Mölndal, ranked as one of Sweden's best municipalities to live in.

In recent days, we unveiled our vision for the Umami area, which is located in Sundbyberg – a fantastic urban development project where we will build about 900 apartments. This is a very exciting area with both activities and development.

During the quarter, we also signed an agreement on the acquisition of a larger commercial property in Haga in central Gothenburg. The property will not be taken into possession until Gothenburg City Council has approved the sale. It feels great to be able to make an acquisition in this area and to add another property to our attractive and centrally located commercial holdings.

## The Wallenstam share

Compared to the previous year, the net asset value per share increased by almost 20 percent, which is equivalent to SEK 9 per share.

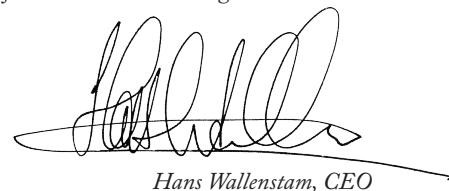
It is gratifying to see that the liquidity in our share has strengthened and we have noticed increased interest from both

Swedish and foreign stakeholders. It is also great that we now have a record number of Wallenstam shareholders!

## Development in the value of properties

I can confirm that more than 70 percent of the increase in the value of properties comes from our investments in new construction. Apart from the increases in value, we also see positive effects from new construction in our income from property management. Looking ahead, an increasing proportion of the value growth in our properties and of the improvement in income from property management is also expected to come from new construction projects.

We have an exciting future in a turbulent environment where we are focusing strongly on developing our project portfolio and on creating the conditions for effective and environmentally friendly new construction projects for our own management.



*Hans Wallenstam, CEO*



# INTERIM REPORT

## JANUARY 1–MARCH 31, 2016

### JANUARY 1–MARCH 31

#### Important events

During the period, construction started of 170 cooperative apartments in Solberga, Stockholm, as well as 88 rental apartments in Stallbacken Nivå2, Mölndal.

Work began during the quarter on the development of Kallebäck's Terrasser in Gothenburg, where the old Arla factory in Kallebäck is being demolished and will make way for up to about 2,000 apartments in different forms of tenure and about 20,000 square meters of business premises. The project will continue in a number of phases for several years.

On March 30, Wallenstam signed an agreement with Göteborgs Stads Parke-rings AB on the acquisition of the property Göteborg Haga 31:5, known as Ax-esshuset, through a company transaction, for an agreed property value of about SEK 169 million. The property will preliminarily be taken into possession by the fall, provided that Gothenburg City Council takes a positive decision in the matter before then and that a subdivision of the existing parking facilities in the property is carried out by the seller.

During the quarter, Wallenstam also carried out a number of smaller property transactions apart from those mentioned above, where three properties in the form of land were acquired and one property was divested.

In February, Wallenstam once again received the Kundkristallen award (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.

#### Performance in brief

Revenue increased by 3 percent and amounted to SEK 393 million (382). Net operating income for properties amounted to SEK 279 million (270) for the period. Income from property management increased by SEK 17 million or 11 percent and amounted to SEK 167 million (150). Completed sales of properties and cooperative apartments resulted in a total gain of SEK 17 million (74). Profit before unrealized changes in value amounted to SEK 166 million (232).

Unrealized changes in the value of properties were positive and amounted to SEK 400 million (174) during the year. The change in the value of financial derivatives was negative in the period and amounted to 210 million (138). The expense for an unrealized change in value in the synthetic options scheme amounted to SEK 4 million (48). Profit before tax amounted to SEK 352 million (220) and profit after tax amounted to SEK 282 million (159), which corresponds to earnings per share of SEK 0.9 (0.5). The performance is commented on in more detail below.

#### Rental income

Consolidated rental income for the period amounted to SEK 393 million (382), which was a net increase of SEK 11 million or 3 percent compared to the year-earlier period. Completed property transactions resulted in a net decrease. Excluding income from acquired and divested properties, rental income increased by SEK 24 million, which corresponds to growth of almost 7 percent. This growth was the

result of additional recently constructed apartment buildings as well as completed rent negotiations. Of the rental income, SEK 277 million (272) was derived from the Gothenburg business area, and SEK 113 million (108) from the Stockholm business area.

Wallenstam's residential property holdings are fully let. This year's rent negotiations have to date resulted in an average rise of 0.9 percent in Stockholm. No rent control occurred for apartments in Gothenburg due to a breakdown in rent negotiations between the Swedish Union of Tenants, Western Sweden Region and the Swedish Property Federation. Rental rates for Wallenstam's commercial premises, which are located in Gothenburg, rose by 2.1 percent overall in comparable holdings, as a result of completed new lets and renegotiations as well as index agreements. We are experiencing strong, stable demand for premises and especially in central locations where our commercial properties are situated. Our occupancy rate for commercial properties in terms of lettable area amounted to 94 percent on the closing day.

#### Operating expenses & net operating income

Operating expenses during the period increased by almost 2 percent and amounted to SEK 114 million (112). Net operating income increased by 3 percent and amounted to SEK 279 million (270).

Excluding the effect of acquired and sold properties, operating expenses fell by SEK 1 million. The improvement in operating expenses was due to efficient mana-

gement, where changed property holdings with newer buildings made a positive contribution. Colder weather had a comparatively negative impact on operating expenses in 2016.

Net operating income during the period, excluding the effects of acquired and divested properties, was 7 percent better than the year-earlier period, of which additional new production accounted for almost 5 percent. The growth in net operating income in comparable holdings of just over 2 percent was the result of completed rent negotiations and more efficient properties.

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.

### Management costs & administrative expenses

Management costs and administrative expenses refer mainly to personnel expenses and are distributed among property management, SEK 47 million (47), energy management, SEK 7 million (8) and transactions, properties and cooperative apartments of SEK 6 million (6) in total. In addition, there are expenses for the synthetic options scheme to employees. Unrealized expenses for the synthetic options scheme

are recognized as a line item in the income statement and amounted to SEK 4 million (48) in the quarter. A maximum outcome based on the prevailing number of options issued and an achieved share price of SEK 80 per share, will generate an expense for the company of around SEK 139 million, of which SEK 79 million was expensed to date. Because the probability has increased that the scheme will enter into effect earlier than its final date (31 May 2019), we consider the sold purchase option value, with a ceiling of SEK 80, to be SEK 0 million (0) and the purchased option value, with an exercise price of SEK 52.50, to be a liability of SEK 78 million (91).

### Financial income & expenses

Financial income amounted to SEK 1 million (3) and financial expenses totaled SEK 74 million (85), of which SEK 66 million (76) related to property operations and SEK 8 million (9) to natural energy operations.

Total financial expenses decreased by SEK 10 million, due to a lower average interest rate, among other things. Capitalized interest amounted to SEK 13 million (9).

The average interest rate for the period, which considers the effects of entered into derivative contracts, amounted to 2.19 percent (2.49). The average interest rate on the closing day was 2.15 percent (2.36).

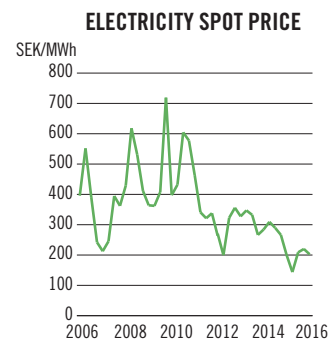
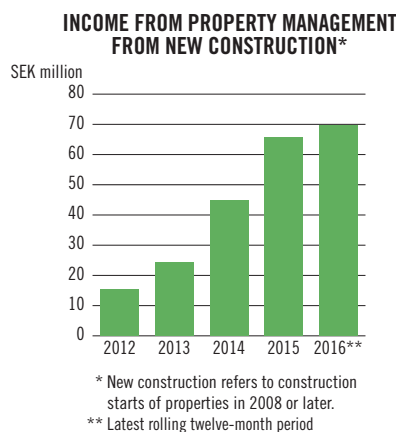
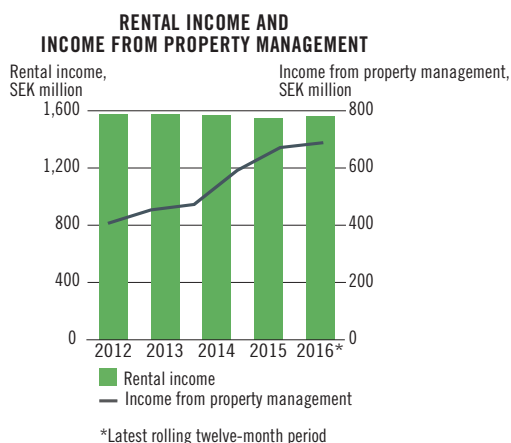
### Income from natural energy management operations

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

Income from natural energy management operations amounted to SEK -18 million (8) for the period and included wind turbine depreciation of SEK 24 million (24), which does not affect cash flow. During the first quarter of 2016, 91 GWh (122) were produced. The performance during the quarter was mainly impacted by less wind but also a lower electricity price compared to the previous year. The quarter's result was also charged with an additional expense of SEK 3 million for property tax relating to prior periods, due to the change in property tax from 0.2 percent to 0.5 percent.

### Income from cooperative apartment sales

Revenue from the sale of cooperative apartments refers to remuneration from the sale of cooperative apartment units. The cost of the sold cooperative apartment units is recognized as an expense. This expense also includes marketing and selling



expenses. Cost and revenue are recognized when a property is transferred to the purchaser, but selling expenses are recognized on an ongoing basis.

Profit for the period from the sale of cooperative apartments amounted to SEK 10 million (79) net and mainly included sales of a small number of individual apartments.

### Realized changes in value, investment properties

During the first quarter, Wallenstam sold a property for SEK 71 million (-). The sale was carried out at a price that exceeded the latest valuation by about 21 percent (-).

The sales result in relation to the sums invested amounted to SEK 26 million (-), of which SEK 13 million (-) was recognized in the previous year's consolidated income statement as an unrealized change in value.

### The Swedish transaction market

During the first quarter of 2016, the total transaction volume in Sweden amounted to SEK 29.7 billion, which was an increase of 15 percent compared to the year-earlier period, according to the property consultant JLL. The first quarter of 2016 was the strongest first quarter ever, however, it was a decrease of 38 percent compared to the previous quarter, which is normal as the fourth quarter, historically, has nearly always accounted for the largest share of the transaction volume during the year.

The largest part of the transaction volume consisted of office properties, with 32 percent of the total transaction volume,

followed by mix-use properties, 17 percent, and residential properties, 15 percent.

### Unrealized changes in value, investment properties

The development in the value of properties during the quarter was affected positively by an increase in value generated by our own work in ongoing and completed new constructions of rental apartments, and the market situation in the sector. The property market is characterized by a continued high level of activity with greater demand than supply with rising prices as a consequence.

Unrealized changes in the value of investment properties during the quarter amounted to SEK 400 million in total (174), of which the increase in value from new construction accounted for SEK 285 million (120). This means that 71 percent of the increase in value during the quarter was generated by our own work. The change in value from new construction projects during the quarter was positively impacted by a non-recurring effect of just over SEK 100 million due to the fact that from 2016 we are recognizing a larger proportion of the estimated surplus gradually during the construction phase. The increase in value in investment properties, which were in operation for one year or more amounted to SEK 115 million (54).

### Unrealized changes in value, financial instruments

Wallenstam uses financial instruments such as interest rate, currency and electricity derivatives; see Financing on page 10.

The total value of interest rate derivatives changed by SEK -207 million (-134). As long as the derivative remains unrealized, the change in value of the interest derivative does not affect cash flow or average interest as the latter considers the effects of interest derivative agreements in force.

In order to secure electricity generation expenses and revenue from electricity sales, the Group hedges parts of the electricity price on the financial market. The value of electricity derivatives changed by SEK -2 million (-5), primarily as a result of low market prices for electricity. Also included are changes in the value of other financial holdings of SEK -1 million (1).

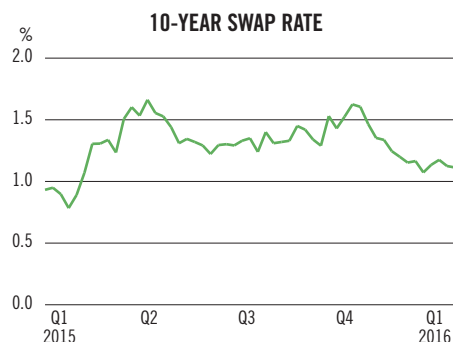
### Taxes

The recognized tax expense for the period, which consists in its entirety of deferred tax, amounted to SEK -70 million (-61) net.

The Group's largest 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 and energy taxes, stamp duty and personnel-related taxes and charges. These other taxes, which amounted to around SEK 455 million (520) for the full-year 2015, are recognized among operating expenses within income from property management and investments in the construction operation.

### CHANGES IN VALUE OF INVESTMENT PROPERTIES

SEK million	Jan-Mar 2016	Jan-Mar 2015
Changes in value of investment properties in operation	115	54
Changes in value of new rental apartment construction in progress	285	120
Realized changes in value, investment properties	13	0
<b>Total changes in value, investment properties</b>	<b>413</b>	<b>174</b>



## OUR PROPERTIES

### Developments during the period

During the period, we invested SEK 524 million (1,050) in investment properties and SEK 122 million (94) in cooperative apartment construction for a total of SEK 646 million (1,144).

New construction projects in progress involve just over 1,700 apartments. Total investments in rental and cooperative apartment projects in progress amounted to about SEK 2.8 billion (2.9) on the closing day.

### Investment properties

Property held with the aim of generating rental income and/or appreciation in value, i.e. Wallenstam's rental apartments, is classified as investment property.

Unrealized changes in value affected investment property values positively by a total of SEK 400 million (174), of which

SEK 285 million (120) was from value growth in rental apartment constructions in progress, and SEK 115 million (54) from investment properties in operation.

The average yield requirement was unchanged from the previous quarter and for residential buildings, excluding projects, land and building rights it was 3.5 percent (3.7) and for the commercial holdings it was 5.3 percent (5.6). The approved value of investment properties was SEK 32,956 million (29,705) at the end of the period.

### Cooperative apartment projects

New production of properties that are constructed for the purpose of sales as cooperative apartment properties are recognized in the balance sheet as Work in progress, co-op apartments. The book value of Work in progress, co-op apartments amounted to SEK 154 million (467) at the end of the period and mainly

includes the recently initiated Orangeriet project in Solberga with 170 cooperative apartments, which will be completed by year-end 2017/2018.

### Our market

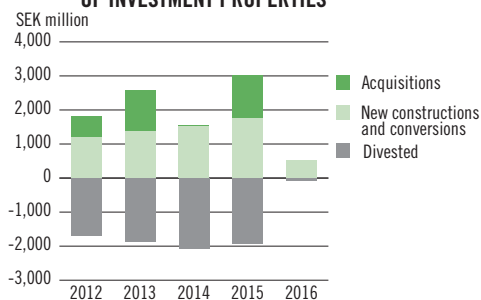
The cities in which we do business are characterized by extensive demand for housing and low rates of rental apartment construction. Only a minor proportion of our apartments become available for rent due to relocation, and demand for finished, newly built rental apartments is high.

We build mainly rental apartments, but also cooperative apartments, primarily because the land available for rental apartment construction is limited.

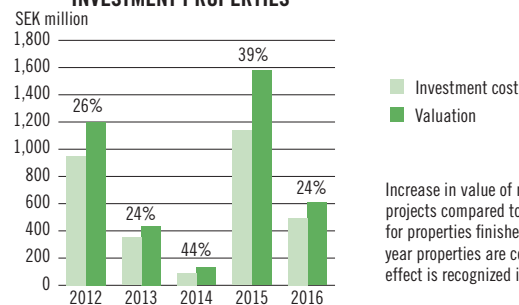
## CHANGES IN PROPERTY HOLDINGS, INVESTMENT PROPERTIES

	Book value, SEK million
Property holdings, 1 January 2016	32,090
+ Acquisitions	15
+ Construction	509
- Sales	-58
+ Unrealized changes in value, net	400
<b>Property holdings, 31 March 2016</b>	<b>32,956</b>

## ACQUISITION, CONSTRUCTION AND SALES OF INVESTMENT PROPERTIES



## GROWTH IN VALUE, NEW CONSTRUCTION INVESTMENT PROPERTIES



Increase in value of new rental apartment construction projects compared to cost. The graph shows outcomes for properties finished completely and per project in the year properties are completed, regardless of when the effect is recognized in the income statement.

## Valuation

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

In its assessments of property values, Wallenstam has used different yield requirements. The yield requirements reflect market conditions and differ based on where a property is located and its type, e.g. housing or offices, etc.

A valuation is calculated based on a

property's net operating income, set in relation to the yield requirement for each property.

As our properties are valued separately, no consideration is given to the portfolio premium that may exist in the property market.

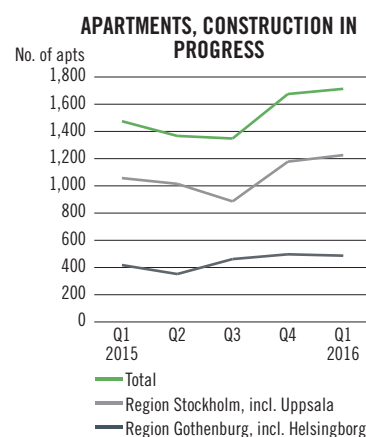
New construction rental properties are measured at fair value, which is determined as cost plus the estimated surplus on the completion date in relation to the degree of completion of the construction. This is in turn based on expenses incurred. Previously, a share of the estimated surplus was gradually recognized in relation to the degree of completion but from 2016 the entire estimated surplus is taken as the starting position.

Land rights and building rights for zoned land are measured at market value.

Newly constructed cooperative apartments are recognized according to IFRIC 15, Agreements for the Construction of Real Estate. For Wallenstam, this means that IAS 18 Revenues, is applied when recognizing these property projects. In short, this means that ongoing recognition takes place at cost and that a profit/loss is recognized when the cooperative unit is completed, sold and handed over to the customer.

## NEW CONSTRUCTION IN PROGRESS 31 MARCH 2016

Project	No. of apts.	Expected occupation
<b>Stockholm</b>		
Månspinnaren, Norra Djurgårdsstaden	121	Q1/Q2 2016
Tavernan, Barkarbystaden, Järfälla	205	2017/2018
Grönskan Solberga	148	2017
Trädgårdsporten, Tyresö	184	2017
Orangeriet Solberga (co-op)	170	2018
<b>Uppsala</b>		
Fjärilen, Rosendal	145	2017
Snickeriet, Östra Sala backe	137	2017
Symfonin, Gränby	116	2017
<b>Gothenburg</b>		
Stallbacken Punkt1, Mölndal	188	2016/2017
Mid Avenue Valand	35	2017
Stallbacken Nivå2, Mölndal	88	2017
<b>Helsingborg</b>		
Vildvinet 1	52	Q4 2016
Conversion of commercial premises to apartments	14	Q2/Q4 2016
Stengläntan, Mariastaden	110	2017
<b>Total</b>	<b>1,713</b>	



## CHANGE, CONSTRUCTION IN PROGRESS

	No. of apts.
New construction in progress, 31 Dec 2015	1,675
- Completed	-237
+ Started	+275
<b>New construction in progress, 31 Mar 2016</b>	<b>1,713</b>



**PROPERTY HOLDING STRUCTURE AS OF 31 MARCH 2016**

Lettable area, sq m	Residential	Office	Retail	Industry/ warehousing	Education	Garage	Other	Total	Distribution, place
Stockholm	250,899	34,098	20,208	16,059	3,201	41,669	3,166	369,300	34%
Gothenburg	214,849	191,677	91,091	72,819	32,849	50,766	28,693	682,744	64%
Helsingborg	15,471	1,415	1,408	1,021	-	620	691	20,626	2%
<b>Total</b>	<b>481,219</b>	<b>227,190</b>	<b>112,707</b>	<b>89,899</b>	<b>36,050</b>	<b>93,055</b>	<b>32,550</b>	<b>1,072,670</b>	<b>100%</b>
Distribution by type of premises	45%	21%	11%	8%	3%	9%	3%	100%	

**COMPLETED NEW CONSTRUCTION, INVESTMENT PROPERTIES, 2016**

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Other sq m	Total sq m	No. of apts.
<b>Gothenburg</b>										
Brämregården 62:1	Fjärdingsgatan 3-9 / Gustaf Dahléns- gatan 4-8, 6A / Långängen 14-16	2016	5,857	-	257	-	-	1,250	7,364	112
Converted commercial premises to apartments in existing holdings, change			-	147	-140	-	-80	-	-73	3
<b>Stockholm</b>										
Sicklaön 368:2	Fyrspannvägen 3A-3B, 5A-5C / Jacobsdalsvägen 2A / Lokomobilvägen 3-5	2015	7,561	-	-	-	-	1,694	9,255	122
Domarudden 1	Grythundsgatan 3 / Jaktgatan 38-40	2016	-	-	-	-	815	-	815	-
<b>Total</b>			<b>13,565</b>	<b>-140</b>	<b>257</b>	<b>-80</b>	<b>815</b>	<b>2,944</b>	<b>17,361</b>	<b>237</b>

**PROPERTY ACQUISITIONS, 2016**

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Other sq m	Total sq m	No. of apts.
<b>Stockholm</b>										
Gränby 9:6, Uppsala*		-	-	-	-	-	-	-	-	-
Seglarskon 1*		-	-	-	-	-	-	-	-	-
Seglarskon 2*		-	-	-	-	-	-	-	-	-
<b>Total</b>										
* Land										

**PROPERTY SALES, 2016**

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Other sq m	Total sq m	No. of apts.
<b>Stockholm</b>										
Smaragden 2	Bergsgatan 26	1929	1,078	-	-	-	-	-	1,078	17
<b>Total</b>			<b>1,078</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,078</b>	<b>17</b>

## WIND POWER

Wallenstam has 64 wind turbines in operation divided among 19 wind farms. The installed output amounted to 139 MW (139).

Wind turbines are measured at cost less depreciation and impairment charges. Depreciation for the year amounted to SEK 24 million (24).

As of March 31, 2016, consolidated net investments in finished turbines amounted to SEK 1,347 million (1,749).

## FINANCING

### Equity

Shareholders' equity, including non-controlling interests (minority) amounted to SEK 15,333 million (13,044), equivalent to SEK 46 per share (39). The equity/assets ratio was 43 percent (40). Equity includes a deficit value on derivatives of SEK 1,050 million (1,155). This deficit, adjusted for tax, will be gradually reversed during the remaining derivative contract periods.

### Interest-bearing liabilities

Interest-bearing liabilities consist of conventional bank loans and commercial paper with a limit of SEK 2 billion, and bonds. On the closing day, the outstanding commercial paper volume amounted to SEK 1,850 million. Bonds comprise

a total of SEK 1,100 million, of which SEK 500 million are in the form of green bonds. The bonds are listed on Nasdaq Stockholm.

On the closing day, Wallenstam's interest-bearing liabilities amounted to SEK 15,355 million (15,709), which corresponds to a loan-to-value ratio of 45 percent (48) in relation to the Group's investments in properties, housing co-op constructions in progress and wind power. The average remaining fixed-interest term is 40 months (41). Of the loan portfolio, 53 percent (53) of the loans have fixed terms longer than one year.

On the closing day, the average interest rate amounted to 2.15 percent (2.36).

Financing of the loan portfolio is mainly secured by mortgage deeds for properties. No sureties are pledged for bonds or the commercial paper program. The Group has underlying credit commitments for the outstanding volume of commercial paper programs at each date.

### Derivative instruments

Wallenstam's financial derivative instruments consist mainly of interest rate derivatives and to a lesser extent of electricity derivatives. On the closing day, Wallenstam had a net indebtedness in respect of derivative instruments of SEK 1,050 million, compared to SEK 846 million at

December 31, 2015. Of this, interest rate derivatives accounted for SEK 1,020 million (814) and electricity derivatives for SEK 30 million (31).

Interest rate derivatives are used to obtain a desired interest maturity profile in a flexible and cost effective way. They are measured through discounting future cash flows based on observable market interest rates and are classified at level 2.

The arising deficit values for interest rate derivatives, which reflect how the Group's hedged interest rates relate to the market rate of interest on the closing day, are recognized as a liability in the balance sheet.

Electricity derivatives are used to mitigate the effect of market fluctuations by hedging income from future electricity sales and electricity production. These are measured at market value on the closing day.

### Available liquid assets

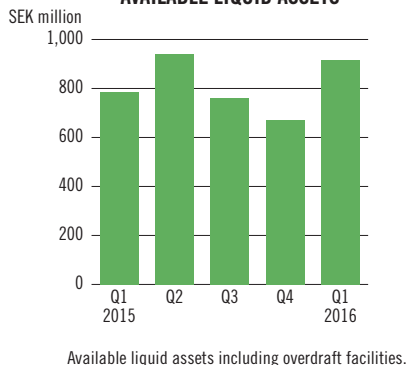
Available liquid assets, including bank overdraft facilities, amounted to SEK 916 million (784). Approved overdraft facilities amounted to SEK 800 million (800). There is also an approved credit commitment of SEK 1,465 million (491), and therefore total unutilized facilities amounted to SEK 2,381 million (1,275).

### FIXED TERMS, AVERAGE INTEREST RATES, 31 MAR 2016

Interest maturity structure	Amount, SEK million	Average interest rate, %	Proportion, %
0–3 mths	6,362	1.63 *	41.4
3 mths–1 year	838	0.63	5.5
1–2 years	500	2.19	3.3
2–3 years	600	3.15	3.9
3–4 years	130	3.15	0.8
4–5 years	1,300	2.72	8.5
5–6 years	1,200	2.92	7.8
6–7 years	2,175	2.56	14.2
7–8 years	1,250	3.13	8.1
8–9 years	200	2.40	1.3
> 9 years	800	2.22	5.2
<b>Total</b>	<b>15,355</b>	<b>2.15</b>	<b>100</b>

\* Variable interest loans with an interest maturity within three months have an average interest rate of 0.43%. 1.63% includes the effect of swap agreements that mature within the three-month period.

### AVAILABLE LIQUID ASSETS



## THE WALLENSTAM SHARE\*

The Wallenstam B share is quoted on Nasdaq Stockholm, Large Cap. During 2016, the Wallenstam share price increased by 3 percent. The property indices OMX Stockholm Real Estate and OMX Stockholm PI fell by 0.2 percent and 4 percent respectively during the same period.

At the end of the period, the Wallenstam share price was SEK 70.20 compared to SEK 68.00 at year-end 2015/2016. The

market capitalization was SEK 23,868 million (23,120) based on the total number of registered A and B shares. Equity per share amounted to SEK 46 (45).

Wallenstam has a mandate from the AGM to repurchase shares. During 2016, 800,000 shares were repurchased up to and including the closing day. On the closing day, the company held a total of 9,000,000 treasury shares, repurchased at an average price of SEK 57.30 per share.

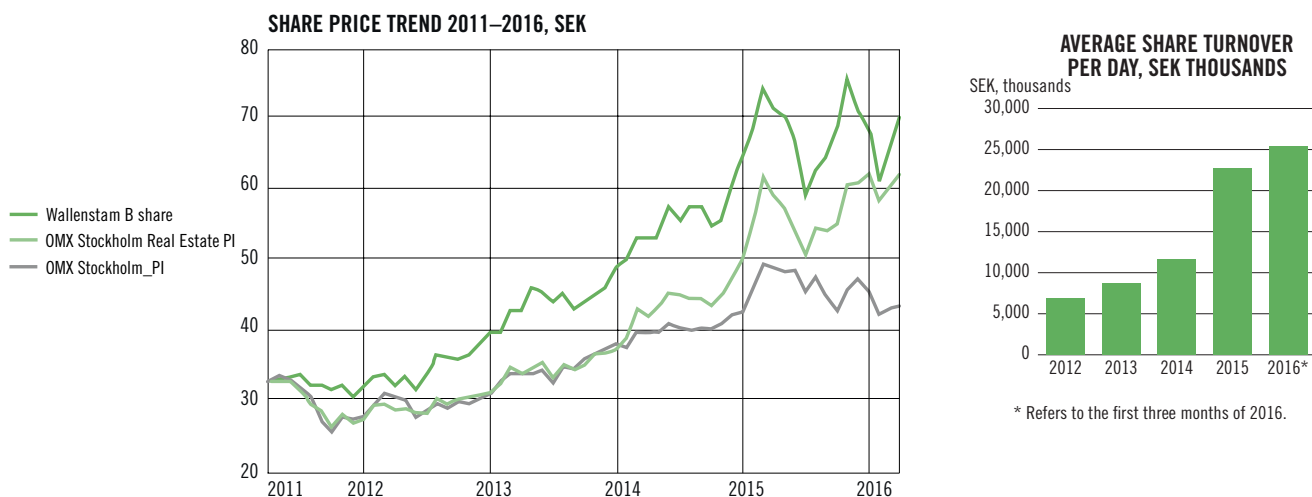
## Dividend

The Board of Directors proposed a dividend to the AGM of SEK 1.50 per share. (1.13).

## Turnover

During 2016, the Wallenstam share had an average daily turnover of about SEK 25.4 million (22.7).

\*Comparisons in brackets refer to amounts as of 31 December 2015. The relevant figures have been restated for the 2:1 share split, which was carried out in May 2015.



## SHAREHOLDINGS, 31 MARCH 2016

	A shares	B shares	Equity, %	Votes, %
Hans Wallenstam, and family, and company	34,500,000	44,966,400	23.37	60.79
AMF – Insurance and funds		26,167,124	7.70	4.08
Agneta Wallenstam		21,004,000	6.18	3.27
Anders Berntsson and family, and company		19,300,000	5.68	3.01
Henric Wiman and family		12,112,328	3.56	1.89
Bengt Norman and company		8,420,000	2.48	1.31
Monica and Jonas Brandström		7,462,926	2.19	1.16
Christian Wallenstam		5,700,000	1.68	0.89
David Wallenstam		5,440,000	1.60	0.85
U Wallenstam, and family		4,800,000	1.41	0.75
Other owners		141,127,222	41.51	22.00
<b>Total number of shares</b>	<b>34,500,000</b>	<b>296,500,000</b>		
Repurchased shares**		9,000,000	2.64	
Registered shares	34,500,000	305,500,000		
<b>Total registered shares</b>		<b>340,000,000</b>	<b>100.00</b>	<b>100.00</b>
<b>Total outstanding shares</b>		<b>331,000,000</b>		

The proportion of institutional ownership amounted to around 12 percent of equity and around 7 percent of votes. Foreign ownership amounted to around 10 percent of equity and around 5 percent of the votes.

Source: Euroclear Sweden AB

\*\* Repurchased own shares lack voting rights. They receive no dividends either.

## GOAL FOLLOW-UP

### Goal – Net asset value growth

Wallenstam's goal is to achieve an average rate of net asset value growth, excluding dividends and repurchases, of at least 10 percent per year until the end of 2018.

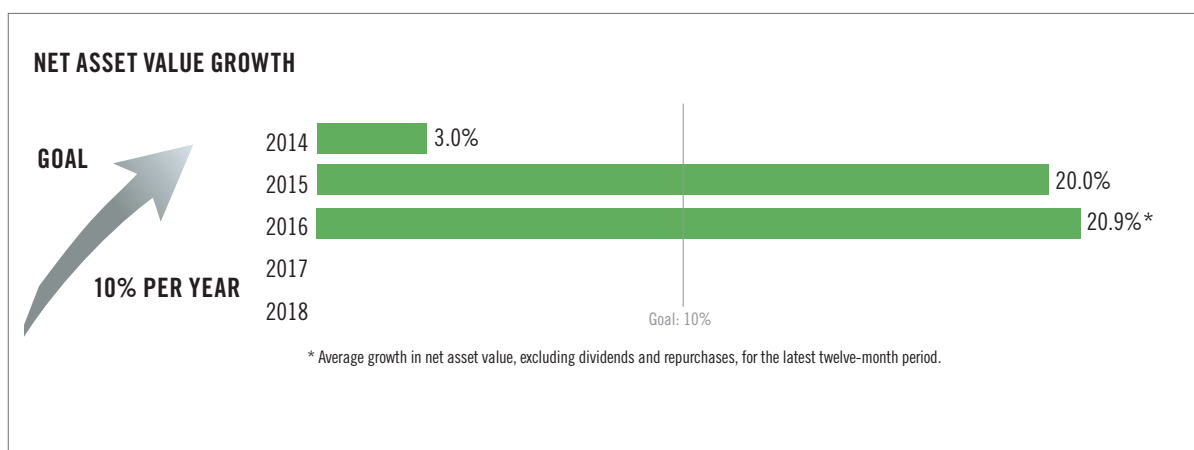
Estimated net asset value growth in relation to the Group's goal is based on a rolling twelve-month development and amounted to 20.9 percent for the period.

### Net asset value

The Group's net asset value amounted to SEK 18,962 million (16,160) on the closing day. Net asset value describes the Group's total created value and includes equity and deferred tax liability. Deferred tax liability refers mainly to differences between carrying amounts and residual values for tax purposes in Group properties.

A net deferred tax liability of SEK 2,791 million (2,095) is recognized in the balance sheet, which consists of a deferred tax asset of SEK 850 million (1,021) and a deferred tax liability of SEK 3,641 million (3,116).

The non-current net asset value (EPRA NAV), which in addition to reversal of deferred tax liabilities also considers unrealized changes in the value of derivatives, amounted to SEK 19,781 million (17,061).

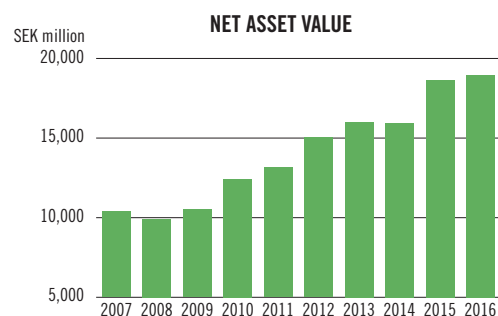


### NET ASSET VALUE GROWTH, GOAL FOLLOW-UP 1 APR 2015–31 MAR 2016

SEK million	
Net asset value, 1 Apr 2015	16,160
Change in net asset value for the period	2,802
<b>Consolidated net asset value</b>	<b>18,962</b>
Reversal of dividend and repurchases for the period	580
<b>Net asset value, goal measurement</b>	<b>19,542</b> <b>20.9%</b>

### NET ASSET VALUE

SEK million	31 Mar 2016	31 Mar 2015
Equity as per balance sheet	15,321	13,044
Deferred tax liability as per balance sheet	3,641	3,116
<b>Consolidated net asset value</b>	<b>18,962</b>	<b>16,160</b>
Derivatives as per balance sheet, net excl. tax	819	901
<b>Non-current net asset value (EPRA NAV)</b>	<b>19,781</b>	<b>17,061</b>



## OTHER INFORMATION

### Opportunities & risks

Wallenstam's opportunities and risks, and how we manage them, are presented in the 2015 Annual Report on pages 30–33. No significant changes have taken place since then.

### Sensitivity analysis

As of March 31, 2016, the estimated market value of properties amounted to around SEK 33 billion. A change in value of plus/minus 10 percent is thus equivalent to about SEK 3 billion. A general change of plus/minus 0.25 percentage points in property yield requirements is equivalent to about SEK -1.7 billion or SEK +1.9 billion.

### Transactions with related parties

Wallenstam's related parties consist chiefly of Group companies. Board members, company management and their families and the companies they control are also related parties. Transactions with related parties mainly consist of administrative fees and the renting of premises between Group companies. Individuals related to Board members rent apartments and are also electricity customers. Insurance services are purchased from companies where members of Wallenstam's Board of Directors and Group management are Board members, for a total equivalent to about SEK 5 million in annual charges. Contractual pension payments to Alecta also constitute a related-party transaction, as a Board member of Wallenstam is also a member of Alecta's board of directors. Wallenstam leases land for about

SEK 0.2 million per year, from a company in which one of the company's directors is also a Board member of Wallenstam. 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 215 million. This company has been a Svensk Natur-Energi electricity customer since the end of 2014. The CEO is a joint owner (50 percent) of Aranea Holding AB. Aranea Holding AB through subsidiaries, owns two wind turbines and 48 percent of the floorball equipment manufacturer Renew Group Sweden AB. Electricity trading for wind turbines is handled by Svensk NaturEnergi AB. Aranea and Renew are tenants of Wallenstam with an annual rental value equivalent to SEK 0.5 million and SEK 3.2 million, respectively. Both are also electricity customers.

Wallenstam's involvement in environmental and social responsibility issues is described in more detail on pages 26–29 of the 2015 Annual Report. As part of its social responsibility work, the Wallenstam Group not only contributes financially but also gives its time in the form of e.g. board work. As a result of such board positions, related party status arises in the case of the Rescue Mission in Gothenburg and Barn i Nöd (Swedish International Help for Children). During the year, the Rescue Mission in Gothenburg received SEK 2.5 million in contributions. Wallenstam also issued a general guarantee commitment for the Rescue Mission in Gothenburg of SEK 12.5 million. The Rescue Mission in Gothenburg rents premises from Wallenstam equivalent to rental income of about SEK 3.7 million annually. Both organizations are Svensk NaturEnergi electricity customers.

All transactions take place on market-related terms.

### Parent company

The parent company's primary operations are the performance of Group-wide services. In addition, the parent company owns a small number of properties.

### INCOME STATEMENT, PARENT COMPANY

SEK million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Revenue	85	81	264
Expenses	-91	-128	-374
Net financial items	-17	-22	363
Changes in value of derivative instruments	-207	-134	189
<b>Profit/loss before tax</b>	<b>-230</b>	<b>-203</b>	<b>442</b>
Group contributions	-	-	-619
Taxes	50	34	-33
<b>Profit/loss after tax</b>	<b>-180</b>	<b>-169</b>	<b>-210</b>
<b>Comprehensive income</b>	<b>-180</b>	<b>-169</b>	<b>-210</b>

### BALANCE SHEET, PARENT COMPANY

SEK million	31 Mar 2016	31 Mar 2015	31 Dec 2015
<b>Assets</b>			
Properties	1,237	1,136	1,192
Participations in Group companies	5,469	5,961	5,469
Financial derivative instruments	12	26	15
Receivables from Group companies	12,575	12,266	11,771
Other assets	515	543	477
Cash and cash equivalents	104	26	22
<b>Total assets</b>	<b>19,912</b>	<b>19,958</b>	<b>18,946</b>
<b>Equity and liabilities</b>			
Equity	5,409	6,210	5,643
Interest-bearing external liabilities	9,109	8,247	8,833
Liabilities to Group companies	4,094	4,077	3,410
Financial derivative instruments	1,032	1,162	829
Other liabilities	268	262	231
<b>Total equity and liabilities</b>	<b>19,912</b>	<b>19,958</b>	<b>18,946</b>
Pledged assets	4,422	3,852	4,226
Contingent liabilities	6,647	7,686	6,678

Total sales for the period amounted to SEK 85 million (81), of which rental income constituted SEK 19 million (15).

The performance was affected negatively by changes of SEK 207 million (134) in the value of financial interest derivative instruments. Profit after tax amounted to SEK -180 million (-169), as did comprehensive income.

Investments in non-current assets during the period amounted to SEK 53 million (30). Parent company external loans amounted to SEK 9,109 million (8,247) on the closing day.

### Events after the end of the reporting period

No events of significant importance for the company's position have occurred after the end of the reporting period.

### THE TEN LARGEST COMMERCIAL TENANTS

Tenant	Floor space, sq m
City of Gothenburg Stad	21,232
SF Bio AB	14,316
Gothenburg Regional Archives	11,000
Migration Agency	8,936
University of Gothenburg	8,125
Sodexo AB	7,725
SCA Hygiene Products AB	7,600
Vittraskolorna AB	6,374
Folkuniversitetet	6,270
Frisk Service i Göteborg AB	6,212
<b>Total</b>	<b>97,790</b>

Total commercial floor space is approximately 498,000 sq m.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	Jan-Mar 2016	Jan-Mar 2015	Apr-Mar 2015/2016	Jan-Dec 2015
Rental income		393	382	1,560	1,549
Operating expenses		-114	-112	-421	-419
<b>Net operating income, properties</b>		<b>279</b>	<b>270</b>	<b>1,139</b>	<b>1,130</b>
Management costs and administrative expenses		-47	-47	-188	-188
Financial income		1	3	18	20
Financial expenses		-66	-76	-280	-290
<b>Income from property management</b>		<b>167</b>	<b>150</b>	<b>689</b>	<b>672</b>
Income from natural energy management operations	1	-18	8	-31	-5
Capital loss hydroelectric power		-	-	-29	-29
Revenue, co-op apartment sales		26	378	851	1,203
Expenses, co-op apartment sales		-16	-299	-709	-992
Realized changes in value, investment properties including expenses	2	7	-5	190	178
<b>Profit before unrealized changes in value and impairment charges</b>		<b>166</b>	<b>232</b>	<b>961</b>	<b>1,027</b>
Unrealized changes in value, investment properties		400	174	2,733	2,507
<i>New construction</i>		285	120	804	639
<i>Other</i>		115	54	1,929	1,868
Unrealized changes in value, financial instruments		-210	-138	93	165
Unrealized changes in value, synthetic options		-4	-48	13	-31
Impairment losses on non-current assets		-	-	-250	-250
<b>Profit before tax</b>		<b>352</b>	<b>220</b>	<b>3,550</b>	<b>3,418</b>
Taxes		-70	-61	-673	-664
<b>Profit for the period, after tax</b>		<b>282</b>	<b>159</b>	<b>2,877</b>	<b>2,754</b>
<i>Other comprehensive income, items that may be transferred to profit/loss for the period</i>					
Translation difference		3	2	-12	-13
Tax attributable to other comprehensive income		0	0	3	3
<b>Comprehensive income</b>		<b>285</b>	<b>161</b>	<b>2,868</b>	<b>2,744</b>
<i>Distribution of profit/loss for the period</i>					
Profit for the period attributable to parent company shareholders		282	159	2,866	2,743
Profit/loss for the period attributable to non-controlling interests		-	-	11	11
Average number of outstanding shares, thousands		331,467	334,000	332,903	333,536
Profit after tax, SEK per share; dilution does not occur		0.9	0.5	8.6	8.3

## NOTE 1 – Income from natural energy management operations

SEK million	Jan-Mar 2016	Jan-Mar 2015	Apr-Mar 2015/2016	Jan-Dec 2015
Electricity revenue	86	115	275	304
Electricity expenses	-65	-66	-149	-150
Depreciation	-24	-24	-94	-94
Management costs and administrative expenses, natural energy	-7	-8	-31	-32
Financial expenses, natural energy	-8	-9	-32	-33
<b>Income from natural energy management operations</b>	<b>-18</b>	<b>8</b>	<b>-31</b>	<b>-5</b>

## NOTE 2 – Realized profit from the sale of investment properties

SEK million	Jan-Mar 2016	Jan-Mar 2015	Apr-Mar 2015/2016	Jan-Dec 2015
Sales revenue	71	-	2,200	2,129
Cost and investments	-45	-	-1,338	-1,293
Previously recognized changes in value	-13	-	-645	-632
<b>Realized changes in value, investment properties</b>	<b>13</b>	<b>-</b>	<b>217</b>	<b>204</b>
Sales and administrative expenses	-6	-5	-27	-26
<b>Realized changes in value, investment properties including expenses</b>	<b>7</b>	<b>-5</b>	<b>190</b>	<b>178</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONDENSED

SEK million	31 Mar 2016	31 Mar 2015	31 Dec 2015
<b>Assets</b>			
<i>Non-current assets</i>			
Investment properties	32,956	29,705	32,090
Wind turbines incl. construction in progress	1,347	1,749	1,366
Financial assets	365	544	378
Financial derivative instruments	-	26	-
Other non-current assets	63	61	63
<b>Total non-current assets</b>	<b>34,731</b>	<b>32,085</b>	<b>33,897</b>
<i>Current assets</i>			
Work in progress, co-op apartments	154	467	32
Financial derivative instruments	12	-	15
Other current assets	248	226	621
Cash and cash equivalents	192	47	41
<b>Total current assets</b>	<b>606</b>	<b>740</b>	<b>709</b>
<b>Total assets</b>	<b>35,337</b>	<b>32,825</b>	<b>34,606</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Equity	15,321	13,044	15,090
Equity attributable to non-controlling interests	12	0	12
<b>Total equity</b>	<b>15,333</b>	<b>13,044</b>	<b>15,102</b>
<i>Non-current liabilities</i>			
Provisions for deferred tax	2,791	2,095	2,716
Other provisions	41	42	40
Interest-bearing liabilities	1,555	1,784	1,599
Financial derivative instruments	1,032	1,172	822
Other non-current liabilities	80	104	77
<b>Total non-current liabilities</b>	<b>5,499</b>	<b>5,197</b>	<b>5,254</b>
<i>Current liabilities</i>			
Interest-bearing liabilities	13,800	13,925	13,554
Financial derivative instruments	30	9	39
Other current liabilities	675	650	657
<b>Total current liabilities</b>	<b>14,505</b>	<b>14,584</b>	<b>14,250</b>
<b>Total equity and liabilities</b>	<b>35,337</b>	<b>32,825</b>	<b>34,606</b>
Pledged assets	14,908	14,980	14,225
Contingent liabilities	30	30	30

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to parent company shareholders						
SEK million	Share capital	Other capital contributed	Other reserves	Profit brought forward	Non-controlling interests	Total equity
<b>Opening equity, 1 Jan 2015</b>	<b>170</b>	<b>359</b>	<b>-14</b>	<b>12,368</b>	<b>0</b>	<b>12,883</b>
Profit/loss for the period	-	-	-	159	0	159
Other comprehensive income	-	-	2	-	-	2
Tax attributable to other comprehensive income	-	-	-	-	-	-
<i>Transactions with shareholders</i>						
Dividends	-	-	-	-	-	-
Adjustment in equity	-	-	-	-	-	-
Repurchase of own shares	-	-	-	-	-	-
<b>Closing equity, 31 Mar 2015</b>	<b>170</b>	<b>359</b>	<b>-12</b>	<b>12,527</b>	<b>0</b>	<b>13,044</b>
<b>Opening equity, 1 Jan 2016</b>	<b>170</b>	<b>359</b>	<b>-24</b>	<b>14,586</b>	<b>12</b>	<b>15,102</b>
Profit/loss for the period	-	-	-	282	-	282
Other comprehensive income	-	-	3	-	-	3
Tax attributable to other comprehensive income	-	-	0	-	-	0
<i>Transactions with shareholders</i>						
Dividends	-	-	-	-	-	-
Repurchase of own shares	-	-	-	-54	-	-54
<b>Closing equity, 31 Mar 2016</b>	<b>170</b>	<b>359</b>	<b>-21</b>	<b>14,814</b>	<b>12</b>	<b>15,333</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jan-Mar 2016	Jan-Mar 2015	Apr-Mar 2015/2016	Jan-Dec 2015
Profit before unrealized changes in value and impairment losses*	166	232	961	1,027
Adjustment for items not included in cash flow	14	-27	-271	-312
Taxes paid	0	0	0	0
<b>Cash flow before change in working capital</b>	<b>180</b>	<b>205</b>	<b>690</b>	<b>715</b>
Change in working capital	44	-6	-206	-256
<b>Cash flow from operating activities</b>	<b>224</b>	<b>199</b>	<b>484</b>	<b>459</b>
<i>Investments/divestments</i>				
Investments in properties, co-op projects and individual co-op apartments	-658	-1,215	-2,709	-3,266
Investments in wind turbines, intangible assets & property, plant and equipment	-3	-4	-14	-15
Investments in financial assets	-3	-3	-13	-13
Divestment of properties, co-op shares & property, plant and equipment	101	413	3,102	3,414
<b>Cash flow from investing activities</b>	<b>-563</b>	<b>-809</b>	<b>366</b>	<b>120</b>
<i>Financing</i>				
Loans raised	1,548	1,830	5,878	6,160
Amortization of loans	-1,346	-1,229	-6,346	-6,229
Dividends paid	-	-	-376	-376
Repurchase of own shares	-54	-	-204	-150
Divestment and amortization of financial assets	342	-	342	-
<b>Cash flow from financing activities</b>	<b>490</b>	<b>601</b>	<b>-706</b>	<b>-594</b>
<b>Changes to liquid assets</b>	<b>151</b>	<b>-9</b>	<b>145</b>	<b>-15</b>
Cash and cash equivalents at beginning of the period	41	56	47	56
Cash flow for the period	151	-9	145	-15
Cash and cash equivalents at the end of the period	192	47	192	41
Unutilized overdraft facilities at the end of the period	762	737	762	631
Blocked bank balances	-38	-	-38	-
Available liquid assets	916	784	916	672

\*Includes interest paid and interest received of SEK 86 million (91) and SEK 5 million (2) respectively, of which SEK 13 million (9) was capitalized as a non-current asset.



## SEGMENTS REPORT

2016 SEK million	Gothenburg Jan-Mar	Stockholm Jan-Mar	Svensk NaturEnergi Jan-Mar	Other Jan-Mar	Elimination Jan-Mar	Total Jan-Mar
<b>Income statement</b>						
Rental income	277	113	-	4	-1	393
Operating expenses	-72	-40	-	-2	-	-114
Electricity revenue	-	-	83	-	-83	-
Electricity expenses	-	-	-82	-	82	-
<b>Net operating income</b>	<b>205</b>	<b>73</b>	<b>1</b>	<b>2</b>	<b>-2</b>	<b>279</b>
Management costs and administrative expenses	-22	-18	-7	-8	8	-47
Net financial items	-48	-2	-8	-15	8	-65
<b>Income from management operations</b>	<b>135</b>	<b>53</b>	<b>-14</b>	<b>-21</b>	<b>14</b>	<b>167</b>
Income from natural energy management operations	-	-	-	-	-18	-18
Profit from the sale of co-op apartments	2	8	-	-	-	10
Realized changes in value, investment properties	-4	11	-	-	-	7
<b>Profit/loss before unrealized changes in value and impairment charges</b>	<b>133</b>	<b>72</b>	<b>-14</b>	<b>-21</b>	<b>-4</b>	<b>166</b>
Unrealized changes in value, investment properties	147	253	-	-	-	400
Unrealized changes in value, financial instruments and renewable energy certificates	-	-	-7	-207	4	-210
Unrealized changes in value, synthetic options	-	-	-	-4	-	-4
<b>Profit/loss before tax</b>	<b>280</b>	<b>325</b>	<b>-21</b>	<b>-232</b>	<b>-</b>	<b>352</b>
<b>Balance sheet</b>						
Investment properties	21,603	10,767	-	586	-	32,956
Wind turbines	-	-	1,347	-	-	1,347
Work in progress, co-op apartments	-	154	-	-	-	154
Unapportioned assets	-	-	-	-	-	880
<b>Total assets</b>	<b>21,603</b>	<b>10,921</b>	<b>1,347</b>	<b>586</b>	<b>-</b>	<b>35,337</b>
Equity	-	-	-	-	-	15,333
Loans	9,648	1,804	1,197	2,706	-	15,355
Unapportioned liabilities	-	-	-	-	-	4,649
<b>Total equity and liabilities</b>	<b>9,648</b>	<b>1,804</b>	<b>1,197</b>	<b>2,706</b>	<b>-</b>	<b>35,337</b>

2015 SEK million	Gothenburg Jan-Mar	Stockholm Jan-Mar	Svensk NaturEnergi Jan-Mar	Other Jan-Mar	Elimination Jan-Mar	Total Jan-Mar
<b>Income statement</b>						
Rental income	272	108	-	4	-2	382
Net operating income	199	71	29	1	-30	270
Electricity revenue	-	-	107	-	-107	-
Income from property management operations	129	49	-	-26	-	150
Income from natural energy management operations	-	-	12	-	-4	8
Profit/loss from sales of properties, apartments and wind turbines	-2	78	-	-2	-	74
<b>Profit/loss before unrealized changes in value and impairment charges</b>	<b>127</b>	<b>127</b>	<b>12</b>	<b>-28</b>	<b>-4</b>	<b>232</b>
Profit/loss from changes in value and impairment charges	136	38	-9	-181	4	-12
<b>Profit/loss before tax</b>	<b>263</b>	<b>165</b>	<b>3</b>	<b>-209</b>	<b>-</b>	<b>220</b>
<b>Balance sheet</b>						
Investment properties	19,786	9,356	-	563	-	29,705
Wind turbines	-	-	1,749	-	-	1,749
Work in progress, co-op apartments	-	467	-	-	-	467
Unapportioned assets	-	-	-	-	-	904
<b>Total assets</b>	<b>19,786</b>	<b>9,823</b>	<b>1,749</b>	<b>563</b>	<b>-</b>	<b>32,825</b>
Equity	-	-	-	-	-	13,044
Loans	7,967	1,927	1,214	4,601	-	15,709
Unapportioned liabilities	-	-	-	-	-	4,072
<b>Total equity and liabilities</b>	<b>7,967</b>	<b>1,927</b>	<b>1,214</b>	<b>4,601</b>	<b>-</b>	<b>32,825</b>

Non-controlling interests, included in the Group's consolidated accounts, can be found in the Elimination column.

## KEY RATIOS – MULTI-YEAR SUMMARY

	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015	31 Mar 2015	31 Dec 2014	30 Sep 2014	30 Jun 2014	31 Mar 2014
<b>Accumulated during period</b>									
Rental income, SEK million	393	1,549	1,159	771	382	1,566	1,186	793	399
Net operating income, properties, SEK million	279	1,130	854	560	270	1,127	872	574	279
Surplus ratio, property management, %	71	73	74	73	71	72	74	72	70
Income from property management, SEK million	167	672	512	322	150	592	464	289	138
Income from natural energy management, SEK million	-18	-5	-3	-2	8	-25	-21	-5	12
Profit before unrealized changes in value, SEK million	166	1,027	799	566	232	1,025	705	396	225
Profit after tax, SEK million	282	2,754	2,167	1,981	159	585	187	354	177
Comprehensive income, SEK million	285	2,744	2,161	1,980	161	583	193	357	179
Return on equity, %	19.8	19.6	19.0	16.8	4.4	4.6	4.3	8.1	9.3
Return on total capital, %	11.3	11.2	10.3	9.3	3.4	3.2	3.1	4.2	4.8
Value of investment properties, SEK million	32,956	32,090	31,046	30,347	29,705	28,481	28,461	28,515	27,880
Work in progress, co-op apartments, net, SEK million	154	32	207	460	467	601	799	1,022	1,044
Yield, investment properties, %	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.5	4.4
Total yield, investment properties, %	13.4	13.1	13.9	14.8	9.5	8.6	8.6	8.5	7.3
Interest coverage ratio, realized, times	6.5	6.5	7.2	7.4	4.8	5.3	4.5	5.2	4.9
Interest coverage ratio, times	4.3	4.4	4.5	4.5	3.8	3.7	3.1	2.7	2.5
Loan-to-value ratio, %	45	45	45	45	49	49	52	53	53
Average interest rate on the closing day, %	2.15	2.22	2.27	2.33	2.36	2.56	2.61	2.79	2.94
Average fixed-interest term, months	40	39	42	44	41	43	41	40	41
Equity/assets ratio, %	43	44	43	43	40	41	39	39	40
Equity, SEK million	15,333	15,102	14,605	14,488	13,044	12,883	12,604	12,814	12,992
Net asset value, SEK million	18,962	18,630	17,937	17,792	16,160	15,964	15,709	15,978	16,071
Non-current net asset value (EPRA NAV), SEK million	19,781	19,290	18,704	18,460	17,061	16,760	16,303	16,443	16,367
Market capitalization, SEK million	23,868	23,120	23,392	20,026	24,208	22,049	18,581	18,904	18,037
Dividend, SEK million	-	376	376	376	-	337	337	337	-
Area, sq m (thousand)	1,073	1,056	1,044	1,037	1,053	1,007	1,032	1,066	1,066
Occupancy rate – lettable area, %	98	98	98	98	98	98	98	98	98
Number of employees	216	216	214	210	205	203	204	201	198
Shares outstanding, average, thousands	331,467	333,536	333,847	334,000	334,000	336,400	336,826	337,076	337,140
Shares outstanding at end of period, thousands	331,000	331,800	333,040	334,000	334,000	334,000	335,880	336,706	337,048
<b>Per share data</b>									
Profit after tax, SEK	0.9	8.3	6.5	5.9	0.5	1.7	0.6	1.1	0.5
P/E ratio, times	8.1	8.2	8.9	8.9	41.9	37.1	33.1	18.2	15.4
Cash flow from operating activities, SEK	0.7	1.4	1.7	1.1	0.6	1.9	1.5	1.1	0.5
Equity, SEK	46	45	44	43	39	39	38	38	39
Share price, SEK	70.20	68.00	68.80	58.90	71.20	64.85	54.65	55.60	53.05
Share price in relation to equity, %	153	148	156	137	183	168	146	146	138
Dividends, SEK	-	1.13	1.13	1.13	-	1.00	1.00	1.00	-

## QUARTERLY OVERVIEW

	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014
Rental income, SEK million	393	390	387	390	382	380	393	394	399
Net operating income, properties, SEK million	279	276	293	291	270	256	298	294	279
Surplus ratio, property management, %	71	71	76	74	71	67	76	75	70
Income from property management, SEK million	167	160	190	171	150	129	173	150	138
Return on equity, %	19.8	19.6	19.0	16.8	4.4	4.6	4.3	8.1	9.3
Earnings per share after tax, SEK	0.9	1.8	0.6	5.5	0.5	1.2	-0.5	0.5	0.5
Cash flow per share from operating activities, SEK	0.7	-0.3	0.7	0.5	0.6	0.0	0.4	0.6	0.5
Equity per share, SEK	46	45	44	43	39	39	38	38	39
Share price, SEK	70.20	68.00	68.80	58.90	71.20	64.85	54.65	55.60	53.05

Earnings-based key ratios are calculated on the average number of outstanding shares; yield figures are calculated on rolling twelve-month profit or loss. The relevant key ratios have been restated for the 2:1 share split, which was carried out during the second quarter of 2015.

## DEFINITIONS AND GLOSSARY

### **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 in relation to the Group's investments in properties, housing co-op constructions in progress and wind power at the end of the period.

### **Market capitalization**

Share price multiplied by the number of registered shares on the closing day.

### **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.

### **Net operating income**

Rental income less operating and maintenance expenses, site leasehold rents and property tax.

### **Yield, investment properties**

Net operating income for the latest rolling 12-month period as a percentage of the weighted average carrying amount of investment properties excluding projects in progress.

### **Total yield, investment properties**

Net operating income for the latest rolling 12-month period plus/minus realized and unrealized changes in value of investment properties as a percentage of the weighted average carrying amount of the properties excluding projects in progress.

### **Property values**

The assessed market value of the property holdings according to an internal valuation.

### **Renewable energy**

Energy that comes from renewable sources such as wind power, hydroelectric power and bio-fuels.

### **Income from property management**

Net operating income less management costs, administrative expenses and net financial items.

### **Rental value**

Rental income and the estimated market rent for vacant space.

### **Cash flow per share**

Cash flow for the period in relation to the average number of 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.

### **kWh, monthly requirement**

A unit of energy based on how many kW are used per hour based on a monthly requirement.

### **Non-current net asset value (EPRA NAV)**

Equity with reversal of deferred tax liabilities and the net effect of unrealized changes in value of derivative instruments after tax.

### **Average number of employees**

The 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 12-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 12-month basis.

### **Return on total capital**

Profit before tax less interest expenses in relation to average capital employed, calculated on the latest rolling 12-month period.

### **Interest coverage ratio**

Profit or loss before unrealized changes in value and impairment charges with reversal of net financial items for the latest rolling 12-month period in relation to net financial items for the latest rolling 12-month period.

### **Interest coverage ratio, realized**

Profit or loss before unrealized changes in value and impairment charges with reversal of net financial items excluding realized changes in the value of investment properties with additions for conventional profit or loss from the sale of investment properties for the latest rolling 12-month period in relation to the net financial items for the latest rolling 12-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.

### **Synthetic options scheme**

A share-related options programme aimed at employees. Synthetic options provide the holder with the right to a final cash settlement at a given point in time based on the current share price.

### **Comprehensive income**

Profit after tax including equity transactions after tax that are not transactions with the owners.

### **Conventional gains or losses from the sale of investment properties**

Gains or losses from the sale of investment properties less the invested amount and administrative expenses attributable to the property sales.

### **Occupancy rate – lettable area**

Let floor space in relation to total floor space.

### **Operating result**

Realized profit excluding profit from property sales.

### **Surplus ratio**

Net operating income as a percentage of rental income.

For further information, please refer to: [www.wallinstam.se/glossary](http://www.wallinstam.se/glossary)

Wallenstam is required to publish the information in this interim report according to the Swedish Financial Markets Act and the Swedish Financial Instruments Trading Act. The information was submitted for publication on 26 April 2016 at 08:00 (CET).

**Wallenstam** 

WALLENSTAM AB (publ), co reg. no. 556072-1523  
SE-401 84 Gothenburg, Street address: Kungsportsavenyen 2  
Telephone +46 31 20 00 00, Fax +46 31 10 02 00 [www.wallenstam.se](http://www.wallenstam.se)